ΣΥΝΕΤΑΙΡΙΣΤΙΚΗ
ΤΡΑΠΕΖΑ ΚΑΡΔΙΤΣΑΣ

# COOPERATIVE BANK OF KARDITSA SYN.PE.

## Annual Financial Report
## for the year ended on 31 December 2019

**In accordance with the International Financial Reporting Standards (IFRS)**

## July 2020

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## A) Report of the Board of Directors for the financial year 2019

This Board of Directors Annual Report is for the financial year 2019 (1.1.2019 - 31.12.2019). The Report was drafted and is harmonized with the relevant provisions of Article 150 of Law 4548/2018.

This Report fairly presents all information required by law to provide a substantial and documented view of the activities, over the period under review, of the Cooperative Bank of Karditsa SYN.PE. .

The Report is included as is, along with the Bank's financial statements and the other data and statements required by law in the Annual Financial Report as of the year 2019.

**A. THE WORLD AND EUROPEAN ECONOMY**

In 2019, there was a significant decline in the global trade growth rate to 1%, from 3.7% in 2018, as a result of the increasing trade protectionism and increased uncertainty. The US-China trade war and the return of tariffs have greatly affected the global business climate and economic activity. In some cases (primarily in the developed economies and in China) these developments intensified the slowdown, which was already in progress. The slowdown in international trade affected external demand and industrial production and led to a moderate 2.9% growth in global GDP, the lowest rate in a decade, compared to 3.6% in 2018.

In particular in the euro area, the GDP growth rate declined to 1.2% from 1.9% in 2018, mainly due to weakening in external demand. However, the slowdown in the growth of the euro area economy was restrained by domestic demand, which remained strong due to increased employment and disposable income, but also due to the continued improvement of financial conditions.

The biggest challenge for the euro area today, which makes all of the above of secondary importance, is the protection of human life and the preservation of social cohesion, as well as the timely and effective response to the negative effects on the economy and society since the spread of coronavirus.

The spread of coronavirus is currently the biggest source of risk for the global and European economies, as it has a direct impact on industry through supply chain disruptions, on trade, transport, tourism and the financial markets as well. The economic impact cannot yet be accurately quantified, but can only be estimated on the basis of various hypothetical scenarios.

In particular, the OECD is forecasting a global recession of -6% in the absence of a second wave and -7.6% in the event of a wave. The corresponding forecasts are -7.5% and -9.3% for OECD Member States, -5.7% and -7.3% for G20 countries, -9.1% and -11.5 % for euro area countries, -7.3% and -8.5% for the USA, -2.6% and -3.7% for China.

But what the report underlines is that the crisis will cast a heavy shadow over the global economy. By 2021 it will have reduced the GDP per capita in most OECD countries at the 2013 levels in the worst case scenario. Several of the companies that will close will not reopen, reducing overall production capacity and leading to even higher unemployment rates.

**B. THE GREEK ECONOMY**

Despite the anemic growth of the European economy, the Greek economy has continued to recover until recently, as evidenced by the positive performance recorded in key macroeconomic and financial indicators.

According to the available general government cash data for 2019, for the fifth consecutive year, the primary surplus target was exceeded, estimated, according to the provisional data, close to 4% of GDP.

The reward for the progress made by Greece is the upgrading of the country’s solvency by one notch in October 2019 by the rating agency Standard & amp; Poor's and more recently, in January 2020, by Fitch, but also the improvement of the country’s position by seven notches in terms of the Corruption Perceptions Index developed by Transparency International. In an international environment of negative returns, the yields of Greek government and corporate bonds recorded a continuous and rapid de-escalation, which was only recently overturned due to the spread of coronavirus. These recent developments demonstrate, among other things, the importance of the participation of Greek government bonds in the European Central Bank's (ECB) quantitative easing program.

The growth rate of GDP at constant prices was 1.9%, as in 2018.

The growth rate of the Greek economy is estimated to slow significantly in 2020, given the effects of the spread of the coronavirus. For the moment, these effects cannot be quantified accurately, as data are not yet available and the pandemic is ongoing. Nevertheless, in its recent estimates, the Foundation for Economic and Industrial Research (IOBE) has forecast a recession from 7.5% to 10.5% for Greece, revising its initial estimates for a recession from 5% to 10%. According to the unfavorable scenario, which includes the possibility of a second wave of the health crisis, the recession will reach 10.5%, with the nominal recession ranging at 13-14%. In the main scenario, IOBE has estimated an increase in unemployment of more than 19% in 2020, while in the unfavorable one, it has been estimated that it will exceed 20%.

The economic impact is expressed through three channels. With regard to demand, it is expressed through a slowdown in Greek exports, both goods and services (transport, shipping and tourism), and domestic consumption and investments. With regard to supply, through disruption in international and regional supply chains of intermediate and capital goods, and by closing businesses to limit the spread of the pandemic.

**G. THE GREEK BANKING SYSTEM**

In 2019, positive developments were recorded in the financial sector, with an increase in bank deposits and an improvement in the financing conditions of the banks, which contributed to the strengthening of their liquidity and allowed the increase of the bank financing of businesses and households.

The improved confidence of depositors in the banking system has contributed to the absence of deposit outflows after full lifting of measures in September 2019 and the latest restrictions on international payments and the transfer of funds abroad.

In addition, the recent repeal by the Board of Directors of the European Central Bank (ECB) of the March 2015 decision imposing ceilings on the Greek government bond market by Greek banks, confirmed the recovery of confidence in the Greek banking system.

The development of private banking deposits was positive, as a result of the repositioning of banknotes and the repatriation of funds invested in financial assets abroad.

Developments in the banking system in 2019 were determined by the improved operating profitability, the maintenance of capital adequacy at a satisfactory level, the continued recovery of credit expansion, the rise in private-sector bank deposits and the further decline in the stock of non-performing loans (NPLs) ) in the banks' balance sheets, which, however, remains very high.

During 2019, the banks continued their efforts to tackle the high stock of NPLs, which is the main challenge for the banking system. Although the problem of NPLs is mainly considered to be the result of the recession, legislative interventions such as the suspension of primary residence auctions, the abuse of the anti-seizure framework and various other legal and judicial obstacles have not allowed the problem to be tackled effectively.

The implementation of the “Hercules” scheme is expected to contribute to the faster de-escalation of this stock, but with a significant impact on the banks' capital. This follows from the current capital structure of the banks, with the deferred tax asset (DTA) constituting a disproportionately large part of the total capital.

The hitherto observed decrease in NPLs combined with the improvement of liquidity conditions contributed to the improvement of the conditions of bank financing provided to undertakings, mainly to the large enterprises. On the contrary, the rate of change of housing and consumer credit remained negative.

At the end of December 2019, NPLs remained at a high level and amounted to EUR 68.0 billion (or 40.3% of total loans, compared to 3.4% of the European average at the end of September 2019), reduced by EUR 13.8 billion compared to the end of December 2018 and by EUR 39.2 billion compared to March 2016, when the highest level of NPL was recorded. The decline in NPLS stock during 2019 is mainly due to sales of loans of EUR 8.1 billion and write-offs of EUR 4.3 billion.

As regards the operational objectives for the reduction of the NPLs, the target of the banks is that the NPL index be set at levels below 20% by the end of 2021. The rate of reduction of NPLs can be further accelerated by implementing solutions such as the “Hercules” scheme

However, all this is being revised in view of the extraordinary circumstances and conditions of great uncertainty under which the banking system and the real economy are now required to function. In other words, it is expected that the course towards achieving the objective of a significant reduction of the percentage of NPLs in the next period will be negatively affected, but not the final objective.

## D. THE COOPERATIVE BANKS

Cooperative banks are a relatively new institution that this year marks 26 years in the Greek banking market. An institution that is required to survive among the “Clashing Rocks” of systemic groups. However, they are a tool with a significant presence at regional level, where they also achieve significant market shares.

It is an institution that is developing and survives on its own without being supported by Greek and European institutions throughout all these years of crisis. As a result, the industry, which at the end of 2019 had seven cooperative banks, also shrank. This happened after the mergers that were completed in early 2019, with the merger of the cooperative banks of Serres and Pieria, which created the Cooperative Bank of Central Macedonia and the absorption of the bank of Evros by the Cooperative Bank of Drama.

In 2019 there were positive changes in all key financial figures of Cooperative Banks at the end of 2019.

In more detail:

- The assets increased by 11.85% (EUR 3,157.8 million compared to EUR 2,823.2 million, i.e. EUR 334.6 million).
- There was a change of 15.14% in deposits. Specifically, they amounted to EUR 2,671.8 million compared to EUR 2,320.5 million in 2018, i.e. increasing by EUR 351.4 million.
- The grants slightly increased by 2.80%, i.e. from EUR 2,055.9 million amounted to EUR 2,113.4 million, namely increasing by EUR 57.5 million.

The cooperative funds decreased by 1.98%, while the equity increased by 7.27%. Specifically, the cooperative funds decreased by EUR 2.24 million (EUR 110.7 million compared to EUR 113.0 million). By contrast, equity increased by EUR 12.5 million (EUR 184.9 million compared to EUR 172.3 million).

Profit before tax shows a significant decrease of EUR 10.2 million (EUR 14.4 million compared to EUR 24.6 million), showing a decrease of 41.45%.

As for the other sizes, in branches there was a slight decrease by 3, namely from 110 to 107. Members increased by 4,838 people (change of 2.7%) (184,025 compared to 179,187) and in

staff there was an increase of 41 people, i.e. a change of 4.33% (988 compared to 947).

In June 2020, the number of Cooperative Banks in Greece decreased further, following the decision of the General Assembly of the Pancretan Cooperative Bank to be converted into a S.A. and to now belong to the industry of commercial banks. This was a major blow to the institution, as Pancretan Bank represented in terms of size, almost half of the industry.

## E. THE COOPERATIVE BANK OF KARDITSA

The Cooperative Bank of Karditsa was faced to all these circumstances, too. 2019 was another year of significant growth in the size and results of the bank.

Assets reached 119.17 million for the first time, recording an increase of 13.85% compared to 2019 (104.67 million).

Deposits continued to grow. At the end of 2019, they exceeded 103 million compared to 90.5 million in 2018, marking an increase of 13 million or 14.36 %. From the officially published data of the Bank of Greece regarding the deposits per county, the Bank's share has grown in the Prefecture of Karditsa and in 2019 stood at 11.38%, reflecting for one more year the confidence shown by members and customers to the bank. Characteristic of the confidence of the professionals active in our Prefecture is the percentage of sight deposits held at the Cooperative Bank of Karditsa. This figure exceeded 27% of the total sight deposits of the Prefecture.

The loans amounted to EUR 77.4 million compared to EUR 71.11 million in 2018, increasing by 8.87%. The continued positive credit growth rate confirms the intention of the bank's BoD to continue to finance the local economy and support businesses.

The percentage of non-performing loans (> 90 days + final delays) declined further to 29.84% compared to 32.52% in 2018 and 36.97 % in 2017 well below the average banking system, with a clear downward trend as shown by the first figures of 2020. This was the result of the successful management of large exposures and of the significant increase in total lending.

Bad debt provisions amount to EUR 19,041,127 compared to ER 18,309,116 in 2018. Accumulated allowance for 24.60% of total customer receivables.

Subsequently, the loan-to-deposit ratio declined further to 74.7%, compared to 78.83% in 2018 and 80.51% in 2017.

The bank's liquid reserves amounted to EUR 54.9 million in 2019 compared to EUR 46.4 million in 2018, increasing by 18.32%. The adequacy of liquid reserves strengthens the bank against any liquidity risk and gives great opportunities to finance the local economy.

Subscriptions of new members continue to grow at high rates. The number of Bank members on 31/12/2019 exceeded 10,000 for the first time, reaching 10,216 marking an increase of 766 new members or a percentage increase of 8.11% compared to 2018. Between 2010-2019 the number of members was steadily rising and the increase is 150%. The cooperative shares reach 250,000 increased by 7,500 in 2019.

Total operating revenues reached 5.4 million significantly increased by 10.20% compared to 2018 (4.9 million).

Total expenses (operating, depreciation, management etc) increased by 8.86% (EUR 2.21 million in 2019 compared to EUR 2.03 million in 2018) due to the increase in labor costs, following the mandatory application of the sectoral labor contract of the federation representing bank employees in Greece (OTOE) from September 2018 and its 12-month application.

As a result, operating profits reached EUR 1.78 million, up by 16.34% from 2018 (EUR 1.53 million), confirming for one more year the dynamic operating profitability of our bank.

The credit risk impairment allowance amounted to 732 thousand, aimed at further shielding the Bank.

Net profit after tax and impairment losses (allowances) amounted to EUR 302,307 compared to EUR 1,052,791 in 2018, thus decreasing due to the large increase of allowances set by the Bank for 2019.

The bank's accounting equity increased to EUR 13.6 million, namely increasing by 5.5% compared to 2018 (EUR 12.9 million), (DTA EUR 2.29 million or 16.85%). The accounting value of the share was set at

EUR 54.53, increased by 2.29% (2018: EUR 53.31). This yield is almost five times the yield of the time deposit and shows the return on the investment in shares of the Cooperative Bank of Karditsa.

- The Liquidity Coverage Ratio (LCR) was 187.25% (2018 188,27%) well above the 100% minimum requirement.

The results of the Supervisory Review and Evaluation Process (SREP) were announced in November 2019 in the relevant supervisory dialogue.

The supervisory review and evaluation process shows the status of a bank in relation to the capital requirements and the way the bank addresses risks.

The result of this assessment confirmed the excellent state of our bank, having the best rating among all banking institutions in the country.

For the Cooperative Bank of Karditsa, the minimum capital adequacy ratio was set at 12.65% (8% base indicator + 2.15% additional capital requirement + 2.5% reserve). Our bank meets and exceeds this requirement for another year by achieving an index of 21.96%, the highest in the entire banking system.

The results of 2019 and the continuous profitable years confirm the stability, dynamics and the upward course of the Cooperative Bank of Karditsa. Our bank, with its high capital adequacy and great liquidity, is able to cope with the great recession that the institutions envisage for 2020, due to the global health crisis caused by the coronavirus pandemic. The fundamentals of the bank are not expected to be significantly affected.

The strong position of the Cooperative Bank of Karditsa makes it the most important economic development operator in our region.

The Board of Directors of the Bank, seeking to take advantage of the bank's dynamics, in 2018 submitted to the Bank of Greece a request for authorization to operate in a wider geographical area that includes the region of Thessaly and adjacent regions. The BoG responding positively, approved the request and now our bank can operate in almost all of central Greece.

In November 2019, the term of office of the previous Board of Directors expired and in the elections held, our members - with great participation - voted and appointed the new Board of Directors which will lead the bank in the next four years.

The Board of Directors, in order to strengthen the bank and despite the continuous profitability, has been applying a tight dividend policy all these hard years, as it is also recommended by the BoG in its circular. Especially this year, after the recommendation for non-distribution of dividends, the Board of Directors chose to increase the allowances, to significantly reduce the deferred tax included in the bank's equity and to transfer the surplus to retained earnings carried forward for a future fiscal year.

The board of directors of the bank implements transparently all applicable corporate governance principles. It adapts immediately to the requirements of the supervisory authorities and organizes the bank’s staff and management in line with the institutional obligations as well as the increased operational needs resulting from the increase in figures. It makes every effort to respond consistently to the expectations of members and customers.

In 2019, the bank’s Board of Directors commissioned a group of teachers to draw up a five-year business plan. The project was delivered in October of the same year and is an in-depth study of the internal and external environment of the bank. It analyses scientifically the strengths of the bank, its weaknesses, opportunities and threats and comes up with proposals for its evolution and future development.

The Cooperative Bank of Karditsa is at the forefront of actions in Greece aimed at strengthening the real economy, stimulating the social economy, highlighting the productive structures of our region. The bank's executives and all the employees in the bank demonstrated unparalleled zeal, consistency of diligence and willingness to evolve this year, too. They are the ones who, together with the trust and the funds of the members, keep the Cooperative Bank of Karditsa on the top.

## F. MOST SIGNIFICANT ACTIONS IN FINANCIAL YEAR 2019

Throughout 2019, the Bank's Management and Services have coped with the problems posed by the current circumstances, and its main activities for the year are summarized as follows:

- Efforts to develop the Bank's operational profitability continued, with particular emphasis on the development of its operations, the maintenance of reasonable levels of operating costs, the increase in size and the active management of overdue loans, while jobs vacancies in the Bank were increased.
- The European Program H2020 - Profit, in which our Bank was a partner, was successfully completed, with the aim of addressing the need for financial literacy.
- The European Program SEE-GR, in which our Bank was a partner, was successfully completed.

- A proposal was submitted to the "Digital Leap" program of € 400,000 for the digital transformation of the Bank and its implementation has started.
- Two proposals with a partner of our Bank were submitted and approved within the context of SEARCH-INNOVATE-CREATE.
- The development of electronic customer updates through alternative networks has been completed.
- We continued to improve the services offered by e- Banking.
- The procedures for the provision of POS terminals to Bank customers were optimized.
- Further information systems (MIS) for Management and its services and the Intranet of the Bank, providing information and education services, have been further developed.

## G. OBJECTIVES FOR 2020

**The main objectives of the Bank for 2020 are:**

- The successful management of the financial impact of the COVID-19 pandemic.
- to expand the bank's customer base;
- to strengthen capital with the entry of new partners and to increase the participation of the existing ones;
- to increase of the activities by activation in a wider geographic area;
- The creation of a new modern corporate identity.
- The further reduction of non-performing loans (NPEs) through their active management.
- The improvement and upgrading of the computer infrastructure and applications of the Bank.
- The further digital transformation of the Bank by adopting best international practices.
- to use the expected credit loss assessment model in the management of NPEs;
- to provide adequate financing to the local economy and services to the partners;
- to expand partnerships with the European Bank and the European Investment Fund to finance the local economy;
- The extension of the cooperation with the Hellenic Development Bank
- to maintain a balanced growth rate between deposits and advances;
- The optimal utilization of the high number of liquid reserves of our Bank.
- to achieve satisfactory liquidity levels through deposits and collaboration with other financial organizations;
- to further centralize business, while maintaining flexibility and constantly improving the quality of customer service;
- Extension of the Bank's collaborations with Payment Institutions, Banks and foreign bodies to provide additional upgraded services to our customers.

**Other information**

- The bank is not active in research and development
- The bank does not hold own cooperative shares
- It has the following branches and counters: Central Branch in Karditsa, Counter in Palamas of the Prefecture of Karditsa, Counter in Mouzaki of the Prefecture of Karditsa and Counter in Sofades of the Prefecture of Karditsa.

## H. RISK MANAGEMENT

In the unstable environment of the Greek economy, the Board of Directors of the Cooperative Bank of Karditsa makes special efforts to limit the risks that may affect the value of the assets-liabilities (on and off-balance sheet) and hence the Bank's net position.

The Board of Directors is responsible for developing and supervising the risk management framework, establishing the risk assumption and capital management strategies, in line with the Bank’s business objectives, while assessing the effectiveness of its risk management policy and the adequacy of own funds, in relation to the extent and form of the risks assumed. The risk management framework is continually evaluated and evolving, taking into account the Bank's historical data base, market dynamics, supervisory compliance and international best practices. To this end, the bank has set up and operates a Risk Management Unit.

The Bank submits annually to the relevant departments of the Bank of Greece the Internal Capital Adequacy Assessment Process (ICAAP), analyzing quantitatively and qualitatively the instruments it uses to manage the individual risks and the future impact on its solvency (Capital Adequacy Indicator).

The unprecedented health crisis resulting from the outbreak of coronavirus (COVID 19) in early 2020, which had a significant impact on the world economy, creating new conditions of insecurity and uncertainty as to when to return to normality, is a special field for risk management within the current and next fiscal year.

The possible impact on the activity of the Credit Institutions due to the pandemic crisis of the coronavirus is estimated to be mainly related to the temporary increase of non-performing loans, mainly due to the impact on companies affected by the restrictive measures, the slowdown of the procedures for their reduction and the possible withdrawal of deposits, with a corresponding impact on the weighted assets and their capital position.

The Bank, in addition to the Government’s decisions and the actions of the ECB’s Board of Directors, from the first moment put the protection of its staff and customers as a priority. The Bank's plans for emergency management and minimization of all significant risks that could affect the smooth continuation of its business in all respects were implemented immediately, so that its customers can be served safely, while measures were taken so that the personnel would not be exposed to danger. At the same time, the Bank participated in all government programs to support borrowers and production activities.

In particular, the actions taken by the Bank on the subject are:

- Suspension of the payment of the checks of the companies affected by COVID-19;
- Suspension of the installments of all loans to natural and legal persons;

- Subsidy for interests on performing loans to professionals and businesses;
- Participation in the loan subsidy scheme securing primary residence;
- Zeroing commissions for e-Banking transactions;
- Participation in the liquidity aid program of the Hellenic Development Bank (TEPIX II);
- Participation in the COVID-19 Guarantee Fund program of the Hellenic Development Bank.

In addition to the above, it is noted that the Bank maintained in the fiscal year 2019 a high capital adequacy ratio and a satisfactory liquidity ratio (financial statements, notes 4.2.3 and 4.3). It should also be noted that the above key indicators are taking place at satisfactory levels and taking into account the impact of the application of IFRS 9 as at 1.1.2018.

In the new environment created, the Bank remained focused on the observance of the basic risk management policies and in particular the management of special circumstances and crisis, by immediately implementing a plan to continue its activity, taking all necessary measures and taking all those actions so that its important functions are not disrupted, at the same time having as its first priority to protect the health of its staff, associates and customers. In particular, remote work (teleworking), flexible working hours, protection of vulnerable groups of staff, job rotation, implementation of a business continuity plan and the possibility of conducting online financial transactions contributed to the smooth continuation of all its important work.

**Credit risk**

Credit risk is the risk of financial loss that may arise from the potential breach of the contractual obligations of borrowers. Credit risk is the most important source of risk for the Bank and therefore its systematic and effective monitoring, measurement and valuation are the primary concern of the Management.

In order to better monitor and manage the loans, the Bank has proceeded, in accordance with the institutional framework, to the separation of funding, to those managed by the Credit Division and to those managed by the Overdues Division.

The Credit Division evaluates and authorizes the loans proposed by all branches of the bank. For the evaluation of business loans borrowers, the program of the company

“Systemic PM” R.M. Software Development & Marketing SA" is used. The final decision to approve or reject funding is left to the discretion of four approval units, depending on the amount of the grant.

As part of strengthening Credit Risk Management, the change in the information flow of financing/renewal requests with the active participation of the Risk Management Unit has been designed and implemented based on appropriate advice since 2017.

The management of overdue claims is assigned to the Overdue Department (Overdue Administrative Board) and decisions are made by the Overdue Committee. The Overdue Directorate follows, among other things, the Code of Conduct and classifies the borrowers into either cooperating or not.

The aim of the Overdue Directorate is to find a viable solution for cooperating customers who are not able to meet their obligations to the Bank, to improve the collection rate and maintain the overdue ratio as low as possible.

**Residual risk**

The Bank receives caps and collateral against credit to customers, reducing total credit risk and securing repayment of loans. For this purpose, the Bank incorporates collaterals into its policy, which comprise in particular the following:

- Greek Government Guarantees
- Pledges on deposits
- Prenotations/Mortgages of real estate
- Bank Letters of Guarantee
- Pledges on checks
- Assigned receivables
- Guarantees of Greek, European Funds and Organizations

To test the impact of residual risk on the overall credit risk, a stress test is regularly conducted.

**Legal risk**

In our bank there is a Legal Service, which is staffed by legal advisors and has the responsibility to handle all legal affairs of the Bank and to assist the Overdue and Complication Division in its operations.

**Counterparty risk**

Our bank is not exposed to this kind of risk

**Concentration risk**

Because of its small size and activity in a limited geographical area where a particular economic activity is carried out, the Bank presents high concentration rates per sector. However, in the last few years there has been an attempt to ensure a greater spread, with very satisfactory results. In assessing this risk, the Bank's exposure is calculated by branch of activity and customer.

**Securitization risk**

Our bank has not implemented securitization programs

**Market risk**

Our bank does not face a market risk because the strategy of all BoDs since its establishment is not to extend to products other than lending.

**Liquidity risk**

In order to minimize this risk, the BoD has opted to always maintain higher levels of required oversight. This, of course, had a negative effect on the results but helped in times of crisis not to be faced with problems that would have an impact on the reputation of the bank. Now, the Bank manages this risk through an integrated Liquidity Monitoring Framework (Internal Audit Adequacy Assessment Procedure (IAAAP).

**Operational risk**

A database of operational risk events has been created and appropriate instructions have been shared with staff. Our bank uses modern software to support its operations and invests in their constant improvement. It has developed an Information Management System (MIS) which provides an immediate overview of all bank sizes and ensures a rapid response to changing circumstances. The key parameters contributing to the potential increase in requirements are the ICT risk and legal risk.

A CRM platform is also used to electronically monitor the storage of information and cases.

**Regulatory compliance risk**

As part of our bank's regulatory compliance obligations, seminars on "deterring money laundering and terrorist financing" have been held from time to time. Our bank's cooperation mainly with members reduces the chances of unusual or suspicious transactions. Responsible staff have produced manuals accessible to all staff.

A legal committee and a lawyer now work within the bank. The texts sent to us are forwarded directly to the competent services to act, and there has been no significant problems so far with respect to the identified risk.

**Capital risk**

The risk involves the level, structure and stability of supervisory own funds and whether they can absorb losses. The composition of Tier 1 consists of cooperative capital paid without the participation of innovative securities and hybrid components reflecting the policy followed throughout the bank's operation.

The limitation under Law 4261/14 for a capital reduction of more than 2% significantly enhances the stability of the bank's equity.

There is a satisfactory spread, taking into account the size and prefecture in which the bank operates.

**Dividend Policy - Provisions**

Management decisions, depending on the dividend policy to follow, have been a mixture of financial and investment decisions. Whether there will be distribution of dividends and the amount of the dividend are decided on a yearly basis. That is, the bank follows a circular dividend policy whereby the shareholders ultimately bear the entire risk of the operations performed by the undertaking.

Management, by implementing a diligent dividend policy, aims at offsetting retained profits on the one hand and avoiding shocks through disturbing reputation, on the other. By satisfying marginal investors as much as possible ensures us to maintain stability in equity to a satisfactory extent. One contributor to this is the deterrence of redemption-liquidation requests that put pressure on the bank's operation. Regarding whether liquidity will be affected by the disbursement of money in the form of a dividend, there is no such problem for this year as well.

**Profitability risk**

The continued burden on businesses and households has an impact on the bank's figures. The increased needs for allowances, the management of the problematic portfolio and the completion of the transition to IAS / IFRS had the expected impact on the Bank's net profits.

## I. NON-FINANCIAL INFORMATION

**Environmental issues**

The Bank recognizes its environmental obligations and the need to constantly improve its environmental performance, to strike a balance between financial growth and environmental protection.

Due to its object, the Bank is not directly related to environmental pollution, however it takes environmental policy measures focusing on:

- Energy saving
- Keeping staff informed of environmental issues
- Saving paper consumption and taking measures for recycling where needed

**Labor matters**

**a) Promoting equal opportunities and protecting diversity are included in the Bank's key principles.**

The Bank's Management does not discriminate in respect of recruitment/selection, remuneration, training, delegation of work functions or any other work-related activities. The factors considered include a person's experience, personality, theoretical training, qualifications, efficiency and abilities. The Company encourages all its employees to, and suggests that they should respect each Bank employee's, supplier's or customer's different personality and reject all kinds of discriminatory conduct.

**b) Health and safety at work**

Employee health and safety at work are a top priority and a necessary condition for the operation of the Bank. The Bank maintains "first aid" materials in the workplace. The Bank uses the services of a 'safety engineer' according to the applicable legislation.

**c) Training systems, promotion methods, etc.**

The staff selection and recruitment procedures are carried out in accordance with the qualifications required for each post and are non-discriminatory. The Bank systematically trains all categories of its employees, either through "internal" or "external" seminars.

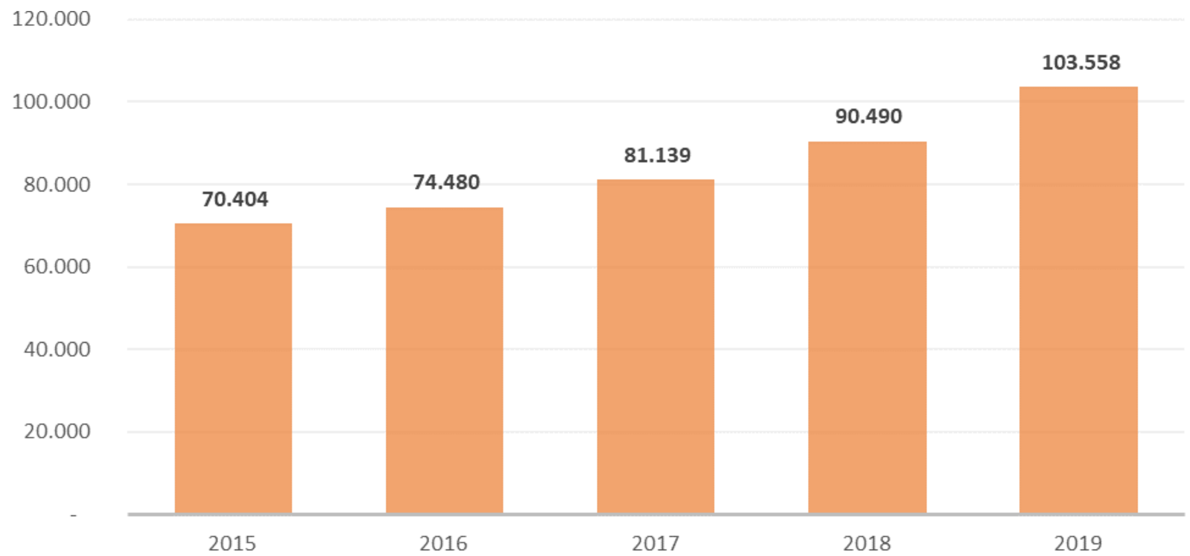
**J. DEVELOPMENT OF FINANCIAL FIGURES AND RESULTS FOR THE YEAR 2019**

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

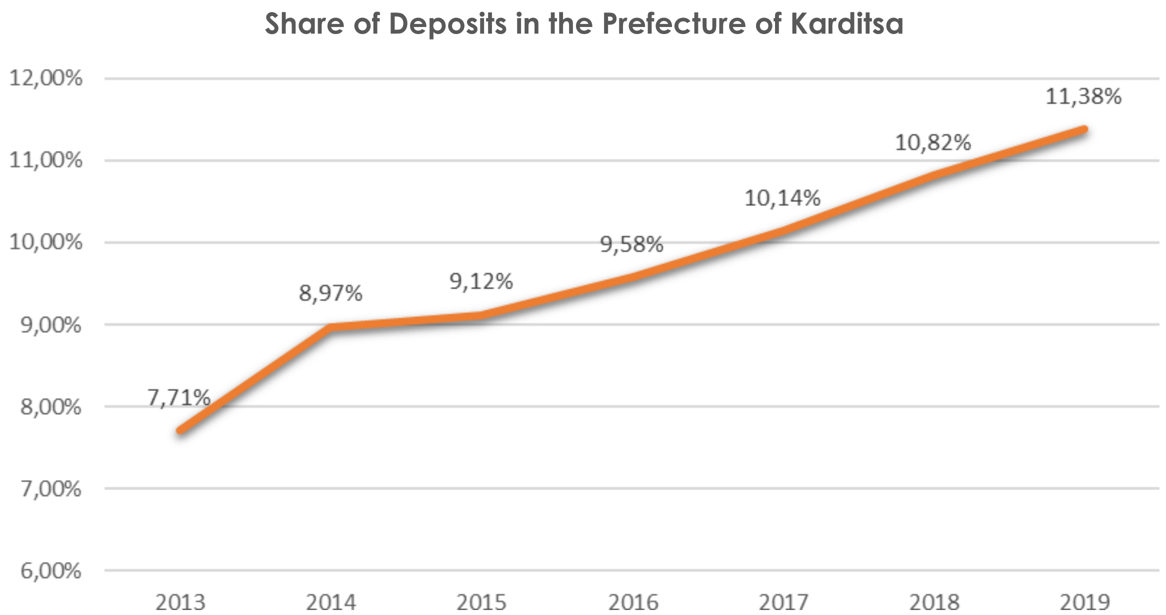
| DEVELOPMENT OF FIGUES AND OTHER SIGNIFICANT INDICATORS | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| A) Net income from interest | 2,387.00 | 2,524.00 | 2,462.00 | 2,993.00 | 3,541.00 |
| B) Net operating income from bank and non-bank operations | 2,770.00 | 2,984.00 | 2,921.00 | 3,566.00 | 4,000.00 |
| C) Earnings before taxes and provisions | 1,099.00 | 1,252.00 | 1,053.00 | 1,530.00 | 1,781.00 |
| D) Profit before tax | 480.00 | 456.00 | 942.00 | 1,509.00 | 1,048.00 |
| Profit after tax | 563.00 | 311.00 | 602.00 | 1,053.00 | 302.00 |
| F) Accounting equity | 11,661.00 | 12,261.00 | 13,007.00 | 12,918.00 | 13,622.00 |
| G) Total assets | 83,051.00 | 87,795.00 | 95,655.00 | 104,673.00 | 119,172.00 |
| H) Weighted assets | 56,892.56 | 61,429.19 | 63,271.00 | 63,813.00 | 69,099.00 |
| I) Administrative expenses | 1,672.00 | 1,599.00 | 1,734.00 | 1,886.00 | 1,976.00 |

| DEVELOPMENT OF FIGUES AND OTHER SIGNIFICANT INDICATORS | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| 1) Profit before tax / Weighted Assets | 0.84% | 0.74% | 1.49% | 2.36% | 1.52% |
| 2) Profit after tax / Accounting Equ ity | 4.83% | 2.54% | 4.63% | 8.15% | 2.22% |
| 3) Net income from interest / Total Assets | 2.87% | 2.87% | 2.57% | 2.86% | 2.97% |
| 4) Net Operating Income / Weighted Assets | 4.87% | 4.86% | 4.62% | 5.59% | 5.79% |
| 5) Administrative expenses / No of personnel members | EUR 41.80 | EUR 45.69 | EUR 48.17 | EUR 52.39 | EUR 53.41 |
| 6) Administrative expenses / Operating income | 60.36% | 53.59% | 59.36% | 52.89% | 49.40% |

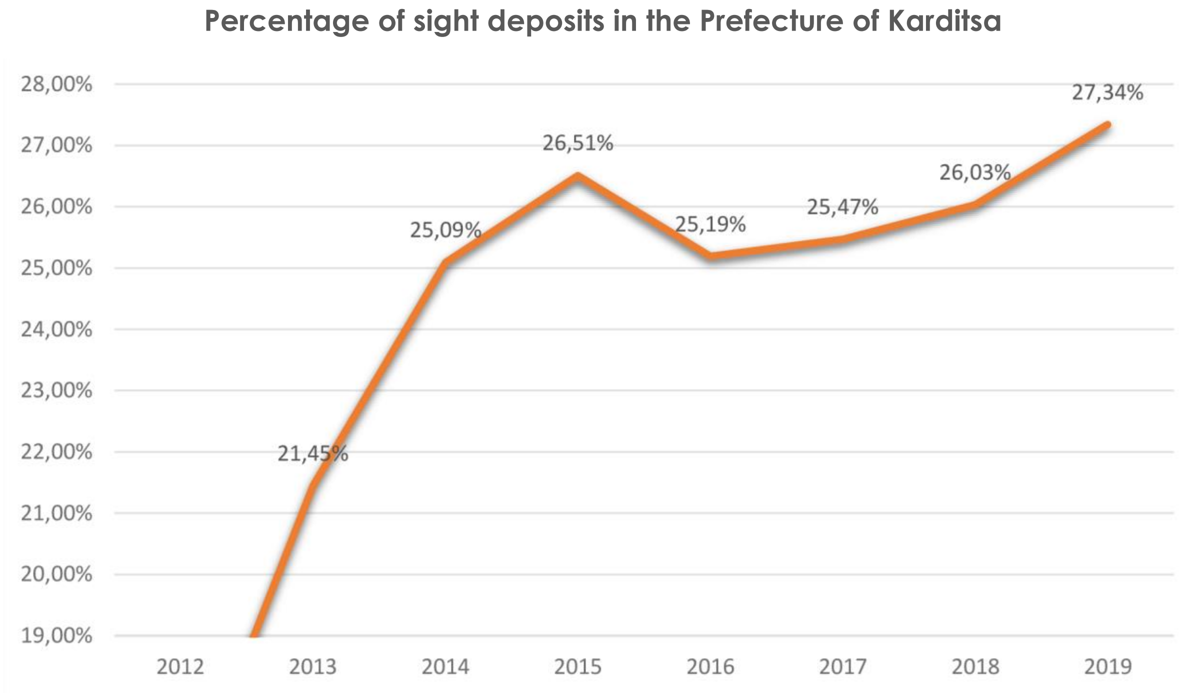
**Deposits**: The Bank's deposits on 31/12/2019 stood at EUR 103.5 million from EUR 90.5 million on 31/12/2018, marking an increase of 14.36%.



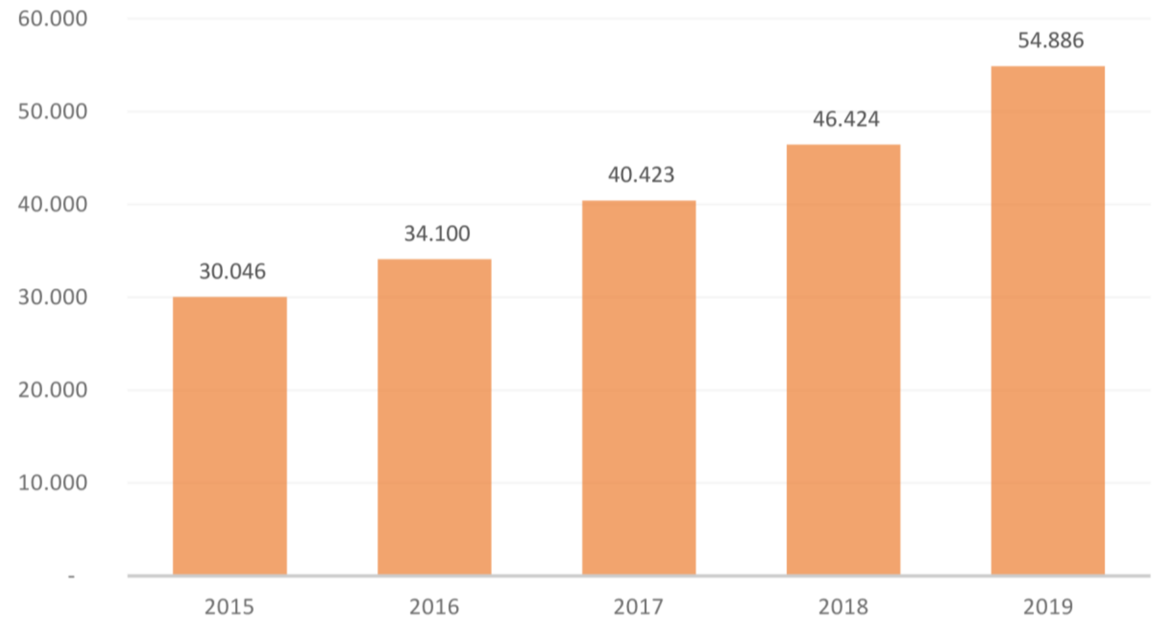

From the officially published data of the Bank of Greece regarding the deposits per county, the Bank's share has grown in the Prefecture of Karditsa and in 2019 stood at 11.38%, reflecting for one more year the confidence shown by members and customers to the bank.



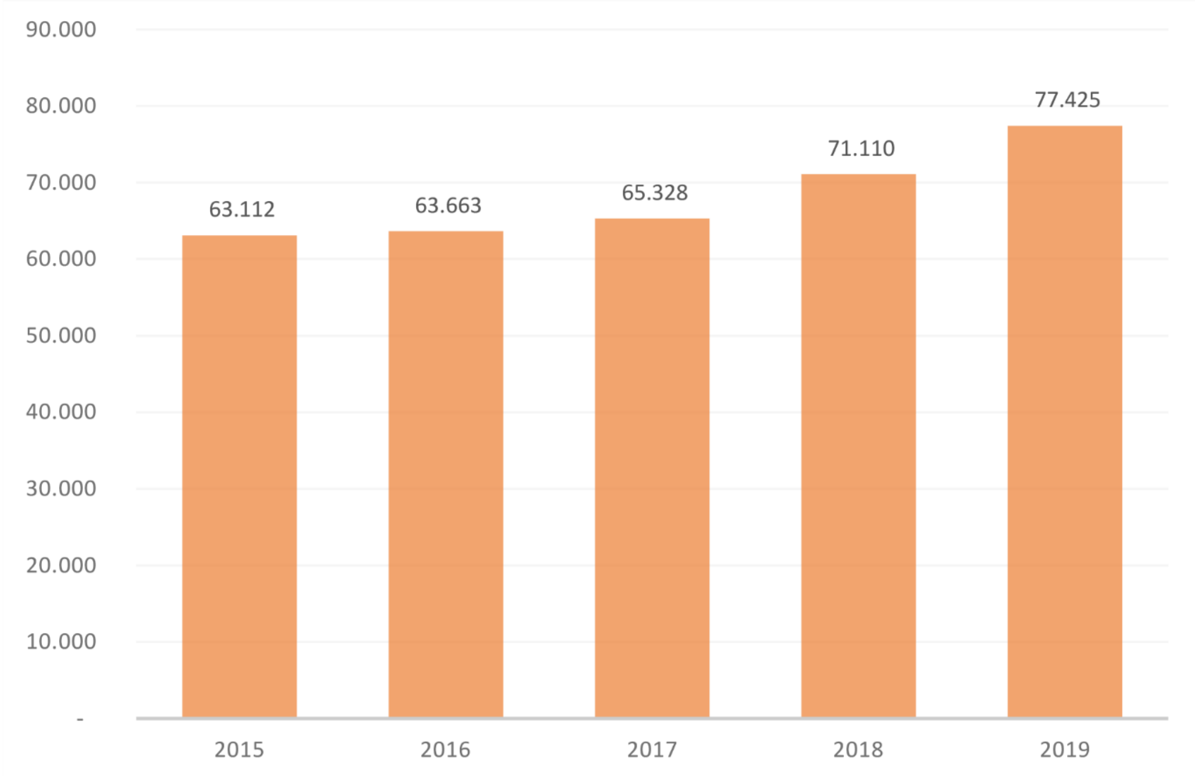
Characteristic of the confidence of the professionals active in our Prefecture is the percentage of sight deposits held at the Cooperative Bank of Karditsa on the total sight deposits of the Prefecture.



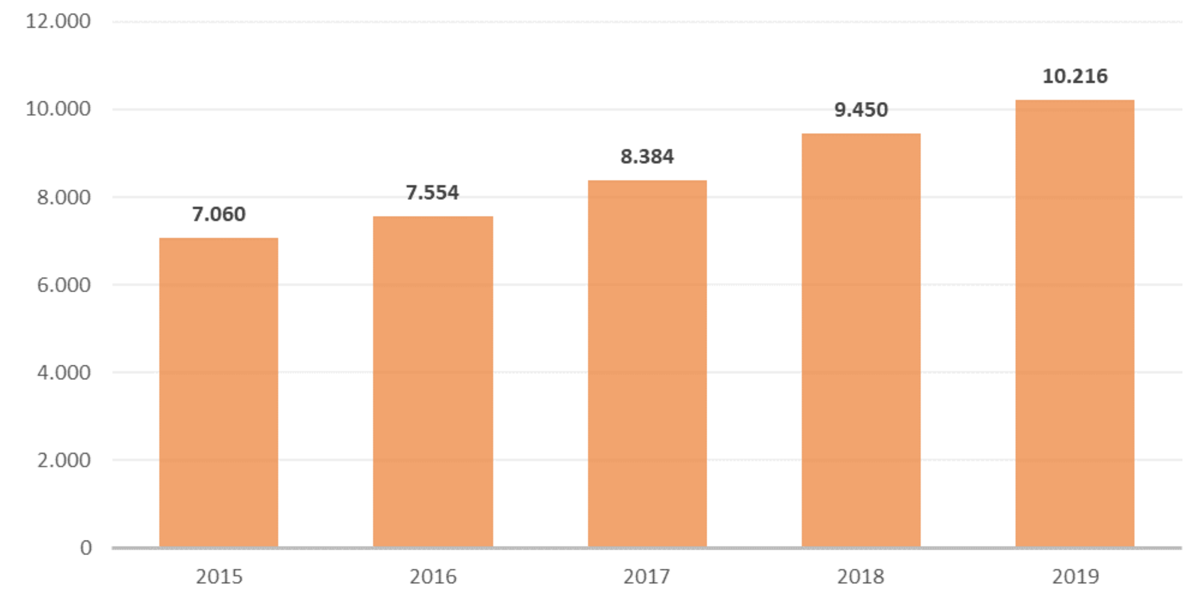

**Cash Equivalents:** They consist of cash, deposits with the Central Bank and deposits with credit institutions and amounted to EUR 54.9 million in 2019 compared to EUR 46.4 million in 2018, marking an increase of 18.32%.



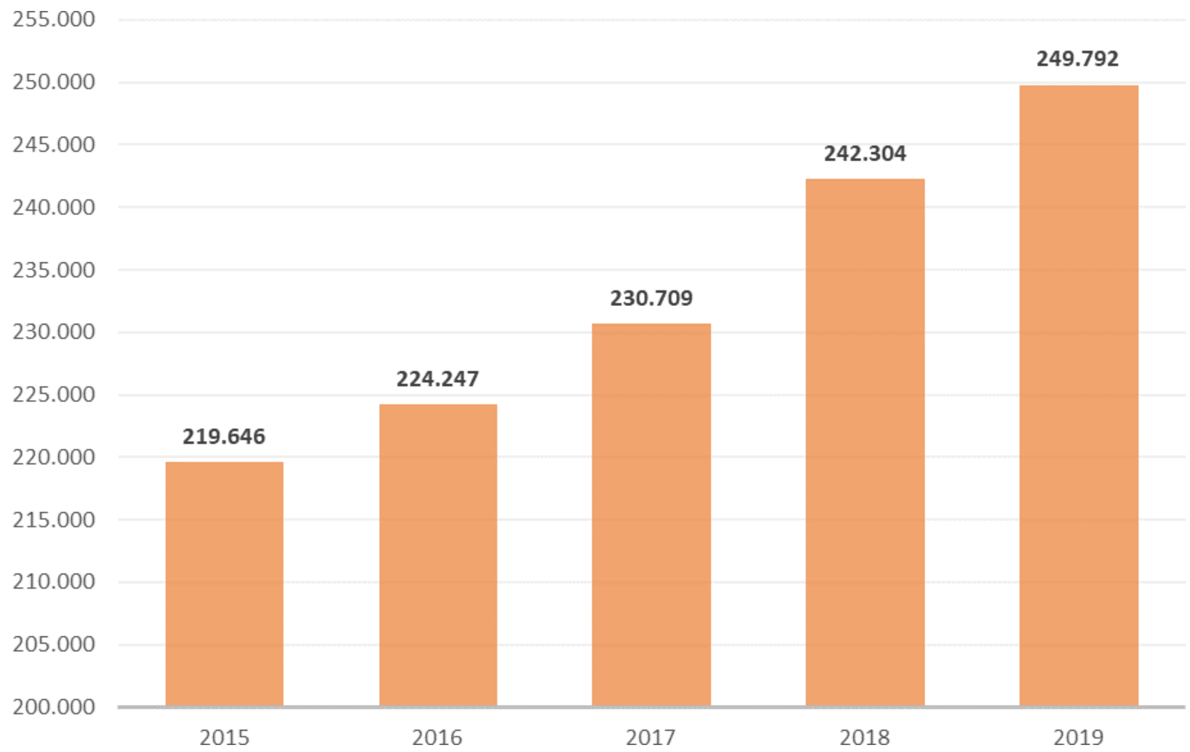
**Loans:** As at 31/12/2019 the Bank's total loans and advances amounted to EUR 77.42 million compared to EUR 71.11 million in 2018, recording an increase of 8.87%.




**Members:** The number of Bank members on 31/12/2019 exceeded 10,000 for the first time, reaching 10,216 marking an increase of 766 new members or a percentage increase of 8.11% compared to 2018. Between 2010 and 2019 the number of members was steadily rising and the increase is 150%.



**Cooperative shares:** In 2019 the cooperative shares grew by 7,488, marking an increase of 3.09%.




**Equity:** The Bank's equity on 31.12.2019 amounted to EUR 13.62 million compared to EUR 12.9 million in the previous year. As a result, the capital adequacy ratio stood at 21.96%, compared to 21% in 2018.

| | 2017 | 2018 | 2019 |
|---|---|---|---|
| Cooperative capital | EUR 8,536,233 | EUR 8,965,248 | 9,242,304 |
| Share premium | EUR 1,999,195 | EUR 2,232,117 | 2,365,002 |
| Reserves | EUR 1,932,615 | EUR 1,715,732 | 1,787,297 |
| Results carried forward | EUR 539,127 | EUR 5,047 | 227,563 |
| **Total equity** | **EUR 13,007,170** | **EUR 12,918,144** | **EUR 13,622,167** |

Thus the book value of the cooperative share for 2019 is EUR 54.53 compared to EUR 53.31 in 2018, increased by 2.29%

| | 2017 | 2018 | 2019 |
|---|---|---|---|
| **Nominal value** | | EUR 37.00 | |
| **Book value of share** | EUR 56.38 | EUR 53.31 | EUR 54.53 |

## K. DISCLOSURE OF INFORMATION UNDER ARTICLE 6 L. 4374/2016

information for the year 2019 according to the provisions of Law 4374/2016.

Article 6. Transparency in credit institutions' relationships with the media and subsidized persons.

**Ads & Other disclosures**

| S/N | Name | TOTAL 2019 |
|---|---|---|
| 1 | GIANNAKIS TAXIARCHIS | EUR 744.00 |
| 2 | G. ALEXIOU AND CO. S.A. | EUR 2,043.52 |
| 3 | INFORMATION OF KARDITSA S.A. | EUR 1,111.04 |
| 4 | STOIKOS SPYRIDON | EUR 372.00 |
| 5 | FILIPPOU PANAGIOTIS | EUR 500.00 |
| 6 | AMVROSIOU GEORGIOS SINGLE-MEMBER LLC | EUR 2,340.56 |
| 7 | LEMAS EVANGELOS | EUR 2,475.04 |
| | **Total Ads - Listings & Disclosures** | **EUR 9,586.16** |

**Grants & Subsidies**

| S/N | Name | TOTAL 2019 |
|---|---|---|
| 1 | ASSOCIATION OF PARENTS HAVING THREE CHILDREN OF THE PREFECTURE OF KARDITSA | EUR 240.00 |
| 2 | UNION OF PARENTS HAVING MANY CHILDREN OF MOUZAKI OF KARDITSA | EUR 250.00 |
| 3 | DONATION TO “HOUSE OF LOVE” | EUR 435.60 |
| 4 | GENERAL BENEVOLENT FUND - HOUSE OF LOVE - HOLY METROPOLIS | EUR 1,500.00 |
| 6 | UNION OF CULTURAL ASSOCIATIONS OF KARDITSA | EUR 4,500.00 |
| 7 | PANHELLENIC ASSOCIATION OF PERSONS WITH DISABILITIES “MYRMIDONES” | EUR 300.00 |
| 8 | SEVAS of KARDITSA - ASSOCIATION OF VETERANS OF KARDITSA | EUR 300.00 |
| 9 | THEODORIDEIO CENTER FOR SUPPORT AND CONSULTANCY FOR PEOPLE WITH DISABILITIES - HORIZONS | EUR 200.00 |
| 10 | SUPPLY ASSOCIATION OF PHARMACISTS OF KARDITSA | EUR 1,240.00 |
| 11 | CULTURAL ASSOCIATION OF MAGOULITSA | EUR 500.00 |
| 12 | DIAMANTIS STEFANOS - PARALYMPIC ATHLETE | EUR 1,500.00 |
| 13 | Centre for Environmental Education (CEE) of MOUZAKI | EUR 170.00 |
| | **Total donations & grants** | **EUR 11,135.60** |

| | |
|---|---|
| **Grant total** | **EUR 20,721.76** |
| Payments to legal persons | **EUR 19,221.76** |
| Payments to natural persons | **EUR 1,500.00** |

## L. TRANSACTIONS WITH AFFILIATED PARTIES

All transactions with affiliated parties have been made within the normal framework of the Bank's operations under the terms and conditions of the market and have been approved by the Board of Directors. Further analysis is provided in Note 27 of the Financial Statements.

## M. DORMANT DEPOSITS

Pursuant to Law 4151/2013, credit institutions operating in Greece are required to pay the balances of dormant deposit accounts to the Greek Government, after 20 years. During the closing period, the Bank was not obliged to pay such amounts to the State.

True copy of the Book of Minutes
of the Board of Directors

Karditsa, 29 June 2020

**The Chairman of the Board of Directors**

**Georgios Boukis**

# Audit Report of an Independent Certified Auditor-Accountant

To the partners of the Bank "Cooperative Bank of Karditsa SYN.PE".

## Audit Report on the Financial Statements

### Opinion

We have audited the attached financial statements of the "Cooperative Bank of Karditsa SYN.PE." (the Bank), which comprise the balance sheet as of 31 December 2019, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting principles and methods and other explanatory notes.

In our opinion, the attached financial statements constitute an appropriate presentation, in all material aspects, of the financial position of the Bank "Cooperative Bank of Karditsa SYN.PE." as at 31 December 2019, and of its financial performance and its cash flows for the year that ended on the above date, in accordance with the International Financial Reporting Standards as adopted by the European Union.

### Basis of the opinion

We have conducted our audit in accordance with International Standards on Auditing (ISAs), as transposed into Greek legislation. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company, during the whole period of our appointment, in accordance with the Code of Ethics for Professional Auditors established by the International Auditing and Assurance Standards Board, as incorporated into Greek Legislation, as well as the ethical requirements related to the audit of financial statements in Greece, and we have fulfilled our ethical obligations in accordance with the requirements of the applicable legislation and the abovementioned Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit issue

The key audit issue was that issue which, in our professional judgment, was of paramount importance in our audit of the financial statements of the current fiscal year. This issue and the associated risks of material misstatement were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this issue.

| Key audit issue | Addressing the audit issue |
|---|---|
| **Provision for impairment of “loans and receivables against customers” for expected credit losses** | |
| On 31.12.2019, “Loans and receivables against customers” (before impairment allowances), amounted to EUR 77,425 thousand (2018: EUR 71,116 thousand), while respectively the accumulated impairment allowances amounted to EUR 18,735 thousand. (2018: 17.877 thousand). Furthermore, as on 31.12.2019 provisions for expected credit losses relating to off-balance sheet items amounted to EUR 306 thousand. (2018: EUR 432 thousand).<br>During the financial year 2019, the Bank recognized an impairment provision for expected impairment losses on loans and receivables from customers and off-balance sheet items of € 732 thousand at the expense of the income statement. (2018: 75 thousand).<br>We considered that the provision for impairment for expected credit losses on “Loans and receivables against customers” is the most important issue for our audit because of:<br>• The significance of the size of "Loans and receivables from customers" in the Financial Statements.<br>• The fact that the application of IFRS 9, on the measurement of expected credit losses, requires the use of models by the Administration, with significant judgments, estimates and assumptions, integration of macroeconomic variables and evaluation of the credit behavior of creditors.<br>• Significant judgments required on the correct classification of loans.<br>• Significant judgments and estimates for establishing the appropriate criteria to determine the credit risk increase.<br>• The complexity in designing and implementing the model of calculating the expected credit losses.<br>Management provides further information on the following accounting policies and methods used to determine the expected impairment loss for “loans and receivables against customers” in notes 3.3.1 and 4.2.1. of the financial statements. | Our audit approach, on the recognition and measurement of the impairment provision of “Loans and receivables against customers” for expected credit losses, focused primarily on the examination of the adequacy and effectiveness of internal safeguards in the application of the methodologies, the models used and the assumptions adopted by the Administration, including the accuracy and completeness of the data and the application of mathematical formulas and calculations taken into account when determining the estimated amount of expected credit losses. In this context, we examined the completeness and design adequacy of the Bank's policies and procedures, the appropriateness of the methodologies applied, and we also carried out detailed and substantive audit procedures at the level of management claims. In particular, our audit procedures included, inter alia:<br>• Examining the business model adopted by the Bank for the purpose of identifying possible changes in the classification and measurement of financial instruments, for which the Bank has taken into account its policies and objectives, its operational model and the way risk management.<br>• The examination of the correctness of the classification of financing according to the methodology approved by the administration.<br>• Examining the reasonableness of the assumptions on which the management was based when creating the model applied for the calculation of expected credit losses, including the examination of the criteria for determining the credit risk increase.<br>• Examining the process of calculating the expected credit losses and the reasonableness of the results of the calculations on a sample basis according to the classification of financial assets and off-balance sheet items by assessing the presumptions and the reasonable assumptions used to determine Probability of Default and Loss Given Default. With regard to determining the probability of default, we |

| | |
|---|---|
| | also evaluated the appropriateness of the macroeconomic variables (GDP, unemployment rate) incorporated in the relevant calculations.<br>• Examining, on a sample basis, the reasonableness of the results and methodologies used to estimate the value of the collateral taken in securing the loans granted (properties and other collateral) taken into account when estimating the expected credit loss.<br>• We have looked at the impact of the Bank's accession to the transitional provisions laid down in Regulation (EU) 2017/2395 of 12 December 2017, on the progressive recognition of the impairment of IFRS 9 in equity within a period of five years.<br>• In addition, we have assessed the adequacy of the disclosures in the financial statements in relation to the above issue. |

**Other information**

The management is responsible for other information. The other information is included in the Management Report of the Board of Directors, which is referred to in the ‘Report on Other Legal and Regulatory Requirements’ but does not include the financial statements and the audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance regarding them in our opinion.

With regard to our audit of the financial statements, it is our responsibility to read the other information and thus to consider whether the other information is materially inconsistent with the financial statements or the knowledge we have acquired during our audit or otherwise appears to be fundamentally incorrect. If, based on the work we have carried out, we reach the conclusion that there are material errors in this information, we are obliged to report it. We have nothing to report regarding this issue.

**Responsibilities of the Management and those responsible for governance on financial statements**

The 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 those safeguards that the management thinks are necessary to enable preparation of Financial Statements free of material misstatements due to fraud or error.

In preparing the Financial Statements, the management is responsible for assessing the Company's ability to continue its activities, disclosing, where applicable, any issues related to the going concern and the use of the accounting basis of the going concern unless the management either intends to liquidate the Company or to discontinue its activities or has no other realistic option than to take such actions.

The Audit Committee (Article 44 Law 4449/2017) is responsible for overseeing the financial reporting process of the Company.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report presenting our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the IAS, as transposed into Greek legislation, will always identify a material misstatement, when such a misstatement exists. Misstatements may result from fraud or error and are considered material when, individually or collectively, they could reasonably be expected to affect the financial decisions of users made on the basis of these financial statements. As a duty of the audit, according to IAS as transposed into Greek legislation, we exercise professional judgment and maintain professional scepticism throughout the audit. Furthermore:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, by designing and performing audit procedures that respond to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of failing to identify a material misstatement due to fraud is higher than that due to error, since fraud may involve collusion, forgery, deliberate omissions, false assertions or the bypassing of internal audit safeguards.

- We understand audit-related internal safeguards to design audit procedures appropriate to the circumstances, but not to express an opinion on the effectiveness of the Company's internal audit safeguards.

- We evaluate the appropriateness of the accounting principles and methods used and the reasonableness of the accounting estimates and disclosures made by Management.

- We reach a decision on the appropriateness of management's use of the going concern accounting principle, based on audit evidence obtained on whether there is material uncertainty about events or circumstances that may indicate material uncertainty as to the ability of the Company to continue its business activity. If we conclude that there is material uncertainty, we are required to report such disclosures in the financial statements in the auditor's report or whether these disclosures are insufficient to differentiate our opinion. Our findings are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may result in the Company ceasing to operate as a going concern.

- We evaluate the overall presentation, structure and content of the Financial Statements, including disclosures, and whether the Financial Statements reflect the underlying transactions and events in a manner ensuring their reasonable presentation.

Among other issues, we report to those responsible for governance, the scope and timing of the audit, as well as important audit findings, including any significant deficiencies in the internal audit that we identify during our audit.

In addition, we declare to those responsible for governance that we have complied with the ethical requirements vis-a-vis our independence, and we disclose to them all relationships and other issues that may reasonably be considered to affect our independence and the relevant protection measures, where appropriate.

Of the issues that have been communicated to those responsible for governance, we set out those issues that were of paramount importance to auditing the financial statements for the audited financial year and are therefore key audit matters.

**Report on other legal and regulatory requirements**

**1. Board of Directors Management Report**

Taking into account that it is the management's responsibility to draw up the Management Report of the Board of Directors, pursuant to Article 2(5) of Law 4336/2015 (part B), we note that:

a. In our opinion, the Management Report of the Board of Directors has been prepared in accordance with the applicable legal requirements of Article 150 of Law 4548/2018 and its content corresponds to the attached financial statements of the fiscal year ended on 31/12/2019.

b. On the basis of the information obtained during our audit in relation to the bank "Cooperative Bank of Karditsa" and the environment in which it operates, we did not identify any material misstatements in the Management Report of its Board of Directors.

**2. Supplementary Report to the Audit Committee**

Our opinion on the financial statements is consistent with our Additional Report to the Audit Committee of the Bank provided for in Article 11 of Regulation (EU) No 537/2014.

**3. Provision of Non-audit Services**

We did not provide the Bank with non-audit services prohibited under Article 5 of Regulation (EU) No 537/2014 or permitted non-audit services.

**4. Appointment of Auditor**

We were first appointed as Certified Auditors of the Bank by the Annual Ordinary General Meeting of its members of 27/4/1998. Since then, our appointment has been continuously renewed for a total period of 22 years by decisions of the Annual Ordinary General Meeting.

Athens, 6 July 2020

**Vasileios Sp. Chatzilakos**
Certified Auditor & Accountant
SOEL REG. No 15221

SOL SA
Member of the Crowe Global Network
3, Fokionos Negri St., 112 57 Athens
SOEL REG. No 125

# C) Annual financial statements in line with IFRS

**Contents of financial statements**

## Statement of comprehensive income

| | Notes | 1/1-31/12/2019 | 1/1-31/12/2018 |
|---|---|---|---|
| Interest and assimilated revenue | | 4,454,621 | 3,968,350 |
| Interest and assimilated expenses | | (913,631) | (975,232) |
| **Net income from interest** | **6** | **3,540,991** | **2,993,117** |
| Revenue from commissions | | 934,470 | 881,468 |
| Expenses from commissions | **7** | 512,335 | (409,938) |
| **Net revenue from commissions** | | **422,135** | **471,530** |
| Other revenue | | 37,184 | 101,847 |
| **Total revenue** | | **4,000,310** | **3,566,494** |
| Staff remuneration and costs | **8** | (1,242,278) | (1,157,662) |
| Depreciation | **17.18** | (243,162) | (150.150) |
| Other operating expenses | **9** | (733,545) | (728,389) |
| **Total operating expenses before provisions and impairments** | | **(2,218,986)** | **(2,036,201)** |
| **Profit before provisions, impairments and taxes** | | **1,781,324** | **1,530,293** |
| Provisions for impairment for credit risk | **10** | (731,972) | (74,692) |
| Other impairment losses and provisions | **11** | (1,418) | 52,975 |
| **Profit before tax** | | **1,047,935** | **1,508,577** |
| Income tax | **12** | (745,628) | (455.786) |
| **Profit for the year** | | **(302,307)** | **1,052,791** |
| **Other total income net of taxes** | | | |
| **Items not reclassified later in the results** | | | |
| Revaluation of defined benefit plans | **23** | (18,127) | (11,546) |
| Valuation of financial assets at fair value through other comprehensive income | **26** | (7,500) | (106,493) |
| **Other comprehensive income for the year** | | **(25,626)** | **(118,039)** |
| **Total comprehensive income for the year** | | **276,681** | **934,752** |

The notes on pages 35 to 86 form an integral part of these financial statements

## Balance Sheet

| | Notes | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents in the Central Bank | **13** | 6,981,799 | 5,925,350 |
| Claims against credit institutions | **14** | 47,906,414 | 40,498,420 |
| Loans and receivables against customers | **15** | 58,690,143 | 53,238,536 |
| Investment securities portfolio | **16** | 257,113 | 258,530 |
| Tangible assets | **17** | 662,432 | 381,076 |
| Intangible assets | **18** | 204,446 | 165,437 |
| Deferred tax receivables | **19** | 2,295,980 | 2,889,709 |
| Current tax assets | | 162,428 | - |
| Other assets | **20** | 2,011,087 | 1,749,936 |
| **Total assets** | | **119,171,840** | **105,106,995** |
| | | | |
| **Liabilities** | | | |
| Liabilities to customers | **21** | 103,558,307 | 90,490,341 |
| Provisions for other liabilities and expenses | **22** | 165,000 | 165,000 |
| Employee benefit obligations after retirement | **23** | 172,297 | 134,397 |
| Current tax liabilities | | - | 69,096 |
| Other liabilities | **24** | 1,654,069 | 1,330,015 |
| **Total liabilities** | | **105,549,673** | **92,188,850** |
| | | | |
| **Equity** | | | |
| Cooperative capital | **25** | 9,242,304 | 8,965,248 |
| Share premium | **25** | 2,365,002 | 2,232,117 |
| Reserves | **26** | 1,787,297 | 1,715,732 |
| Results carried forward | | 227,563 | 5,047 |
| **Total equity** | | **13,622,167** | **12,918,145** |
| **Total equity and liabilities** | | **119,171,840** | **105,106,995** |

The notes on pages 35 to 86 form an integral part of these financial statements

## Statement of charges in equity

| | Notes | Cooperative capital | Share premium | Reserves | Results carried forward | Total equity |
|---|---|---|---|---|---|---|
| **Balance 1 January 2018** | | **8,536,233** | **1,999,195** | **1,932,615** | **(993,722)** | **11,474,321** |
| Other comprehensive income | | | | (118,039) | | (118,039) |
| Profit for the year | | | | | 1,052,791 | 1,052,791 |
| **Total comprehensive income for the year** | | **-** | **-** | **(118,039)** | **1,052,791** | **934,752** |
| Changes in reserves | | | | 51,163 | (51,163) | - |
| Distribution to partners | **29** | | | (176,982) | | (176,982) |
| Increase of cooperative capital | **25** | 452,029 | 244,340 | 26,975 | (2,858) | 720,486 |
| Decrease of cooperative capital | **25** | (23,014) | (11,418) | | | (34,432) |
| **Balance as at 31 December 2018** | | **8,965,248** | **2,232,117** | **1,715,732** | **5,047** | **12,918,145** |

| | Notes | Cooperative capital | Share premium | Reserves | Results carried forward | Total equity |
|---|---|---|---|---|---|---|
| **Balance 1 January 2019** | | **8,965,248** | **2,232,117** | **1,715,732** | **5,047** | **12,918,145** |
| Other comprehensive income | | | | (25,626) | | (25,626) |
| Profit for the year | | | | | (302,307) | (302,307) |
| **Total comprehensive income for the year** | | **-** | **-** | **(25,626)** | **(302,307)** | **276,681** |
| Changes in reserves | | | | 77,516 | 77,516 | - |
| Increase of cooperative capital | **25** | 301,698 | 145,025 | 19,675 | (2,275) | 464,123 |
| Decrease of cooperative capital | **25** | (24,642) | (12,140) | | | (36,782) |
| **Balance as at 31 December 2019** | | **9,242,304** | **2,365,003** | **1,787,297** | **227,563** | **13,622,167** |

The notes on pages 35 to 86 form an integral part of these financial statements

## Cash flow statement

| | Notes | 1/1-31/12/2019 | 1/1-31/12/2018 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| **Profit / (Loss) before tax** | | **1,047,935** | **1,508,577** |
| | | | |
| **Adjustments for non-cash items:** | | | |
| Depreciation | **17.18** | 243,162 | 150,150 |
| Provisions for impairment for credit risk | **10** | 731,972 | 74,692 |
| Other impairment losses | **11** | 1,418 | (52,975) |
| Provisions for staff compensation | **23** | 15,887 | 10,162 |
| | | 2,040,374 | 1,690,605 |
| **Net (increase) / decrease of assets related to continuing operating activities:** | | | |
| Loans and receivables against customers | | (6,309,341) | (5,789,526) |
| Other assets | | (261,151) | (14,537) |
| | | (6,570,492) | (5,804,063) |
| **Net (increase) / decrease of liabilities related to continuing operating activities:** | | | |
| Liabilities to customers | | 13,067,966 | 9,351,734 |
| Other liabilities | | 143,199 | (186,234) |
| | | 13,211,165 | 9,165,500 |
| | | | |
| **Net cash flows from operating activities before taxes** | | **8,681,047** | **5,052,042** |
| Paid Income Tax | | 387,037 | (419,985) |
| **Net cash Flows from Operating Activities** | | **8,294,009** | **4,632,057** |
| | | | |
| **Cash Flows from Investing Activities** | | | |
| Sales of tangible fixed assets | | | |
| (Purchases) / Sales of investment securities | **16** | 0 | 990,137 |
| Purchases of tangible and intangible fixed assets | **17.18** | (182,160) | (130,312) |
| **Net cash Flows from Investing Activities** | | **(182,159)** | **859,825** |
| | | | |
| **Cash Flows from Financing Activities** | | | |
| Dividend distribution | **29** | - | (176,982) |
| Payments of lease liabilities | | (74,749) | |
| Increase of cooperative capital | **25** | 427,341 | 686,054 |
| **Net cash Flows from Financing Activities** | | **352,592** | **509,072** |
| | | | |
| **Net increase / (decrease) in cash and cash equivalents** | | **8,464,442** | **6,000,954** |
| Cash and cash equivalents | | 46,423,771 | 40,422,817 |
| **Cash and cash equivalents at the end of the year** | **13.14** | **54,888,213** | **46,423,771** |

The notes on pages 35 to 86 form an integral part of these financial statements

**Notes to the Financial Statements**

## 1. General information

THE COOPERATIVE BANK OF KARDITSA SYN.PE (hereinafter referred to as "the Bank" or "COOPERATIVE BANK OF KARDITSA") was established in Greece in 1994, operates as a credit institution and is registered at GEMI under number: 122314731000. The Bank's headquarters are in Karditsa, Karditsa, at Kolokotroni and Taliadourou Street, Karditsa Commercial Center, PC 43132. The Bank's website address is http://www.bankofkarditsa.gr.

The constituent assembly of 28.3.94 established, in accordance with the provisions of Law 1667/1986, a purely credit cooperative under the name "CREDIT DEVELOPMENT COOPERATIVE OF KARDITSA" SYN. PE." whose statutes were registered in the Register of Cooperatives of the Court of Justice of Karditsa with the 289/95 Act of the County Court of Karditsa and with registration number 19/5.4.1994. By decision of the Banking and Credit Issues Committee of the Bank of Greece (meeting 607/26.01.98) published in the Hellenic Government Gazette (Issue A 74), the Credit Development Cooperative of the Prefecture of Karditsa was authorized to operate as a credit institution under the name "Cooperative Bank of Karditsa SYN. PE".

By decision of the General Meeting dated 11.06.2009 it was decided to change the name from "Cooperative Bank of the Prefecture of Karditsa SYN. PE" to "Cooperative Bank of Karditsa SYN. PE".

The COOPERATIVE BANK OF KARDITSA has been operating since 1998 as a credit institution, mainly in the framework of the Prefecture of Karditsa. It has the following branches and counters: Central Branch in Karditsa, Counter in Palamas of N. Karditsa, Counter in Mouzaki of N. Karditsa and Counter in Sofades of N. Karditsa.

The main purpose of the cooperative according to its Statute is, by combining the efforts and cooperation of its members, to serve and promote their economic, social and cultural goals and interests. The cooperative is a credit institution and its purpose is financial, aiming at improving and protecting industry and craft, trade, agriculture, livestock and fishing, and generally all sectors of economic activity.

The Bank's purpose also includes banking operations, which is subject to the Bank of Greece's decisions as they are in force.

### 1.1 Board of directors

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

| Title | Full name | Member |
|---|---|---|
| Chairman | Georgios Boukis | Executive member |
| Chief Executive Officer | Panagiotis Tournavitis | Executive member |
| First Vice Chairman | Thomas Deligiannis | Non-executive member |
| Second Vice Chairman | Aristotelis Mylonas | Non-executive member |
| General Secretary | Orestis Psachoulas | Non-executive member |
| Treasurer | Georgios Papakostas | Non-executive member |
| Chairman of the Audit Committee | Apostolos Kandilas | Non-executive member |
| Member of the Audit Committee | Miltiadis Evangelopoulos | Non-executive member |
| Member of the Audit Committee | Lampros Siatiras | Non-executive member |

The term of office of the Board of Directors expires in November 2023.

### 1.2 Approval of Financial Statements

The annual financial statements were approved for publication by the Bank's Board of Directors on 29 June 2020 and are subject to the approval of the Ordinary General Meeting of shareholders.

## 2. Basis of presentation

These financial statements include the annual financial statements of COOPERATIVE BANK OF KARDITSA for the year ended 31 December 2019 and have been prepared in accordance with the International Financial Reporting Standards (IFRS) as they have been issued adopted by the European Union.

The financial statements have been prepared under the historical cost principle, except for the financial assets at fair value through other comprehensive income.

The financial statements have been prepared based on the going concern principle.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates by management in the process of applying the accounting principles. Moreover, it requires the use of calculations and assumptions affecting the aforementioned assets and liabilities' amounts, the disclosure of contingent receivables and liabilities existing on the financial statements' preparation date and of the aforementioned income and expense amounts during the reported year. Although these calculations are based on the best possible knowledge of management with respect to the current conditions and activities, the actual results can eventually differ from these estimates. The areas pertaining to complex transactions and involve a great degree of subjectivity, or the assumptions and estimates that are crucial for the financial statements, are disclosed in note 5.

### 2.1 Going concern basis

The successful completion of the Third Financial Stabilization and Adjustment Program in August 2018, had a positive impact on the economic climate of uncertainty that prevailed in the country in previous years, which was confirmed during 2019 as the Greek economy created conditions for the reversal of the negative climate and development. In particular, the growth rate in 2019 according to the official data of ELSTAT amounted to 1.9% with GDP amounting to EUR 194.4 billion compared to EUR 190.8 billion in 2018. The lifting of capital controls, the successive completion of the third adjustment program and the favorable international economic climate, have removed the risks to the economy, resulting in a satisfactory recovery of the climate of confidence and an increase in the rate and level of deposits; with the return of funds to the Banks. The changes in the tax provisions at the end of 2019, with the reduction of tax rates and other developmental changes, also had a positive impact on the economic climate and the business world in general.

However, the above-mentioned upward and developmental course was interrupted by the unprecedented health crisis caused by the coronavirus (COVID 19) outbreak at the beginning of 2020, which had a significant impact on the world economy, creating new conditions of insecurity and uncertainty as to when to return to normality (note 30).

This issue is a non-adjusting event after the balance sheet date, but it is estimated that it will have a negative impact on the activity and the financial position of the Credit Institutions in the next year 2020, as at least in the short term it is expected to affect the overall course of the economy creating a recessionary climate, which may lead to an increase in expected credit losses as a result of the apparent increase in credit risk. At the present time it is not possible to make safe assessments of the possible impact of the pandemic on the activity of the Banks, as important issues concerning the course of the Greek and global economy that may affect their size also depend on the duration and the extent of the spread of this health crisis and the efficiency of the measures taken and those expected to be taken by the Greek Government and the decisions of the competent European institutions and the supervisory authorities on limiting the effects of the above crisis.

In the context of the measures adopted by the European institutions, the decision of the ECB Board of Directors on18 March 2020 to apply an exception at least until the end of 2020 to the general bond eligibility rule for Greek government bonds through the new bond purchase program linked to the pandemic (PEPP) amounting to EUR 750 billion, is considered particularly important. It should also be mentioned that on 16 March 2020 the Eurogroup decided, on the basis of the extraordinary needs arising from the pandemic and the adverse developments in the world economy, the exemption for all Member States from the financial implications relating to the provisional measures for addressing the pandemic in accordance with the possibility provided under the Stability and Growth Pact.

The European Central Bank, as part of limiting the impact of the pandemic (COVID19), has already announced a series of measures to enable the Banks to continue to play an important role in the financing of economic entities that are a key part of the economy, as well as enable them to continue their other banking operations.

In particular, the ECB has decided to take measures on the basis of which the Banks will be able to operate on a temporary basis below the level of capital in accordance with the requirements of Pillar 2, the capital buffer and the liquidity ratio. In addition to the above, the Banks will be able to use capital instruments that do not meet the requirements, so that they be received as common equity tier 1 capital, with the aim of being able to meet the requirements of Pillar 2. At the same time, the adoption of measures also concerns the possibility of using the already foreseen flexibility regarding non-performing exposures.

The possible impact on the activity of the Credit Institutions due to the pandemic crisis of the coronavirus is estimated to be mainly related to the temporary increase of non-performing loans, mainly due to the impact on companies affected by the restrictive measures, the slowdown of the procedures for their reduction and the possible withdrawal of deposits, with a corresponding impact on the weighted assets and their capital position.

In order to limit the above possible effects, government decisions have already provided various types of facilities to businesses and households, such as e.g. interest subsidy, suspension of payment of obligations to the Greek State, low-interest loans through the repayable advance payment procedure, enhancement of negative volume variance through relevant grants, while at the same time relevant decisions to the same end were issued by the ECB, EBA and the BoG (ΕΠΑΘ 353 / 10.4.2020) (Decisions by the Credit and Insurance Committee of the Bank of Greece), on the minimum total capital ratio (EDEA).

From the very beginning, the Bank has set the protection of its staff and customers as a priority. The Bank's plans for emergency management and minimization of all significant risks that could affect the smooth continuation of its business in all respects were implemented immediately, so that its customers can be served safely, while measures were taken so that the personnel would not be exposed to danger. At the same time, the Bank participated in all government programs to support borrowers and production activities.

In particular, the actions taken by the Bank on the subject are:

- Suspension of the payment of the checks of the companies affected by COVID-19;
- Suspension of the installments of all loans to natural and legal persons;
- Subsidy for interests on performing loans to professionals and businesses;
- Participation in the loan subsidy scheme securing primary residence;
- Zeroing commissions for e-Banking transactions;
- Participation in the liquidity aid program of the Hellenic Development Bank (TEPIX II);
- Participation in the COVID-19 Guarantee Fund program of the Hellenic Development Bank.

In addition to the above, it is noted that the Bank maintained in the fiscal year 2019 a high capital adequacy ratio and a satisfactory liquidity ratio (notes 4.2.3 and 4.3). It should also be noted that the above key indicators are taking place at satisfactory levels and taking into account the impact of the application of IFRS 9 as at 1.1.2018 (Note 4.3).

An important factor is also the satisfactory operational profitability of the Bank, which is the product of efforts to improve the quality of the loan portfolio, with loans to new and healthy businesses, while maintaining the operating cost to a satisfactory degree. Furthermore, it is also noted that the financing of small businesses continued successfully in the fiscal year 2019, with the guarantee of the European Investment Fund, which also contributed proportionally to the increase of the Bank's capital mobility ratio.

It is also noted that based on the current financial data of the Bank in the first half of 2020 compared to the corresponding period of the previous fiscal year, the Bank’s key figures do not show significant changes, while increasing trends are recorded in its basic figures. In particular, there is a satisfactory increase in customer deposits and cash, while at the same time the rate of granting loans to customers continues at smooth levels,under the established conditions, with satisfactory safeguards (TEPIX II, European Investment Fund Guarantee, etc.). Interest income is also satisfactory.

The management of the Bank estimates that on an annual basis, despite the effects of the pandemic to date, based on the course of the financial figures so far and expecting the positive performance of the measures taken by both the Greek Government and the European institutions and supervisory authorities, it will be possible to limit the impact of the pandemic, to the extent that the activities of the Bank in general are not significantly affected.

The Board of Directors of the Bank, taking into account all the above and in particular the operational profitability presented by the Bank in 2019, its satisfactory indices in terms of its capital adequacy and liquidity, the evolution of its financial figures in the first half of 2020, the immediate implementation of plans for the smooth continuation of the Bank's activity as mentioned above, as well as the measures taken so far by the European institutions, the supervisory authorities and the Greek Government, does not establish any conditions, which could be related to uncertainty that would be essential for the continuation of the Bank's activity in the reasonable future and therefore considers that the Bank's financial statements can be drawn up on the basis of the going concern assumption.

## 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 that are mandatory for the current financial year 2019. The Bank has not adopted any other standard, interpretation or amendment that has been issued but is not mandatory for the current financial year 2019.

The nature and impact of any new standard or amendment related to the Bank's operations is described below.

**IFRS 16 Leases**

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for the lessee and the lessor. By applying the new standard, IAS 17 Leases and 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, are repealed.

The model adopts a single model of accounting for leases by the lessee. Accordingly, the lessee in a lease is required to recognize in the statement of financial position assets and liabilities for all leases of more than twelve months unless the asset is of low value and depreciation with financial expense during the lease in the statement of comprehensive income. The lessor continues to classify lease contracts as operating or finance leases, and to apply different accounting treatment for each type of contract. The standard also requires extensive disclosures in the lessee’s financial statements.

The impact of the standard on the Bank's financial statements was not significant and is analyzed in note 2.3 below.

The new accounting principles for the Leases are described below in note 3.6.

**Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation**

On 12 October 2017, the IASB issued the amendment to address concerns about how IFRS 9 *Financial Instruments* classifies certain prepaid financial assets. In addition, the IASB clarifies an aspect of accounting for financial liabilities after an amendment. The amendments are effective for annual periods beginning on 1 January 2019 and will have no impact on the Bank's financial statements. The amendments had no effect on the Bank’s financial statements.

**Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement**

IAS 19 Employee Benefits determines how a Bank accounts for a defined benefit plan. When a change is made to a plan - amendment, curtailment or settlement - IAS 19 requires a Bank to reassess the net liability or defined benefit asset. The amendments require a Bank to use the updated assumptions from this reassessment to determine the current service cost and net interest for the remainder of the reporting period after the change in the plan. Until now, IAS 19 did not specify how these costs were determined for the period after the change in the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to the users of the financial statements. The amendments had no effect on the Bank’s financial statements.

**IFRIC 23 Uncertainty over Income Tax Treatments**

It may be unclear how tax law applies to a particular transaction or circumstance or whether the tax authority will accept a tax treatment of the Bank. IAS 12 *Income Taxes* sets out how to calculate current and deferred tax but not how to respond to the effects of an uncertainty. Interpretation 23 provides requirements that add to the requirements of IAS 12, by determining how to respond to the effects of an uncertainty in income tax accounting. The Interpretation had no effect on the Bank's financial statements.

**Annual Improvements to IFRSs, 2015-2017 Cycle**

The amendments of the 2015-2017 Cycle, were issued by the Board on 12 December 2017 and apply to periods starting on or after 1 January 2019. None of these changes have any impact on the Bank.

- IFRS 3 Business Combinations

The amendments clarify that an entity should remeasure the interest previously held in a jointly controlled operation when it acquires control of that operation.

- IFRS 11 Joint Arrangements

The amendments clarify that an entity is not required to remeasure the interest previously held in a jointly controlled operation when it acquires joint control of that operation.

- IAS 12 Income Taxes

The amendments clarify that an entity should equally account for all income tax consequences of dividends.

-IAS 23 Borrowing costs

The amendments clarify that an entity should account for any borrowing costs incurred to produce an asset when such asset is ready for its intended use or sale.

**Other amendments**

The following amendments, which are mandatory for the current financial year 2019, are not related to the Bank's operations and have no impact on the financial statements:

- IAS 28 Investments in Associates and Joint Ventures (amendment): Long-term participations in associates and joint ventures

**2.2.2 Standards and Interpretations mandatory for subsequent periods, which were not applied by the Bank earlier.**

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

**Modifications of the References to the Conceptual Framework within IFRS**

On 29 March 2018, the International Accounting Standards Board adopted amendments to references to the conceptual framework within the International Financial Reporting Standards. The aim of the amendments is to update the existing references, within different standards and interpretations, in previous contexts with references to the revised conceptual framework. The amendments are effective for annual periods beginning on 1 January 2020 and will have no impact on the Bank's financial statements.

**Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Principles, Changes in Accounting Estimates and Errors: Definition of "Material"**

The amendments clarify the definition of 'material' and how it should be used, supplementing the definition with instructions that have been provided so far in other parts of the IFRS. In addition, the clarifications accompanying the definition have been improved. Lastly, the amendments ensure that the definition of 'material' is consistently applied to all IFRSs. The amendments are effective for annual periods beginning on 1 January 2020, have not been adopted yet by the European Union, and will have no impact on the Bank's financial statements.

**Other amendments**

The following amendments and new standards that are mandatory for later years are not relevant to the Bank's operations and will not have an impact on the financial statements:

- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2022).

- IFRS 3 Business Combinations (amendment): Definition of a Business Combination Contracts" (effective for annual periods beginning on or after 1 January 2020).

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform - (applicable to annual accounting periods beginning on or after 1 January 2020)

**2.3 Impact from its first application of IFRS 16 Leases**

The Bank applied IFRS 16 from its mandatory implementation date on 1 January 2019. With respect to the options and exemptions permitted under IFRS 16, the Bank followed the approach below:

- Applied the new standard using the simplified transition approach, according to which the comparative figures for the previous year were not be reworked.

- Measured, on the transition date (1.1.2019), the right to use a leased asset in an amount equal to the lease obligation, adjusted by the amount of any prepaid or accrued lease payments relating to the lease.

- For short-term leases and leases in which the underlying asset is of low value, the Company chose to recognize the payments under those leases as costs using the straight-line method in accordance with the exceptions provided by IFRS 16.

- Opted for the exemption provided by the model to the lessees, not to separate the non-lease components from the lease components and accounted for each leased and associated non-leased component as a single lease component.

- Applied a single discount rate (2.5%) to each category of leases with similar characteristics (such as leases of a similar duration, for similar fixed assets and in a similar economic environment).

The Bank recognized rights of use and obligations for leases relating to the lease of branches and counters. The Right to Use Assets is shown in the Balance Sheet, in the line item Tangible Assets.

The agreement of the operating lease commitments in disclosed in the financial statements of 31.12.2018 and of the lease liabilities recognized on 1.1.2019 in accordance with the new standard is as follows:

| *Amounts in EUR* | *Lease liabilities* |
|---|---|
| Operating lease commitments 31/12/2018 | 406,478 |
| (Minus): short-term and low-value leases not recognized as a liability | - |
| Operating lease commitments before discounting | 406,478 |
| Discounting of the liability using the lessee's incremental borrowing rate at the date of initial recognition | 381,367 |
| **Lease liabilities recognized 1/1/2019** | **381,367** |

At the date of transition 1.1.2019 to IFRS 16, the right to use assets amounting to EUR 381,367 (note 17) was recognized in a credit of the Lease Liabilities (note 24).

During the fiscal year 1.1-31.12.2019, a depreciation of EUR 81,327 and a financial expense of EUR 8,512 (note 6) were recognized in a reduction in the Right to use assets (note 17).

The overall impact on the results from the implementation of the new standard was as follows:

| *Amounts in EUR* | **1/1-31/12/2019** |
|---|---|
| **With the adoption of IFRS 16:** | |
| Depreciation (note 17) | (81,327) |
| Financial cost (note 6) | (8,512) |
| **Total** | **(89,839)** |
| | |
| Prior to the adoption of IFRS 16: | |
| Rental cost | **(83,261)** |

## 3. Summary of significant accounting policies

### 3.1 Foreign exchange conversions

(a) Functional and presentation currency

Items included in the financial statements of each of the Groups entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Financial Statements are reported in euro, which is the functional currency and the reporting currency of the Bank.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account. Foreign exchange differences from non-monetary items that are valued at their fair value are considered to be part of the fair value and are thus treated similarly to fair value differences.

### 3.2 Cash and cash equivalents

Cash and cash equivalents include cash at the fund, deposits with the Bank of Greece that are not subject to restrictions, receivables from financial institutions, high liquidation and low risk with original maturities of three months or less.

### 3.3 Financial Instruments

#### 3.3.1 Financial assets

**i. Initial recognition and derecognition**

The Bank recognizes a financial asset when it becomes one of the parties to the financial instrument.

A financial asset is derecognized when the contractual rights over the cash flows of the financial asset expire or when the financial asset is transferred and the transfer meets the conditions for write-off.

**ii. Classification and measurement**

Financial assets at initial recognition are measured at their fair value (usually the transaction price, i.e. the fair value of the consideration paid or received) plus transaction costs directly attributable to their acquisition or issue, unless it is for financial assets measured at fair value through the profit and loss account, where transaction, issue costs, etc. are entered in the profit and loss account.

For the purposes of subsequent measurement, financial assets are classified in accordance with the entity's business model for the management of financial assets and their contractual cash flows.

Financial assets are classified into one of the following three categories, which determines their subsequent measurement:

- At the Amortized cost,
- Fair value through OCI,
- Fair value through profit or loss.

A financial asset is measured at amortized cost when the following two conditions apply:

- the asset is held for the purpose of holding and collecting the contractual cash flows that incorporates; and
- the contractual terms of the asset lead, at specific dates, to cash flows that are solely payments of principle and interest (SPPIs).

A financial asset is measured at fair value through other comprehensive income when the following two conditions apply:

- the asset is held for the purpose of collecting the contractual cash flows that incorporates and its sale; and

- the contractual terms of the asset lead, at specific dates, to cash flows that are solely payments of principle and interest (SPPIs).

A financial asset is measured at fair value through profit or loss when it is not classified in the two previous categories. However, at initial recognition an entity may irrevocably choose for certain investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value through other comprehensive income.

It is also possible, at initial recognition, that an entity determines irrevocably a financial asset measured at fair value through profit or loss if it thereby substantially eliminates or reduces a measurement or recognition inconsistency (which is sometimes referred to as "accounting mismatch") that would otherwise arise from the measurement of assets or liabilities or the recognition of the profit and loss on them on different bases.

An entity reclassifies financial assets when it modifies the business model it applies for their handling.

An entity's business model refers to the way in which an entity treats its financial assets to generate cash flows (cash flows may arise from the collection of contractual cash flows, the sale of financial assets, or both) and is determined by the entity's key management personnel.

In order to evaluate its business model and determine whether the cash flows arise either from the exclusive collection of contractual cash flows or from the sale of financial assets or from both, the Bank takes into account:

- its operational model,
- its policies and objectives,
- the risks involved and how they are addressed.

Based on the Bank's business model and the contractual terms and conditions of its debt securities portfolio:

- loans and receivables from customers and financial institutions are measured at amortized cost;
- bonds are measured at amortized cost and
- equity instruments are measured at fair value through other comprehensive income.

**iii. Impairment of financial assets**

The Bank recognizes expected credit losses (ECL) that reflect changes in credit quality from the initial recognition of financial assets measured at amortized cost and at fair value through other comprehensive income. No expected credit loss is recognized for equity instruments. Expected credit losses are a weighted, on a probability basis, average estimate of credit losses that reflects the time value of money. Upon the initial recognition of the financial instruments that fall under the impairment policy, the Bank creates an impairment provision equal to the expected 12 month credit losses, which are the expected credit losses resulting from events of default that are likely to occur within the next twelve months. Subsequently, for financial instruments with significantly increased credit risk (SICR), an impairment provision is recognized since their initial recognition that is equal to the expected credit losses over their entire life resulting from default events that are probable during the expected duration of the instrument. If at initial recognition the financial asset meets the definition of purchased or impaired financial asset (POCI), the provision for impairment is based on changes in expected credit losses over the life of the asset.

Impairment provisions for trade receivables from non-performing activities are always measured at the amount of the expected credit losses over their lifetime. For all other financial assets for which provision is made for impairment, the three-step general approach is applied.

Consequently, the expected credit losses are recognized using a three-step approach based on the extent of the credit degradation from the initial recognition of the financial instrument:

Step 1 - When there has been no significant increase in credit risk since the initial recognition of a financial instrument, an amount equal to the expected 12-month credit losses is recognized. Expected credit losses for a twelve month period of a financial instrument or group of financial instruments represent a portion of the losses that would be recognized over their lifetime arising from default events that are probable within the next 12 months after the reporting date and are equal to the expected cash flow delays throughout their life due to possible loss-making events within the next 12 months. Non-credit impaired financial assets purchased or upon initial recognition, as well as recognized financial assets after a materially significant change that has been accounted for as a derecognition, are initially classified in Step 1.

Step 2 - When a financial instrument significantly increases credit risk after its initial recognition but is not considered to be in default, it is included in Step 2. Expected credit losses over the life of the financial instrument represent the expected credit losses that arise from all possible default events over its expected maturity.

Step 3 - This step includes financial instruments that are deemed to have been subject to default. As in Step 2, the provision for credit losses reflects expected credit losses over the life of the financial instrument.

POCI - Assets that are purchased or impaired when initially recognized are asset items that are initially recognized as credit impaired. They are not ranked in a specific step and are always measured based on expected credit losses throughout the life of the financial instrument. Therefore, the expected credit losses are recognized only to the extent that there is a subsequent change in expected credit losses over the life of the financial instrument. Any positive change in the expected cash flows is recognized as a reversal of the impairment (profit) in the income statement even if the amount of new expected cash flows exceeds the estimated cash flows of the initial recognition. In addition to the purchased financial assets, financial instruments that are considered as new assets after a materially significant change that is accounted for as a derecognition may be included.

**Credit Loss Measurement**

The measurement of expected credit losses requires the use of models, estimates and assumptions, the assessment of credit behavior as well as the incorporation of proactive information. IFRS 9, for the purpose of provisioning, adopts a "three-step" approach that reflects the change in credit risk from initial recognition.

Initial recognition recognizes a provision for credit risk losses equal to the expected 12 months' loss, which is defined as the expected credit losses resulting from default events that are probable within the next twelve months (step 1). Subsequently, if there has been a significant increase in credit risk since initial recognition, an impairment provision is recognized, which is equal to the estimated total lifetime credit loss, defined as the expected credit loss resulting from default events that are probable throughout the expected life of the financial instrument (step 2). The impaired financial instruments will be moved to step 3.

The Bank assesses credit risk and measures the expected credit losses on loans and receivables against customers on an individual basis.

**Credit loss measurement for loans and receivables against customers Credit default**

A borrower is considered to be in default if one or both of the following events has occurred:

- he or she is late in paying any significant credit obligation to the Bank for more than 90 days ;
- the Bank estimates that the borrower is unlikely to fully meet its credit obligation

**Expected Credit Losses**

Expected Credit Losses (ECL) are defined as losses resulting from credit default events weighted based on credit default probabilities. ECLs are calculated according to the following formula:

$$ECL = \sum_{t=1}^{T} PD_t * SP_{t-1} * LGD_t * EAD_t * DF_t$$

where:

- ECL = Expected Credit Losses in the Credit Timeframe
- T = Credit Exposure Timeframe
- $PDt$ = The probability of default at time t
- $SPt-1$ = The probability of non-default until the previous year of year t
- $LGDt$ = Percentage of loss in case of default at time t
- $EADt$ = The total amount of the credit report at time t
- $DFt$ = Discount factor

**Annual Probability of Default**

An annual probability of default is the probability of credit losses arising from default events that are probable within twelve (12) months. For the calculation of the annual probability of default, the Bank uses historical data. In particular, the annual probability of default by portfolio category and borrower category is equal to the ratio of borrowers of that class who have defaulted in one year to the total of customers at the beginning of the year of that class.

Borrowers are categorized according to the loan portfolio they belong to, namely:

- Business
- Consumer
- Mortgage

Specifically for the borrowers belonging to the business portfolio, further categorization is made on the basis of their rating.

**Incorporating proactive information**

The bank examines the effect of two macroeconomic factors on the calculation of annual default probabilities:

- Expected GDP Change
- Expected Unemployment Rate

A prerequisite for taking these factors into account is the statistical verification of their correlation with the probability of default. The Bank is based on official estimates of entities such as the ECB, the International Monetary Fund, the Bank of Greece, the Organization for Economic Co-operation and Development.

**Classification of Exposures in Stages**

Stage 1

In Stage 1, all borrowers are classified at the initial recognition of the credit exposure. At each reporting date, they remain in Stage 1 as credit risk has not increased significantly, or there is a significant increase in credit risk but the credit risk remains low.

Stage 2

Stage 2 includes all borrowers who, at the reporting date, were ranked in Stage 1 and have experienced a significant increase in credit risk but have not entered in Credit Default status.

In order for a borrower in Stage 2 to revert to Stage 1, there should be a significant reduction in credit risk.

A significant increase in credit risk is considered to have occurred in three cases:

- according to the rebuttable presumption of delay of more than 30 (thirty) days
- there is a significant downgrade to the credit rating scale
- there is a significant deterioration in the borrower's financial position Stage 3

Step 3 lists all borrowers deemed to be in default according to the definition of credit default mentioned above.

In order for a borrower in Stage 3 to revert to Stage 2 or Stage 1, he should have returned to non-default, according to the Guiding Principles of EBA (European Banking Authority).

**Credit loss measurement for Letters of Guarantee**

According to IFRS 9:

- financial guarantee contracts may take various legal forms such as a guarantee, certain types of letter of credit, a contract covering the risk of non-payment of a debt or an insurance policy. Their accounting treatment does not depend on their legal form
- although a financial guarantee contract meets the definition of an insurance policy in IFRS 4 when the risk transferred is significant, the issuer applies IFRS 9. However, if an issuer has previously stated explicitly that it considers the contracts in question as insurance policies and has used the accounting treatment applicable to insurance policies, then it may apply either IFRS 9 or IFRS 4.

The Bank does not consider letters of guarantee as insurance contracts and therefore applies IFRS 9 for initial recognition and provisioning.

The Credit Conversion Factor (CCF) is used to calculate the credit exposure in accordance with Regulation (EU) 575/2013.

**Credit loss measurement for investment portfolio debt securities**

The Bank recognizes impairment provisions for expected credit losses for unlisted bonds held in its portfolio.

To calculated the probability of default (PD), a Moody's rating for these bonds is taken into account, whereas the loss rate in case of default (LGD) is considered to be 75% of the acquisition value (subordinated exposures with no eligible collateral) REGULATION (EU) No 575/2013).

### 3.3.2 Financial liabilities

**i. Initial recognition and derecognition**

An entity recognizes a financial liability in its statement of financial position when and only when the entity becomes a party to the financial instrument.

All financial liabilities are initially recognized at their fair value and, in the case of loans, net of the direct costs of the transaction.

A financial liability is written off from the statement of financial position when it is settled.

A material amendment to the terms of an existing financial liability (difference of at least 10% at present value with the original interest rate) is accounted for as settlement of the original liability and recognition of a new financial liability. Any difference is recorded in profit and loss.

**ii. Classification and measurement**

Financial liabilities are classified at the initial recognition as financial liabilities measured at amortized cost or financial liabilities that are measured at fair value through profit or loss.

The Bank's financial liabilities include liabilities to customers and other liabilities to suppliers and other creditors.

Bank's liabilities are subsequently measured based on the amortized cost method using the effective interest rate. The Bank has not undertaken liabilities that are measured at fair value through profit and loss.

### 3.3.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are set off and the net amount appears on the balance sheet, when there is a legally enforceable right for set-off of the amounts recognized, and at the same time, there is the intention that a settlement be made on a net basis, or that the acquisition of the asset and the settlement of the obligation be made at the same time.

### 3.4 Fair value measurement

Fair value is the price that would be obtained upon the sale of an asset or upon the transfer of a liability in a normal transaction between the participants in the principal or, failing that, in the most advantageous market where the Bank has access, at the measurement date. The fair value of a liability reflects the risk of non-fulfillment of obligations.

The Bank measures the fair value of a financial instrument using the official stock price on an active market for that financial instrument, when available. A market is considered active if transactions for the asset or liability take place at a sufficient frequency and volume to provide ongoing pricing information. When no quoted market price is available in an active market, the Bank uses valuation techniques that maximize the use of relevant observable data and minimize the use of non-observable data. The selected valuation technique includes all the factors that market participants would take into account for one transaction pricing.

The Bank uses the following hierarchy to determine and disclose the fair value of financial instruments by valuation technique:

Level 1: Official stock prices (without adjustment) in active markets for identical assets or liabilities that the Bank has access to at the measurement date.

Level 2: Inflows other than official stock prices included in the first level that are observable for the asset or liability either directly or indirectly.

Level 3: No observable inflows for the asset or liability.

The following table shows the financial assets measured at fair value at 31 December 2019 and 2018:

| *Amounts in euro* | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Financial assets measured at fair value through other comprehensive income | - | - | 165,213 |
| **Total** | **-** | **-** | **165,213** |

### 3.5 Tangible fixed assets

Tangible assets are measured at cost less accumulated depreciation and impairment. Acquisition cost includes all costs directly related to the acquisition of the assets.

Subsequent costs are added to the carrying amount of tangible assets or are recognized as a separate asset only if they are expected to result in future economic benefits to the Bank and their cost can be measured reliably. Repairs and maintenance costs are recognized in the income statement.

Depreciation of tangible assets is calculated using the straight-line method over their useful lives as follows:

| | |
|---|---|
| - Buildings | 50 years |
| - Improvements in third party real estate | During the lease |
| - Furniture and other equipment | 5 - 10 years |

The residual values and useful lives of tangible assets are reviewed and revalued, if appropriate, at the end of each financial year.

When the carrying values of tangible assets exceed their recoverable amount, the difference (impairment) is recognized immediately as an expense in the income statement.

When selling tangible assets, the difference between the consideration received and their book value is recognized as a gain or loss in the income statement. Financial expenses relating to the construction of property, plant and equipment are capitalized for the period of time required to complete the construction. All other financial expenses are recognized in the income statement when incurred.

### 3.6 Leases

**The Bank as a lessee**

***Accounting policy as from 1/1/2019***

<u>Right to use assets</u>

The Bank recognizes the right to use assets at the beginning of the lease (the date the asset is available for use). The usage rights are measured at their cost, reduced during accumulated depreciation and impairment, adjusted against any re-measurements of the lease obligation. The rights to use assets are subject to an impairment check.

The rights to use assets appear in the tangible assets in the balance sheet.

<u>Lease liabilities</u>

At the beginning of the lease, the Bank recognizes lease liabilities equal to the present value of the leases during the total term of the lease agreement.

In order to calculate the present value of the payments, the Bank uses its lending rate (incremental borrowing rate of interest) at the date of commencement of the lease, if the interest rate implicit in the lease cannot be determined. Subsequent to the commencement of the lease, the amount of the lease liabilities is increased by interest expenses and reduced by the lease payments made. In addition, the book value of lease liabilities is recalculated if there is a modification to the contract, any change in the term of the lease, fixed leasing payments or asset purchase assessment.

- For short-term leases and leases in which the underlying asset is of low value, the payments under those leases were recognized as costs using the straight-line method in accordance with the exceptions provided by IFRS 16.

The Bank does not separate the non-lease components from the lease components and accounts for each leased and associated non-leased component as a single lease component.

***Accounting policy before 1/1/2019***

Leases of fixed assets where the Bank retains substantially all the risks and benefits of ownership are classified as finance leases. Finance leases are capitalized at the beginning of the lease at the lower of the fair value of the asset or the present value of the minimum lease payments. Each rent is apportioned between the liability and the finance charges in order to achieve a fixed interest rate on the remaining financial liability. The corresponding lease obligations, net of finance charges, are shown in liabilities. The part of the financial expense relating to finance leases is recognized in the income statement over the period of the lease. Fixed assets acquired under finance leases are depreciated over the shorter of the useful life of the assets and the duration of their lease unless there is reasonable assurance that the Bank will acquire ownership of the assets at the end of the lease and are therefore depreciated over their useful lives. During the current and previous financial year the Bank did not enter into finance leases and there were no finance leases.

Leases where the lessor materially retains all the risks and rewards of ownership are classified as operating leases. Lease payments under an operating lease are recognized at the expense of the results, using the straight-line method, over the lease term.

The entire future minimum lease payment on 31.12.2018 was as follows:

| ***Amounts in EUR*** | **31/12/2018** |
|---|---|
| Up to 1 year | 83,261 |
| 2-5 years | 313,700 |
| More than 5 years | 9,517 |
| **Total** | **406,478** |

### 3.7 Intangible assets Software

Software programs are valued at acquisition cost less accumulated depreciation and impairment. Depreciation is accounted for with the straight line method during the useful lives of these assets which vary from 5 to 16 years.

Expenses related to software maintenance are recognized as incurred.

### 3.8 Assets from auctions

Assets from auctions include real estate acquired by the Bank in auction proceedings, in full or partial recovery of receivables. The Bank assesses these properties at each balance sheet date, at the lower value between accounting and fair value, assigning their valuation to independent appraisers.

### 3.9 Impairment of non-financial assets

With the exception of auctioned assets that are audited for impairment at least on an annual basis, the book values of other long-term assets are audited for impairment when there are certain events or changes of circumstances indicating that their book value may not be recoverable.

When the book value of an asset exceeds its recoverable amount, the corresponding impairment loss is recorded in the income statement. The recoverable value is the higher amount of the net selling price and value-in-use. Fair value less selling expenses is the amount which can be obtained from the sale of an asset in an arms length transaction in which both parties are willing and knowledgeable after the deduction of any incremental disposal costs, while value in use is the net present value of expected future cash flows which will result from continuing use of the asset and from the proceeds expected from its disposal at the end of its estimated useful life. For the purposes of assessing impairment, assets are grouped at the lowest level for which there exist separately identifiable cash flows.

### 3.10 Current and deferred income tax

Taxation for the financial year includes current and deferred tax. Deferred tax is recognized through profit and loss unless it pertains to assets recognized in other comprehensive income or directly recognized in equity. In this case, deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax result according to the tax laws in force in Greece. The cost of current income taxes includes the income tax which arises based on the earnings of the Bank, as restated in its tax statements and provisions for additional taxes and charges for unaudited years, and is calculated pursuant to established or essentially established tax rates.

Deferred income tax results from the temporary differences between the tax base and the carrying amount of assets and liabilities. 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 did not affect the accounting or the taxable profit or loss. Deferred tax receivables are recognized to the extent that there will be future taxable gains making use of the temporary difference that gives rise to deferred tax receivables. Deferred tax is determined by taking into account the tax rates (and tax laws) that are in force at the balance sheet date and is expected to apply when the deferred tax asset is deferred or the deferred tax liability is settled.

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

### 3.11 Provisions and contingent liabilities

Provisions are recognized when:

- There is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation; and

- a reliable estimate can be made of the required amount.

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

Contingent liabilities are not recorded in the financial statements but are disclosed, unless the probability of an outflow of resources that incorporate financial benefits is minimal. Contingent receivables are not recorded in the financial statements, but are disclosed where an inflow of financial benefits is probable.

### 3.12 Employee benefits

#### (a) Short-term benefits

Short-term employee benefits in cash or in kind are recorded as an expense when they are accrued.

#### (b) Post-employment benefits

Post-employment benefits include defined contribution plans (State plans), as well as defined benefits plans.

The accrued cost of defined contribution programs is recognized as expenses during the relevant period.

The liabilities arising from defined employee benefit plans are calculated at the prepaid value of future personnel benefits accrued on the balance sheet date. The commitment of the defined benefit is calculated annually by an independent actuary with the use of the projected unit credit method.

The actuarial gains and losses arising from empirical adjustments or from changes in the actuarial assumptions are recognized in other comprehensive income in the period they were realized.

Past service cost is directly recognized in profit and loss.

#### (c) Employment termination benefits

Employment termination benefits are payable when the company terminates employment prior to the employees' retirement or following a decision by the employees to accept benefits from the Bank in consideration of their employment termination. The company recognizes employment termination benefits as a liability and as an expense on the earliest of the following dates: a) when the entity may no longer withdraw the offer of these benefits; and b) when the entity recognizes a restructuring cost falling within the scope of IAS 37 and entailing payment of employment termination benefits. Benefits falling due more than 12 months after balance sheet date are discounted.

### 3.13 Equity - Cooperative Capital

The rights and obligations of the shareholders of the Cooperative Bank are defined by Law No 1667/2986 as amended and in force (last amended by Law No 4340/2015), as well as the Articles of Association of the Bank and the decisions of the management bodies.

Each partner is registered for a mandatory cooperative share. It may, in addition to the mandatory one, also obtain optional portions up to the maximum number specified by the Law and the Articles of Association. The value of the optional is equal to the value of the mandatory share. Particularly, Public Legal Entities can acquire an unlimited number of optional shares.

The cooperative share is transferred only to partners. The transfer of the cooperative share to third parties is allowed only upon decision of the Board of Directors. The Board of Directors refuses the transfer if the third party does not meet the conditions required for entering as a partner (Article 2 Law 1667/86).

Each partner is required to pay the value of the cooperative share from the date of filing the application to join the cooperative. The cooperative share is indivisible and equal for all partners.

The Bank's disposal price is determined by acceptable valuation methods, in accordance with the provisions of the law and the Articles of Association.

All liquidation of shares is attributed the amount of the share value attributable to the net assets of the cooperative, as it results from the balance sheet of the last fiscal year, taking into account a) the amount by which the provisions formed are less than those required by the report of the certified auditors-accounts and (b) the restrictions provided for in Article 149 of Law 4261/2014.

Each partner is liable to the cooperative and its creditors jointly and severally for an amount equal to the value of their shares. (Limited partnership, Article 4 par. 4 of Law 1667/86).

The Bank has recognized the entire Cooperative Capital as Equity as part of the interpretation of *IFRS 2:* "*Shares of members in cooperative financial entities and similar instruments*", since there is no relevant authorization to repay the cooperative shares to the shareholders, according to the provisions of Article 149 of Law 4261/5.5.2014.

Expenses for cooperative capital increase: Direct expenses for the issue of shares are shown following subtraction of the relevant income tax, reducing retained earnings.

Share premium: This account records the difference between the nominal value of the shares issued and their selling price.

### 3.14 Income statement

**i) Interest income and expenses**

Interest income and expense are recognized in the income statement on an accrual basis for all interest bearing financial instruments using the effective interest rate method. Effective is the interest rate that exactly discounts the estimated future cash outflows or inflows over the expected life of the financial instrument or, to a lesser extent, as appropriate, to the carrying amount before impairment or to the carrying amount of the financial asset or liability, respectively. For the calculation of the effective interest rate, the Bank calculates the cash flows taking into account all the contractual terms of the financial instrument excluding the expected credit risk.

The depreciable cost of a financial asset or liability is the amount at which it is measured at initial recognition, by deducting capital repayments by adding or subtracting cumulative depreciation calculated using the effective interest method (as described above) and for financial assets, by deducting provisions of expected credit losses. The carrying amount before impairment of a financial asset is equal to the depreciable cost of the impairment loss for expected credit losses.

The Bank calculates interest income by applying the effective interest method to the impairment loss of unattended financial assets (exposures in Stage 1 and 2) and respectively to the amortized cost of financial liabilities.

Interest income and expense are presented separately in the income statement for all interest-bearing financial instruments in net interest income.

**Revenues from fees and commissions**

Revenues from fees and commissions, handling of accounts, insurance operations, letters of guarantee are recognized over time when the relevant services are provided to the client to the extent that it is highly probable that no significant reversal of the amount of revenue recognized will arise.

Remuneration arising from transactions such as transfers, bank charges and brokerage activities are recognized at the time that those transactions are carried out.

Other fees and commissions relate mainly to fees from transactions and services, which are recognized as expenses at the time when the relevant services are received.

**iii) Dividend income**

Dividend income is recognized when the right of recovery is finalized by the shareholders, that is after their approval by the General Meeting.

### 3.15 Dividend distribution

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

## 4. Financial risk management

### 4.1 Risk Management Framework

The Board of Directors is responsible for developing and supervising the risk management framework, establishing the risk assumption and capital management strategies, in line with the Bank's business objectives, while assessing the effectiveness of its risk management policy and the adequacy of own funds, in relation to the extent and form of the risks assumed. The risk management framework is continually evaluated and evolving, taking into account the Bank's historical data base, market dynamics, supervisory compliance and international best practices. To this end, the bank has set up a Risk Management Unit, according to the provisions of the Banking and Credit Insurance Law 2577/2006.

### 4.2 Financial Risks

Financial risk management is inherent in the Bank's business. With a view to maintaining the stability and continuity of operations, Management places a high priority on the implementation and continuous improvement of an effective risk management framework to minimize potential adverse effects on the Bank's financial performance.

Due to the nature of its operations, the Bank is exposed to various financial risks, such as credit risk, market risk (including foreign exchange and interest rate risk), and liquidity risk. The Bank's risk management strategy aims at minimizing the adverse effects that these risks may have on the Bank's financial performance, financial position and cash flows.

The Bank submits annually to the relevant departments of the Bank of Greece the Internal Capital Adequacy Assessment Process (ICAAP), analyzing quantitatively and qualitatively the instruments it uses to manage the individual risks and the future impact on its solvency (Capital Adequacy Indicator).

### 4.2.1 Credit risk

The Bank is exposed to credit risk, which is the risk of loss due to the inability of the counterparty to meet its payment obligations at the maturity date.

The Bank's credit risk arises mainly from lending to individuals and businesses, including the protection measures provided, such as financial guarantees, as well as other activities such as investments in debt securities (bonds) and claims against credit institutions.

The Bank manages the individual exposures in credit risk as well as the credit risk concentrations.

**Credit risk management**

The Bank’s customers, who are mostly members of the Bank, come from the local community and they operate mainly in the trade, agriculture, stock-breeding, energy, manufacturing and construction sectors.

The Board of Directors, for the smooth operation and quick response to matters other than the Audit Committee and the Asset and Treasury Committees and those provided by the institutional and regulatory framework, may establish informal committees whose coordinator must be a member of the BoD. The committees may be attended by officials and, as an adviser, the head of the Risk Management Unit. At the end of their work the committees are required to table minutes in the plenary session of the BoD signed by all their members.

**Audit Committee**

The members of the Committee are appointed by the Board of Directors and approved by the General Meeting. The Committee is made up of three non-executive and independent members of the Board of Directors, of which at least one is a specialist in financial matters with sufficient knowledge and experience in audit matters, too.

The term of office of the members of the Commission shall be four years. Each member is provided with appropriate information and training at the time of his/her appointment but also on a continuous basis. Committee Members must not hold parallel positions or properties or engage in transactions that might be considered incompatible with the Committee’s mission. Being a member of the Audit Committee does not exclude the possibility to being a member of other committees of the Board of Directors.

The Audit Committee has, among others the following duties:

- examines the effectiveness of the Bank's internal control, risk management, regulatory compliance and financial disclosures and informs the Board of Directors,
- examines the annual report of MEE on the adequacy of the Internal Audit System and informs the Board of Directors,

- examines at least twice a year the reports of the Compliance Division, including the Bank's compliance program,
- monitors the application and examines the effectiveness of the Code of Conduct for senior executives of the Bank,
- submits proposals to the Board of Directors to address the identified weaknesses and monitor the implementation of the follow up measures.

**Loan Committee**

The Loan Committee consists of 5 full members and three alternates and decides on the loan structure and advises the Board of Directors on the granting of credits.

The Committee decides unanimously on the credit limits of each member up to the amount authorized by the Board of Directors as well as on the granting of financing, taking into account whether the proposed credits meet the criteria of the decisions of the Bank of Greece and the credit criteria that the Bank has or will adopt, and also determines the caps or collaterals that the Bank will receive in order to provide the requested funding (prenotations, pledges, checks or bills of exchange, etc.). In this context, the Board of Directors decides to set up credit units to which the Committee’s powers are delegated. The Bank has set up four credit units namely (a) up to 50 thousand (b) from 50 to 200 thousand, (c) from 200 to 400 thousand and (d) over 400 thousand.

If the application for funding has been submitted by a member of the Board of Directors, this application shall be examined in the first and last degree by the Board of Directors. In case of either a negative decision made by majority or a positive decision made by majority, the application for funding together with the Committee’s decision shall be sent to the Board of Directors for a final decision.

It decides upon the proposal of the relevant Branch and the recommendation of the General Manager, according to the terms and conditions that are required, to transfer any uncollectible receivables to bad debts, up to the amount authorized by the Board of Directors.

The Main Credit Rules, the procedures for reviewing, assessing, approving and classifying borrowers, the cessation of interest payments and the classification of borrowers as precarious, as well as compliance with the decisions of regulatory authorities, are set out in the Credit Regulation, which is constantly updated depending of the existing circumstances. In 2018 the Credit Regulation was adjusted to meet the requirements of IFRS 9 since 1.1.2018.

**Overdue Directorate**

The management of overdue claims is assigned, by BoD decision, to the Overdue Department (Overdue Administrative Board) and decisions are made by the Overdue Committee. The Overdue Directorate follows, among other things, the Code of Conduct and classifies the borrowers into either cooperating or not. In 2018, the overdue process was appropriately revised and approved by Management in the context of adjusting to the requirements arising from the application of the new IFRS 9 Financial Instruments as of 1.1.2018.

**Rating and creditworthiness**

**a. Business portfolio**

The Systemic Risk Value software is used to categorize the business portfolio. Based on the credit risk characteristics, customers are initially classified into a rating scale and based on it into a credit scare. Four levels of credit risk are used:

- Low risk management

- Medium risk management
- Higher than the Medium Credit Risk
- High Credit Risk

Until 2012, a scale of 16 (sixteen) grades was used, and after 2012 the scale includes nine grades. In order to be able to create time series that will include data before 2012, the level of credit risk is also used. The matching of steps of the credit risk scale and the level of credit risk is summarized in the following tables:

Risk Level and Rating Scale (current)

| Low Risk | | | | Medium Risk | Higher than Medium | | High Risk | |
|---|---|---|---|---|---|---|---|---|
| A | B | C | D | E | F | G | H | I |

Risk Level and Rating Scale (until 2012)

| Low Risk | | | | | | | Medium Risk | | | Higher than Medium | | | High Risk | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| aa+ | aa | aa- | a+ | a | a- | bbb+ | bbb | bbb- | bb+ | bb | bb- | b+ | b | b- | ccc |

It should be noted that, until the first financial statements are compiled, the newly-established enterprises are ranked by default at a high risk level and at a rating scale of I.

**b. Retail Banking - Mortgage and Consumer Portfolio**

For mortgage and consumer portfolios, the probability of default is calculated on an annual basis, taking into account historical default data, across the portfolio.

Borrowers (apart from being divided up in mortgage and consumer portfolios) in terms of calculating the probability of default are not distinguished by any other feature (risk level, type of credit, profession, etc.). Given the small proportion of these portfolios in the Bank’s total lending portfolio, this approach is considered adequate. The probability of default is calculated on an annual basis, taking into account historical default data.

**Credit risk mitigation techniques**

In order to reduce the credit risk and to ensure the repayment of the loans granted, the Bank receives caps and collaterals. The main types of collateral received are:

- Prenotations/Mortgages of real estate
- Pledges on deposits
- Pledges on checks
- Assignment of electricity (power corporations)
- Greek Government Guarantees
- Guarantees of Greek, European Funds and Organizations (ETEAN, ETEP, etc.)

The bank assesses tangible collateral at regular intervals, adjusting the needs for impairment provision accordingly. Values are reduced according to their age (time impairment), and depending on the type of collateral (commercial property, urban real estate).

**Maximum exposure to credit risk before collateral**

The maximum exposure to credit risk as at 31.12.2019 and 31.12.2018 is as follows:

| *Amounts in EUR* | 31/12/2019 | 31/12/2018 |
|---|---|---|
| **Credit risk exposure of balance sheet items** | | |
| Claims against credit institutions | 47,906,414 | 40,498,420 |
| Loans and receivables against customers | 58,690,143 | 53,238,536 |
| Investment securities portfolio | 91,900 | 93,318 |
| Other assets | 28,116 | 19,074 |
| **Credit risk exposure of off-balance sheet items** | | |
| Letters of Guarantee | 6,240,239 | 4,936,279 |
| **Total** | **112,956,812** | **98,785,626** |

**Loans and receivables from customers**

Below is a detailed overview of the Bank's exposure to credit risk arising from loans and receivables from customers.

**a. Quality of loan portfolio and receivables from customers**

Loans and receivables from customers are categorized as “non-impaired loans” and “impaired loans”.

The category of “non-impaired loans” includes (a) loans that are classified in step 1, in which all borrowers are classified at the initial recognition of the credit exposure. At each reporting date, they remain in Stage 1 unless the credit risk is significantly increased or there is a significant increase in credit risk but the credit risk remains low and b) the loans classified in Stage 2 where all borrowers are classified which at the reporting date had been ranked in step 1 and have experienced a significant increase in credit risk but have not entered into credit default status. In order for a borrower in Stage 2 to revert to Stage 1, there should be a significant reduction in credit risk.

The “impaired loans” category includes loans that are classified in Stage 3, including borrowers deemed to be in default. In order for a borrower in Stage 3 to revert to Stage 2 or Stage 1, he should have returned to non-default. The procedure followed is to revert the borrower to Stage 2. Direct transfer from Stage 3 to Stage 1 is an exception and avoided. A borrower is considered to be in default if one or both of the following events has occurred:

- he or she is late in paying any significant credit obligation to the Bank for more than 90 days ;
- the Bank estimates that the borrower is unlikely to fully meet its credit obligation

If the borrower complies with the delay criterion, it is considered that all exposures against that borrower are in default.

The table below summarizes the figures before impairment, loans and receivables from customers measured at amortized cost, provision for impairment, total value after impairment and collateral value.

| 31/12/2018 *Amounts in EUR* | Non-impaired | | Impaired | Total value before impairment | Provision for impairment Expected Credit Losses | | | Total provisions | Total value after impairment | Value |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | Stage 1 | Stage 2 | Stage 3 | | | |
| **Retail Banking** | 4,976,297 | 832,394 | 6,228,229 | 12,036,919 | 224,370 | 43,370 | 2,165,119 | 2,432,858 | 9,604,061 | 8,029,342 |
| ***Mortgage*** | 3,862,544 | 676,402 | 3,563,587 | 8,102,533 | 79,792 | 5,236 | 923,631 | 1,008,660 | 7,093,873 | |
| Collateral value | 2,946,848 | 646,937 | 2,627,588 | 6,221,372 | | | | | | 6,221,372 |
| ***Consumer*** | 1,113,753 | 155,992 | 2,664,642 | 3,934,386 | 144,578 | 38,133 | 1,241,488 | 1,424,199 | 2,510,187 | |
| Collateral value | 376,214 | 68,626 | 1,363,129 | 1,807,970 | | | | | | 1,807,970 |
| **Business** | 38,279,526 | 3,911,607 | 23,197,348 | 65,388,481 | 2,020,304 | 992,377 | 13,289,718 | 16,302,399 | 49,086,082 | 32,108,891 |
| ***SMEs*** | 38,279,526 | 3,911,607 | 23,197,348 | 65,388,481 | 2,020,304 | 992,377 | 13,289,718 | 16,302,399 | 49,086,082 | |
| Collateral value | 20,292,027 | 1,998,155 | 9,818,709 | 32,108,891 | | | | | | 32,108,891 |
| **Book value as at 31.12.2018** | 43,255,823 | 4,744,001 | 29,425,576 | 77,425,401 | 2,244,675 | 1,035,746 | 15,454,837 | 18,735,258 | 58,690,143 | 40,138,234 |
| **Total collateral value** | 23,615,089 | 2,713,718 | 13,809,426 | 40,138,234 | | | | | | 40,138,234 |

| 31/12/2018 *Amounts in EUR* | Non-impaired | | Impaired | Total value before impairment | Provision for impairment Expected Credit Losses | | | Total provisions | Total value after impairment | Collateral value |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | Stage 1 | Stage 2 | Stage 3 | | | |
| **Retail Banking** | 4,076,849 | 329,697 | 7,219,701 | 11,626,247 | 275,804 | 47,495 | 2,381,886 | 2,705,185 | 8,921,062 | 7,814,020 |
| ***Mortgage*** | 3,065,503 | 300,091 | 4,384,412 | 7,750,005 | 114,611 | 39,792 | 1,082,095 | 1,236,498 | 6,513,507 | |
| Collateral value | 2,533,125 | 246,370 | 3,271,708 | 6,051,203 | | | | | | 6,051,203 |
| ***Consumer*** | 1,011,346 | 29,606 | 2,835,289 | 3,876,242 | 161,192 | 7,703 | 1,299,792 | 1,468,687 | 2,407,555 | |
| Collateral value | 323,272 | 6,064 | 1,433,480 | 1,762,816 | | | | | | 1,762,816 |
| **Business** | 32,683,724 | 1,182,760 | 25,623,328 | 59,489,813 | 1,785,961 | 186,171 | 13,200,207 | 15,172,339 | 44,317,474 | 31,608,583 |
| ***SMEs*** | 32,683,724 | 1,182,760 | 25,623,328 | 59,489,813 | 1,785,961 | 186,171 | 13,200,207 | 15,172,339 | 44,317,474 | |
| Collateral value | 19,447,864 | 466,912 | 11,693,808 | 31,608,583 | | | | | | 31,608,583 |
| **Book value as at 31.12.2018** | 36,760,574 | 1,512,457 | 32,843,029 | 71,116,060 | 2,061,764 | 233,667 | 15,582,093 | 17,877,524 | 53,238,536 | 39,422,603 |
| **Total collateral value** | 22,304,261 | 719,346 | 16,398,996 | 39,422,603 | | | | | | 39,422,603 |

The total of the provisions also includes an amount of EUR 618 thousand. (2018:352 thousand), which relates to losses from the modification of the contractual terms of loans and receivables against customers, for which the expected credit losses are calculated over the life of the loans and for which the change in contractual cash flows is not material and does not cause recognition interruption.

The table below shows the timing of credit impairment loans (Stage 3) and receivables from customers by loan category before impairment, provision for impairment and the value of collateral held to reduce credit risk.

| 31/12/2019 *Amounts in EUR* | Business | Mortgage | Consumer | Total |
|---|---|---|---|---|
| Up to 90 days | 5,203,883 | 685,506 | 426,488 | 6,315,876 |
| From 91 to 180 days | 444,715 | 50,026 | 37,710 | 532,451 |
| From 181 to 360 days | 463,384 | 0 | 8,180 | 471,564 |
| More than 360 days | 17,085,366 | 2,828,055 | 2,192,264 | 22,105,685 |
| **Value before impairment** | **23,197,348** | **3,563,587** | **2,664,642** | **29,425,576** |
| Cumulative impairment | 13,289,718 | 923,631 | 1,241,488 | 15,454,837 |
| **Book value after impairment** | **9,907,630** | **2,639,956** | **1,423,154** | **13,970,740** |
| Collateral value | 9,818,710 | 2,627,588 | 1,363,129 | 13,809,427 |

| 31/12/2018 *Amounts in EUR* | Business | Mortgage | Consumer | Total |
|---|---|---|---|---|
| Up to 90 days | 7,591,188 | 1,627,914 | 500,558 | 9,719,660 |
| From 91 to 180 days | 281,056 | 20,104 | 35,031 | 336,192 |
| From 181 to 360 days | 861,552 | 71,369 | 7,468 | 940,389 |
| More than 360 days | 16,889,532 | 2,292,232 | 2,665,025 | 21,846,789 |
| **Value before impairment** | **25,623,328** | **4,011,619** | **3,208,082** | **32,843,029** |
| Cumulative impairment | 13,200,207 | 1,082,095 | 1,299,792 | 15,582,093 |
| **Book value after impairment** | **12,423,121** | **2,929,525** | **1,908,290** | **17,260,936** |
| Collateral value | 11,693,808 | 3,271,708 | 1,433,480 | 16,398,996 |

The tables below present the evolution of loans and receivables from customers before impairment by category (business, mortgage, consumer), and per stage over the periods from 1.1.2019 to 31.12.2019 and from 1.1.2018 to 31.12.2018 respectively.

| 1/1-31/12/2019 *Amounts in EUR* | Business | | | Mortgage | | | Consumer | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 | |
| **Book value before impairment 1.1.2019** | **32,683,723** | **1,182,761** | **25,623,328** | **3,062,543** | **299,646** | **4,382,406** | **1,014,306** | **30,051** | **2,837,295** | **71,116,059** |
| New loans recognized | 7,454,874 | 108,138 | 62,692 | 839,811 | - | - | 449,705 | 1,098 | - | 8,916,317 |
| Transfer from other stages | 1,377,610 | 3,534,550 | 1.205.870 | 293,492 | 506,779 | 22,063 | 7,223 | 140,331 | 21,737 | 7,109,656 |
| Transfer to Stage 1 | - | (267,364) | (1,110,246) | - | (71,917) | (221,574) | - | - | (7,223) | (1,678,325) |
| Transfer to Stage 2 | (1,609,203) | - | (1,925,348) | (239,733) | - | (267,046) | (59,949) | - | (80,382) | (4,181,660) |
| Transfer to Stage 3 | (729,029) | (476,841) | - | (3,568) | (18,495) | - | (20,958) | (779) | - | (1,249,670) |
| Repayment and other operations | (590,128) | (279,479) | (857,427) | (276,118) | (73,754) | (132,001) | (284,805) | (39,680) | (73,583) | (2,606,975) |
| **Book value before impairment 31.12.2019** | **38,587,847** | **3,801,766** | **22,998,869** | **3,676,427** | **642,259** | **3,783,847** | **1,105,522** | **131,021** | **2,697,844** | **77,425,401** |
| Provision for impairment 31.12.2019 | 2,020,304 | 992,377 | 13,289,718 | 79,792 | 5,236 | 923,631 | 144,578 | 38,133 | 1,241,488 | 18,735,258 |
| **Book value 31.12.2019** | **36,567,543** | **2,809,389** | **9,709,150** | **3,596,635** | **637,023** | **2,860,216** | **960,943** | **92,888** | **1,456,356** | **58,690,143** |
| Provision for impairment for off-balance sheet items | 305,829 | | | | | | | | | 305,829 |

| 1/1-31/12/2018 *Amounts in EUR* | Business | | | Mortgage | | | Consumer | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 | |
| **Book value before impairment 1.1.2018** | **25,906,508** | **1,504,266** | **26,734,985** | **2,380,509** | **277,359** | **4,608,345** | **819,351** | **56,240** | **3,038,971** | **65,326,533** |
| New loans recognized | 7,692,345 | 1,535 | 206,291 | 1,051,041 | - | 36,000 | 371,515 | 3,327 | 11,846 | 9,373,899 |
| Transfer from other stages | 809,578 | 860,265 | 633,444 | 121,337 | 182,320 | 132,053 | 140,255 | 25,197 | 79,618 | 2,984,067 |
| Transfer to Stage 1 | - | (273,425) | (536,153) | - | (44,123) | (77,215) | - | (7,234) | (133,021) | (1,071,171) |
| Transfer to Stage 2 | (792,177) | - | (68,088) | (105,883) | - | (76,437) | (6,501) | - | (18,696) | (1,067,782) |
| Transfer to Stage 3 | (102,935) | (530,509) | - | (62,966) | (69,087) | - | (47,368) | (32,250) | - | (845,114) |
| Repayment and other operations | (829,596) | (379,371) | (1,347,151) | (321,495) | (46,823) | (240,340) | (262,946) | (15,229) | (141,423) | (3,584,373) |
| **Book value before impairment 31.12.2018** | **32,683,723** | **1,182,760** | **25,623,328** | **3,062,544** | **299,646** | **4,382,406** | **1,014,305** | **30,051** | **2,837,295** | **71,116,059** |
| Provision for impairment 31.12.2018 | 1,785,960 | 186,171 | 13,200,207 | 114,611 | 39,792 | 1,082,095 | 161,192 | 7,703 | 1,299,792 | 17,877,523 |
| **Book value as at 31.12.2018** | **30,897,764** | **996,589** | **12,423,121** | **2,947,933** | **259,854** | **3,300,312** | **853,113** | **22,348** | **1,537,503** | **53,238,536** |
| Provision for impairment for off-balance sheet items | 431,592 | | | | | | | | | 431,592 |

According to the above tables, the percentage of provisions for expected credit losses on total loans amounts to 24,20% as at 31.12.2019 (2018:25.14%). Considering the impairment provision for off-balance sheet items, the above percentage is 24.60% (2018: 25,74%).

### (b) Breakdown by segment of activity of loans and receivables from customers

The tables below present the Bank's exposure to loans and receivables from customers before impairment, by stage of expected credit loss, loan category and segment of activity and provision for impairment by category of loans and segment of activity.

| 31.12.2019 *Amounts in EUR* | Book value before impairment Stage 1 | Stage 2 | Stage 3 | Provision for impairment |
|---|---|---|---|---|
| **Retail Banking** | **4,976,297** | **832,394** | **6,228,229** | **2,432,858** |
| Mortgage loans | 3,862,544 | 676,402 | 3,563,587 | 1,008,660 |
| Consumer loans | 1,113,753 | 155,992 | 2,664,642 | 1,424,199 |
| **Business** | **38,279,527** | **3,911,607** | **23,197,348** | **16,302,399** |
| Agriculture-Livestock | 8,076,175 | 285,246 | 651,587 | 661,954 |
| Mining-Processing | 3,193,256 | 263,062 | 2,361,979 | 1,624,450 |
| Industry | 6,124,087 | 16,408 | 746,535 | 712,791 |
| Building-Construction | 1,189,134 | 25,113 | 3,574,028 | 1,900,222 |
| Trade | 9,595,088 | 1,624,588 | 8,894,544 | 6,235,710 |
| Tourism | 2,024,994 | 174,012 | 1,695,387 | 866,177 |
| Energy | 3,176,798 | 55,887 | - | 4,375 |
| Transport | 1,299,899 | 619,680 | 648,071 | 551,401 |
| Other | 3,600,097 | 847,610 | 4,625,217 | 3,745,319 |
| **Total** | **43,255,823** | **4,744,001** | **29,425,577** | **18,735,258** |

| 31.12.2019 *Amounts in EUR* | Book value before impairment Stage 1 | Stage 2 | Stage 3 | Provision for impairment |
|---|---|---|---|---|
| **Retail Banking** | **4,076,849** | **329,697** | **7,219,701** | **2,705,185** |
| Mortgage loans | 3,065,503 | 300,091 | 4,384,412 | 1,196,706 |
| Consumer loans | 1,011,346 | 29,606 | 2,835,289 | 1,508,479 |
| **Business** | **32,683,725** | **1,182,760** | **25,623,327** | **15,172,339** |
| Agriculture-Livestock | 6,024,690 | 175,317 | 595,988 | 576,107 |
| Mining-Processing | 1,242,150 | | 3,281,906 | 1,497,643 |
| Industry | 5,535,677 | 21,405 | 728,594 | 558,970 |
| Building-Construction | 676,550 | 89,295 | 3,482,605 | 1,870,365 |
| Trade | 6,463,396 | 240,074 | 10,951,722 | 5,862,105 |
| Tourism | 345,276 | - | 1,899,868 | 341,482 |
| Transport | 4,141,675 | - | 204,725 | 4,842 |
| Energy | 1,511,214 | 74,323 | 688,118 | 477,694 |
| Other | 6,743,097 | 582,345 | 3,789,803 | 3,983,132 |
| **Total** | **36,760,574** | **1,512,457** | **32,843,028** | **17,877,524** |

**(c) Arrangement measures for Loans and Receivables from Customers**

The contractual terms of the loans may be modified due to various factors, such as changes in market conditions and possible deterioration in the borrower's financial position.

As part of the arrangements, the provisions of the European Banking Authority's Implementing Technical Standards (EBA) and the Bank of Greece Executive Committee's Act 42/30.5.2014 as amended by the Bank of Greece Executive Committee's Act 47/9.12.2015 and 102/30.8.2016 apply. The Bank’s practice on arrangements concerns the cases of modification of the contractual terms of repayment of loans due to the financial impossibility of the borrower to consistently respond to the resulting obligations under the terms of its contracts. In such cases, the Bank proceeds with the provision of facilities by favorably modifying the terms and conditions provided for in the original loan agreement, which it would not have provided if the borrower was not in financial difficulty. Other cases in which changes are made by the Bank and are not due to financial difficulty of the debtor but are determined by business factors are not arrangement measures.

All arranged loans are carefully monitored at their initial stage and, depending on the borrower's behavior, the Bank classifies and determines their probability of default by rating their creditworthiness. In this context, beyond the creditworthiness, the client's intention to repay the debt (co-operating client) is also considered. The purpose of arrangements is to enable borrowers who are proven to face financial difficulties by redefining the terms of their original contracts to repay their obligations, which is a protection of the Bank against possible losses.

**Types of arrangements**

The main arrangements measures are:

- Schedule of reduced payments
- Extended loan duration
- Capitalization of overdue instalments
- Providing a grace period
- Interest rate reduction

**<u>Exposures for which restructuring measures have been taken (arrangements)</u>**

The measurement of the expected credit loss and the formation of a corresponding provision for the credit exposures classified in stage 3 and restructuring measures taken are carried out in accordance with the following formula:

$$Allowance = Expected\ Credit\ Loss = \Sigma_{t=1}^{T} PDt * SP_{t-1} * \left(1 - \frac{(1-Haircut)\% * Value\ of\ the\ pledges}{EAD_t}\right) * EAD_t * DF_t$$

where:

- T = Credit Exposure Horizon
- $PDt$ = The probability of default at time t
- $SPt{-}1$ = The probability of non-default until the previous year
- $EADt$ = The total amount of credit exposure at time t
- $DFt$ = The discount factor (effective interest rate)
- Haircut = percentage of impairment of pledge value which incorporates:
  - the cost of liquidation of the pledges
  - the effect of the forced liquidation of the pledges
  - the present value of pledges and cash flows in accordance with the effective interest method

**<u>Criteria for revert to non-default status</u>**

The Bank considers that urgent restructuring measures have been taken when facilities have been granted to a borrower experiencing or having to deal with difficulties in fulfilling its financial obligations. Regardless of whether the restructuring measures were taken before or after the default has been determined, a default period of at least one year has elapsed since the most recent of the following facts:

- at the time of the granting of the restructuring measures
- at the time when the exposure was classified as an exposure in default
- at the end of the grace period included in the Restructuring Agreement

In addition, the following conditions must be met:

- during that period, the borrower must has made a significant payment. It can be considered that the borrower has made a significant payment when, through his regular payments as provided for in the Restructuring Agreement, he has paid a total amount equal to the amount that was previously in default (if there were late payments) or which was deleted if there were no late payments) under the restructuring measures
- during this period, payments were made regularly and without any significant deviations from the current plan following the Restructuring Agreement
- following the restructuring agreement and according to the current plan, there are no overdue credit obligations
- there are no indications of possible default
- the Bank is convinced that the borrower will fully repay its credit obligations under the restructuring plan without requiring collateralization, especially if significantly higher payments or a one-off payment are foreseen at the end of the plan.

The above conditions should be fulfilled also for any new credit exposures of the borrower.

**Detailed data for 2019 and 2018 on settled loans**

Details of settled loans and their categorization are given in the tables below.

The table below presents loans and receivables from customers subject to loan settlement measures by type of loan.

| *Amounts in EUR* | 31/12/2019 | 31/12/2018 |
|---|---|---|
| **Retail Banking** | | |
| Mortgage loans | 1,446,503 | 1,773,395 |
| Consumer loans | 778,279 | 921,880 |
| **Total** | **2,224,782** | **2,695,275** |
| | | |
| **Business** | | |
| SMEs | **8,147,033** | **9,972,268** |
| | | |
| **Book value before impairment provisions** | **10,371,815** | **12,667,543** |
| **Less: Accumulated provision for impairment** | **(4,098,199)** | **(3,923,329)** |
| **Net book value of settled loans** | **6,273,616** | **8,744,214** |

The following table summarizes the settled loans and receivables from customers by quality rating as at 31.12.2019 and 31.12.2018:

| **31.12.2019** ***Amounts in EUR*** | **Total loans and receivables** | **Settled loans** | **% settlements on total loans** |
|---|---|---|---|
| **Value before impairment** | | | |
| Stage 1 | 43,255,823 | 427,205 | 1% |
| Stage 2 | 4,744,001 | 2,444,309 | 52% |
| Stage 3 | 29,425,576 | 7,500,301 | 25% |
| **Total** | **77,425,400** | **10,371,815** | **13%** |
| | | | |
| **Accumulated provisions for expected credit loss** | | | |
| Stage 1 | (2,244,674) | 44,062 | 2% |
| Stage 2 | (1,035,746) | 545,127 | 53% |
| Stage 3 | (15,454,837) | (3,509,010) | 23% |
| **Total** | **(18,735,257)** | **(4,098,199)** | **22%** |
| | | | |
| **Net book value** | **58,690,143** | **6,273,616** | **11%** |
| | | | |
| **Collaterals received** | **40,138,234** | **7,654,045** | **19%** |

| **31.12.2019** ***Amounts in EUR*** | **Total loans and receivables** | **Settled loans** | **% settlements on total loans** |
|---|---|---|---|
| **Value before impairment** | | | |
| Stage 1 | 36,760,573 | 1,091,134 | 3% |
| Stage 2 | 1,512,458 | 30,093 | 2% |
| Stage 3 | 32,843,029 | 11,546,316 | 35% |
| **Total** | **71,116,059** | **12,667,543** | **18%** |
| | | | |
| **Accumulated provisions for expected credit loss** | | | |
| Stage 1 | (2,061,764) | (137,197) | 7% |
| Stage 2 | (233,667) | (10,750) | 5% |
| Stage 3 | (15,582,093) | (3,775,382) | 24% |
| **Total** | **(17,877,524)** | **(3,923,329)** | **22%** |
| | | | |
| **Net book value** | **53,238,536** | **8,744,214** | **16%** |

The table below gives details of the settlement measures in relation to the value of the settled loans.

| **Types of arrangements** *Amounts in EUR* | **2019** | **2018** |
|---|---|---|
| Schedule of reduced payments | 65,267 | 457,881 |
| Providing a grace period | 27,538 | 249,553 |
| Extended loan duration | 9,326,789 | 9,232,515 |
| Capitalization of overdue instalments | 64,352 | 1,156,023 |
| Partial deletion of debt | - | 150,873 |
| Combination of settlement measures | 149,728 | 134,001 |
| Interest rate cut | 738,140 | 1,286,698 |
| **Total** | **10,371,815** | **12,667,543** |
| Less: Accumulated provision for impairment | (4,098,199) | (3,923,329) |
| **Total net value** | **6,273,616** | **8,744,214** |

**Credit risk from debt securities**

Credit risk from debt securities for the Bank is negligible due to the low value of debt securities it holds.

On 31.12.2019 the bank held non-listed fixed rate bonds of EUR 91,900 (31.12.2018: 93,318).

**Credit risk from claims on credit institutions**

Credit risk may arise from the failure of credit institutions to meet their obligations to the Bank in respect of placements in bank deposits.

The Bank's deposits are held with Systemic Banks based in Greece for which a low credit rating is maintained, but after the latest recapitalization of the banking system the risk is considered to be limited.

### 4.2.2 Market risk

Market risk is the present or potential risk to profit and loss and capital due to unfavorable changes in interest rates, stock and commodity prices, exchange rates, and volatility.

The bank is not exposed to market risk.

**a. Interest rate risk**

Interest rate risk is the risk of potential loss to the Bank's portfolio due to unfavorable changes in interest rates. The Bank is not exposed to market risk significantly since the total value of the investment securities portfolio (fixed rate bank bonds) is negligible in relation to total assets.

**b. Equity risk**

The bank is not exposed to equity risk as it does not hold shares, derivatives or other relevant financial instruments that are listed on a market.

**c. Foreign exchange risk**

The Bank does not carry out foreign exchange operations or transactions, or does it maintain foreign currency assets or liabilities, therefore it is not exposed to foreign exchange risk.

### 4.2.3 Liquidity risk

Liquidity risk is defined as the Bank's inability to meet its financial obligations when they become receivable due to lack of the necessary liquidity. The Bank has established a Liquidity Crisis Policy and Plan and the key liquidity ratios are monitored on a systematic basis. In monitoring the liquidity risk, the Bank classifies Assets and Liabilities into periods, depending on their remaining life until maturity, thus providing an overview of future cash flows. The following tables analyze the assets and liabilities in terms of time, depending on their remaining maturity, as at 31.12.2019 and 31.12.2018 according to the Bank of Greece Governor's Act 2614/2009 as in force.

| 31.12.2019 (amounts in thousand EUR) | Total | Overnight maturity items | 2-7 days | 8-30 days | 1-3 months | 3-6 months | 6-12 months | More than a year |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and cash equivalents in the Central Bank | 6,982 | 6,115 | | 867 | | | | |
| Claims against credit institutions | 47,906 | | | 47,906 | | | | |
| Loans and receivables against customers | 58,690 | | 127 | 1,153 | 1,584 | 3,733 | 10,914 | 41,179 |
| Investment securities portfolio | 257 | | | | | | | 257 |
| Tangible assets | 662 | | | | | | | 662 |
| Intangible assets | 204 | | | | | | | 204 |
| Deferred tax receivables | 2,296 | | | | | | | 2,296 |
| Current tax assets | 162 | | | | | | 162 | |
| Other assets | 2,011 | | | | | | | 2,011 |
| **Total assets** | **119,172** | **6,115** | **127** | **49,926** | **1,584** | **3,733** | **11,076** | **46,610** |
| | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Liabilities to customers | 103,558 | 12,555 | 4,038 | 12,868 | 20,496 | 2,757 | 511 | 50,211 |
| Provisions for other liabilities and expenses | 165 | | | | | | | 165 |
| Employee benefits obligations | | | | | | | | |
| post-employment | 172 | | | | | | | 172 |
| Other liabilities | 1,654 | 1,011 | | | | | | 766 |
| **Total liabilities** | **105,550** | **13,566** | **4,038** | **12,868** | **20,496** | **2,757** | **511** | **51,314** |

| 31.12.2018 (amounts in thousand EUR) | Total | Overnight maturity items | 2-7 days | 8-30 days | 1-3 months | 3-6 months | 6-12 months | More than a year |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and cash equivalents in the Central Bank | 5,925 | 5,142 | | 783 | | | | |
| Claims against credit institutions | 40,498 | | | 40,498 | | | | |
| Loans and receivables against customers | 53,239 | | 98 | 2,300 | 786 | 2,666 | 9,804 | 37,585 |
| Investment securities portfolio | 259 | | | | | | | 259 |
| Tangible assets | 381 | | | | | | | 381 |
| Intangible assets | 165 | | | | | | | 165 |
| Deferred tax receivables | 2,890 | | | | | | | 2,890 |
| Other assets | 1,750 | | | | | | | 1,750 |
| **Total assets** | **105,107** | **5,142** | **98** | **43,581** | **786** | **2,666** | **9,804** | **43,030** |
| | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Liabilities to customers | 90,490 | 10,100 | 1,543 | 16,462 | 17,928 | 1,674 | 132 | 42,651 |
| Provisions for other liabilities and expenses | 165 | | | | | | | 165 |
| Employee benefits obligations | | | | | | | | |
| post-employment | 134 | | | | | | | 134 |
| Current tax liabilities | 69 | | | | | | 69 | 0 |
| Other liabilities | 1,330 | 604 | | | | | | 726 |
| **Total liabilities** | **92,188** | **10,704** | **1,543** | **16,462** | **17,928** | **1,674** | **201** | **43,676** |

The Bank’s liquidity ratios are as follows:

| Ratio | 31/12/2019 | 31/12/2018 |
|---|---|---|
| a. Liquidity (0-30 days) / Short Term Liabilities | **53.21%** | **50.36%** |
| b. Claims Less Liabilities (0-30 days) / Short Term Liabilities | **12.43%** | **8.73%** |

*Note: For the calculation of the indicators on short-term liabilities, the amount of EUR 12,570 relates to unused authorized loan limits (2018: EUR 12,067)*

Pursuant to Article 412(1) of Council Regulation (EU) No 575/2013 of the European Parliament and of the Council and paragraph 2 of Council Regulation (EU) 2015/61, the Bank must hold "liquid assets, the sum of the values of which is adequate to face any possible imbalance between liquidity inflows and outflows under gravely stressed conditions". Council Regulation (EU) No 575/2013 introduces the following indicators for the monitoring of liquidity risk:

Liquidity Coverage Ratio (LCR): It refers to the amount of high-quality liquid assets held by the credit institution to offset estimated cash outflows during a 30-day stress scenario. According to Regulations (EU) No 61/2015 and 575/2013, the Liquidity Coverage Ratio (LCR) limit for 2017 should not be less than 80%, and by 2018 it should not be less than 100%. For the Bank, the LCR was calculated at 187.25% on 31/12/2019 (31/12/2018: 188.27%). Net Stable Funding Ratio (NSFR): It is the amount of long-term fixed funding that the Bank has to hold (fraction: liabilities that constitute fixed funding to assets that require fixed funding). The minimum level of the ratio is set at 100% from 2018. For the Bank, the NSFR was calculated at 146.5% on 31/12/2019 (31/12/2018: 148%).

To address liquidity risk, the Bank monitors the liquidity exposures resulting from the mismatch of assets and liabilities and strives to balance them so that the Bank can meet its cash requirements.

Funding of the Bank;s Assets is mainly derived from customer deposits. These are savings, sight and time deposits. Although these deposits can be withdrawn without notice if requested, the dispersion in number and type of depositors ensures the absence of significant unexpected fluctuations. The imposition of capital controls helps secure the deposit base and is a deterrent to cash withdrawals.

**Asset - Liabilities Management Committee**

After the appointment of the new Board of Directors at the beginning of November 2019, a new five-member Asset-Liabilities Management Committee was set up by the Bank, replacing the Cash Management Committee, which was appointed by a decision of the Board of Directors and consists of two members of the Board of Directors, the Head of the Risk Management Unit, the Director of Credit and a member coming from the service.

The committee deals with the following issues:

- Proposes the Bank's strategy for the development of Assets - Liabilities
- Suggests the management of assets and liabilities accompanied by pricing policy on products and services
- Monitors the liquidity and adequacy of equity in relation to risks
- Considers stress scenarios
- Monitors and submits proposals to the Executive Committee to maintain the available liquidity of the Bank at acceptable levels

### 4.3 Capital adequacy

In order to safeguard the capital adequacy of the banks, the competent supervisory authorities have established quantitative criteria and require the maintenance of minimum amounts and capital ratios that are determined on a risk-weighted basis. For the purpose of determining these indices, account is taken of the relationship between the amount of equity and the weighted aggregate of Assets.

The European Parliament and the Council of the European Union adopted in June 2013 Regulation (EU) No 575/2013 and Directive 2013/36/EU (CRD IV) on the access to credit institutions' activity and on the prudential supervision of credit institutions and investment firms which have brought about the incorporation and adaptation at European Union level of the changes proposed by the Basel III Committee. The above Regulation and Directive were incorporated into the Greek Legislation with Law 4261/2014 with effect from 1.1.2014 and are implemented as modified following the amendments made to a) Directive 2013/36/EU with Law 4335/2015 and Law 4340/2015 and b) Regulation 575/2013 by the Delegated Regulation 62/2015 and the Implementing Regulation 680/2014 as subsequently amended by the Implementing Regulations 79/2015, 227/2015 and 1278/2015. The Basel II supervisory framework was implemented until 31.12.2013, which was incorporated into the Greek Legislation with Law 3601/2007 and its subsequent amendments.

Pursuant to Regulation (EU) No 575/2013 and Directive 2013/36/EU, credit institutions domiciled in Greece must meet a minimum rate of 4.5% for the CET 1 common stock, 6% for the Tier 1 capital ratio and a capital adequacy ratio of 8% (CAR Ratio). The capital adequacy ratio of 8% according to Article 92 of Regulation (EU) 575/2013, taking into account the Gross Capital Market Index and the provisions of Article 122 of Law 4261/2014 on the maintenance of a capital buffer amounting to 12.65%.

The Bank maintains a high capital adequacy ratio. In particular, the CET 1 Capital Ratio stood at 21.96% on 31.12.2019 (2018: 21%). Both Tier I capital ratio and the total capital ratio have been set at the same levels.

Within the fiscal year 2019, EDEA was completed by the Supervisory Authority and the additional capital requirements were set for 2020 at 2.15%.

Similarly, in financial year 2018 the additional capital requirements since 01.01.2019 were set at 1.67%. As far as their composition is concerned, these additional capital requirements should consist of a share capital of tier 1 (CET1) of at least 56% and of tier 1 (T1) own funds at least 75%. In addition to the total capital requirements under EDEA, the credit institution shall be subject to the capital requirements of a stock holding fund of 2.5% in accordance with Article 122 of Law 4261/2014 and any additional requirements for capital buffers in accordance with the provisions of Law 4261/2014.

**Supervision of impact from the implementation of IFRS 9**

The Bank has decided to apply the phase-in approach in accordance with European legislation (Regulation (EU) 2017/2395) to mitigate the impact of the introduction of IFRS 9, in regulatory capital. According to the above Regulation, the transition period is five years while the rate of impact to be added is 5% for 2018 and 15%, 30%, 50% and 75% for the next four years. The full impact on regulatory capital due to the initial application of IFRS 9 is expected to be reflected on 1 January 2023.

The impact on the Bank's regulatory capital due to the initial application of IFRS 9 on 31.12.2019 and 31.12.2018 respectively, is presented in the table below:

| *Amounts in thousand EUR* | 31.12.2019 IFRS 9 Full implementation | 31.12.2019 IFRS 9 Transitional provisions | 31.12.2018 IFRS 9 Full implementation | 31.12.2018 IFRS 9 Transitional provisions |
|---|---|---|---|---|
| Common Equity | | | | |
| Tier 1 Capital | 12,463 | 15,172 | 11,137 | 13,357 |
| Equity Tier I | 12,463 | 15,172 | 11,137 | 13,357 |
| Total Regulatory Capital | 12,463 | 15,172 | 11,137 | 13,357 |
| Total Weighted Assets | 69,099 | 69,099 | 63,588 | 63,588 |
| Common Equity Tier I Capital Ratio | 18.03% | 21.96% | 17.51% | 21.00% |
| Tier I Capital Ratio (T1 Capital ratio) | 18.03% | 21.96% | 17.51% | 21.00% |
| Total Capital Ratio (Total Capital Ratio) | 18.03% | 21.96% | 17.51% | 21.00% |

## 5. Significant accounting estimates and assumptions

Estimates and judgments are continuously evaluated and are based on historic data and expectations for future events, as considered reasonable under the circumstances. Actual results will differ from those estimates.

The Bank makes estimates and assumptions concerning future events. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next 12 months are discussed below.

### 5.1 Provision for expected credit losses on loans and receivables against customers

The Bank uses estimates to determine the expected credit losses on loans and receivables against customers that are based on the use of new models in the context of the application of IFRS 9, including the classification of loans, the assessment of customers' creditworthiness, the credit risk increase/decrease criteria, taking into account the conditions of the economic environment.

The amount of expected credit losses depends to a large extent on changes in the circumstances and the future financial situation. Furthermore, past experience and estimates may not lead to conclusions indicative of the actual amount of customer default in the future.

### 5.2 Deferred taxation

The Bank recognizes deferred tax assets to the extent that it is probable that there will be sufficient tax profits against which unused tax losses and deductible temporary differences can be used. This requires significant estimates from management regarding the amount of future taxable profits. In making this estimate, the Bank examines all available information, including the historical profitability level, the Management's forecast for future taxable income and tax law.

### 5.3 Classification of cooperative capital

The Bank considers that all conditions for the recognition of cooperative capital in equity, in accordance with IFRIC 2, are met. Any change in those or other conditions (see note 3.13) in the future may result in the reclassification of all or part of equity in the financial liabilities.

## 6. Net income from interest

| *Amounts in EUR* | 1/1-31/12/2019 | 1/1-31/12/2018 |
|---|---|---|
| **Interest and assimilated revenue** | | |
| From loans and receivables against customers | 3,886,635 | 3,374,807 |
| Claims against credit institutions | 559,451 | 567,858 |
| Interest on investment portfolio bonds | 8,000 | 20,877 |
| Others | 535 | 4,808 |
| **Total** | **4,454,621** | **3,968,350** |
| | | |
| **Interest and assimilated expenses** | | |
| Liabilities to customers | (601,850) | (694,401) |
| Contribution under Law 128/1975 | (250,470) | (237,287) |
| Contribution to Deposit Guarantee Fund | (44,373) | (35,388) |
| Lease liabilities | (8,512) | - |
| Others | (8,426) | (8,157) |
| **Total** | **(913,631)** | **(975,232)** |
| | | |
| **Net income from interest** | **3,540,991** | **2,993,117** |

## 7. Net revenue from commissions

| *Amounts in EUR* | 1/1-31/12/2019 | 1/1-31/12/2018 |
|---|---|---|
| **Revenue from commissions** | | |
| Letters of Guarantee | 134,806 | 104,929 |
| Collected on behalf of third parties | 59,963 | 51,661 |
| ATM | 6,153 | 11 |
| Other loan operations | 312,638 | 315,534 |
| Handling of checks | 4,991 | 5,283 |
| Insurance operations | 42,157 | 46,733 |
| Bank transfers | 67,917 | 75,667 |
| POS commissions | 269,864 | 249,289 |
| Other operations | 35,982 | 32,361 |
| **Total proceeds from operations** | **934,470** | **881,468** |
| | | |
| **Expenses from commissions** | | |
| DIAS | (12,280) | (12,958) |
| ATM | (70,420) | (69,966) |
| Tiresias SA | (68,369) | (61,538) |
| Rent and commissions from POS | (269,146) | (233,855) |
| Other operations | (92,119) | (31,621) |
| **Total commission expenses** | **(512,335)** | **(409,938)** |
| | | |
| **Net revenue from commissions** | **422,135** | **471,530** |

## 8. Staff remuneration and costs

| *Amounts in EUR* | 1/1-31/12/2019 | 1/1-31/12/2018 |
|---|---|---|
| Wages | (855,250) | (804,026) |
| Social security costs | (221,056) | (208,278) |
| Other costs and benefits | (150,085) | (135,196) |
| Retirement costs of defined benefit plans (note 22) | (15,887) | (10,162) |
| **Total** | **(1,242,278)** | **(1,157,662)** |

The number of staff employed as at 31/12/2019 amounted to 38 persons (2018: 36 persons).

## 9. Other operating expenses

| *Amounts in EUR* | 1/1-31/12/2019 | 1/1-31/12/2018 |
|---|---|---|
| Remuneration and third party costs | (177,424) | (152,308) |
| Phone-post | (89,406) | (89,928) |
| Rents for buildings | 0 | (80,958) |
| Insurance premiums | (9,957) | (19,998) |
| Repairs and maintenance | (143,172) | (85,073) |
| Lighting-Water supply-co-ownership costs | (27,453) | (26,311) |
| Taxes-duties | (60,287) | (42,106) |
| Travel costs | (30,418) | (50,837) |
| Promotion and advertising costs | (23,982) | (3,712) |
| Subscriptions and contributions | (42,487) | (54,084) |
| Donations | (11,136) | (11,012) |
| Printing and stationary | (34,365) | (34,082) |
| Publication costs | (10,044) | (3,653) |
| Judicial and extrajudicial fees | (9,088) | (5,391) |
| Other costs | (64,325) | (68,936) |
| **Total** | **(733,545)** | **(728,389)** |

The fees and expenses of third parties mainly concern the fees of lawyers, auditors and consultants.

## 10. Provisions for impairment for credit risk

| *Amounts in EUR* | 1/1-31/12/2019 | 1/1-31/12/2018 |
|---|---|---|
| Provisions for impairment of loans and receivables against customers (note 15) | (857,734) | (425) |
| Provision for Expected Credit Losses for Credit Risk Related Liabilities (note 28) | 125,763 | (74,267) |
| **Total** | **(731,972)** | **(74,692)** |

## 11. Other impairment losses

| *Amounts in EUR* | 1/1-31/12/2019 | 1/1-31/12/2018 |
|---|---|---|
| Impairment losses on assets from auctions (note 20) | - | (8,900) |
| Impairment losses for credit risk of investments (note 16) | (1,418) | - |
| Reversal of impairment losses on investments | - | 61,875 |
| **Total** | **(1,418)** | **52,975** |

## 12. Income tax

| *Amounts in EUR* | 1/1-31/12/2019 | 1/1-31/12/2018 |
|---|---|---|
| Tax for the year | (154,794) | (335,977) |
| Deferred tax (note 19) | (590,834) | (119,809) |
| **Total** | **(745,628)** | **(455,786)** |

Income tax on profits before tax differs from the theoretical amount that would arise if we were using the basic tax rate of Greece as follows:

| *Amounts in EUR* | 1/1-31/12/2019 | 1/1-31/12/2018 |
|---|---|---|
| **Profit before tax** | **1,047,935** | **1,508,577** |
| Tax calculated at the nominal tax rate of 24% (2018: 29%) | (251,504) | (437,487) |
| Expenses not deductible for tax purposes | (4,795) | (18,299) |
| Impact from change of rates | (489,329) | - |
| **Total tax** | **(745,628)** | **(455,786)** |

The change of the tax rate from 29% to 24% by Law 4646/2019, resulted in charging a profit/loss tax amounting to EUR 489,329.

Greek tax legislation and the relevant provisions are subject to interpretations by the tax authorities. Income tax statements are filed annually but profit or loss statements remain provisional until the company's tax statements and books are audited by tax authorities at which time they are cleared and the relevant tax assessments are issued. Tax losses, to the extent they are accepted by the tax authorities, may be offset against future profits for a five-year period following the year the refer to.

The Bank has settled its tax liabilities up to and including fiscal year 2009 pursuant to Law 3888/2010 and Law 3697/2008. Years 2010-2013 are also considered to be closed because five years have lapsed. As a result, tax declarations for fiscal years 2014 to 2019 have not been audited by the tax authorities, and consequently the fiscal results of these years have not been finalized. The Bank's management considers that it has formed sufficient provisions to cover any differences from those unaudited fiscal years, the cumulative amount of which as at 31.12.2019 amounts to 165.000 (note 22).

## 13. Cash and cash equivalents in the Central Bank

| *Amounts in EUR* | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Cash in hand | 2,101,462 | 2,200,961 |
| Cash in the Central Bank | 4,680,337 | 3,624,389 |
| **Total** | **6,981,799** | **5,925,350** |

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

These deposits are interest-bearing, with a refinancing rate of the European Central Bank, which was negative at 31.12.2019 and amounted to -0.50% (31.12.2018: -0.40%).

For the purposes of the preparation of the cash flow statement, the cash and cash equivalents are the balances of the "Cash and cash equivalents in the Central Bank" and "Receivables from credit institutions" accounts.

## 14. Claims against credit institutions

| *Amounts in EUR* | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Sight deposits | 41,511,599 | 34,121,153 |
| Term deposits | 6,394,815 | 6,377,267 |
| **Total** | **47,906,414** | **40,498,420** |

The Bank's total deposits are in euro.

## 15. Loans and receivables against customers

| *Amounts in EUR* | 31/12/2019 | 31/12/2018 |
|---|---|---|
| **Individuals** | | |
| Mortgage | 8,102,533 | 7,744,596 |
| Consumer | 3,934,386 | 3,881,651 |
| **Business** | | |
| SMEs | 65,388,481 | 59,489,812 |
| **Book value before provision** | **77,425,401** | **71,116,059** |
| less: accumulated provisions for impairment | (18,735,258) | (17,877,524) |
| **Book value** | **58,690,143** | **53,238,536** |

The transactions in the loan impairment provisions account are as follows:

| *Amounts in EUR* | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Balance as at 1 January | (17,877,524) | (17,877,099) |
| Net provision for the year (Note 10) | (857,734) | (425) |
| **Balance as at 31 December** | **(18,735,258)** | **(17,877,524)** |

## 16. Investment securities portfolio

| *Amounts in EUR* | 31/12/2019 | 31/12/2018 |
|---|---|---|
| **Financial assets measured at the amortized cost** | | |
| Bank bonds | 100,000 | 100,000 |
| less: Provision for impairment of expected credit losses | (8,100) | (6,683) |
| **Total** | **91,900** | **93,318** |
| | | |
| **Financial assets measured at fair value through other comprehensive income** | | |
| Unlisted equity securities | 315,203 | 315,203 |
| less: impairment losses at fair value | (149,990) | (149,990) |
| **Total** | **165,213** | **165,213** |
| | | |
| **Total investment securities portfolio** | **257,113** | **258,530** |

The transactions in the investment securities portfolio is as follows:

| *Amounts in EUR* | The amortized cost | At fair value through OCI | Total |
|---|---|---|---|
| **Balance 1 January 2018** | **1,031,579** | **305,203** | **1,336,782** |
| Sales | (938,125) | - | (938,125) |
| Purchases | - | 10,000 | 10,000 |
| Impairment losses at fair value | - | (149,990) | (149,990) |
| Change in accrued interest | (137) | - | (137) |
| **Balance as at 31 December 2018** | **93,317** | **165,213** | **258,530** |
| Provision for impairment of expected credit losses (note 11) | (1,418) | - | (1,418) |
| **Balance as at 31 December 2019** | **91,900** | **165,213** | **257,113** |

## 17. Tangible assets

| Amounts in EUR | Plots-Buildings | Right of use of real estate | Furniture and other equipment | Improvements in third party real estate | Total |
|---|---|---|---|---|---|
| **Acquisition value** | | | | | |
| Balance 1/1/2018 | 97,000 | - | 1,092,600 | 406,876 | 1,596,476 |
| Additions | | | 28,567 | 602 | 29,168 |
| Sales and Write-offs | | | | | 0 |
| Balance as at 31/12/2018 | 97,000 | - | 1,121,167 | 407,478 | 1,625,645 |
| | | | | | |
| **Accumulated depreciation & impairment** | | | | | |
| Balance 1/1/2018 | (17,848) | - | (791,786) | (338,158) | (1,147,793) |
| Sales and Write-offs | | | | | 0 |
| Impairment | | | 0 | 0 | 0 |
| Depreciation for the period | (1,399) | | (80,219) | (15,158) | (96,776) |
| Balance as at 31/12/2018 | (19,248) | - | (872,005) | (353,317) | (1,244,569) |
| | | | | | |
| **Unamortized value 31/12/2018** | **77,752** | **-** | **249,162** | **54,161** | **381,075** |
| | | | | | |
| **Acquisition value** | | | | | |
| Balance as at 1/1/2019 | 97,000 | - | 1,121,167 | 407,478 | 1,625,645 |
| First application of IFRS 16 | | 381,367 | | | 381,367 |
| Additions | | | 62,642 | 10,565 | 73,207 |
| Sales and Write-offs | | | | | - |
| Balance as at 31/12/2019 | 97,000 | 381,367 | 1,183,809 | 418,043 | 2,080,219 |
| | | | | | |
| **Accumulated depreciation & impairment** | | | | | |
| Balance as at 1/1/2019 | (19,248) | | (872,005) | (353,317) | (1,244,569) |
| Sales and Write-offs | | | | | - |
| Impairment | | | | | - |
| Depreciation for the period | (1,399) | (81,327) | (75,686) | (14,805) | (173,218) |
| Balance as at 31/12/2019 | (20,647) | (81,327) | (947,691) | (368,122) | (1,417,787) |
| | | | | | |
| **Unamortized value 31/12/2018** | **(76,353)** | **300,040** | **236,118** | **49,921** | **662,431** |

There are no encumbrances for the above assets.

As at 31.12.2019 the Bank had no contractual obligations to purchase tangible fixed assets.

The Bank carried out an impairment test of its property on 31 December 2018, by assigning their fair value estimation to an independent appraiser. The fair value of the property less sale costs is estimated to approximate their value in use. Sale costs were considered negligible (zero). The fair value of the property has been based on Level 3 figures of the fair value hierarchy. The fair values of properties were based on market data using comparable adjusted prices in relation to the nature, location and condition of the real estate as well as the rental value of a unit of comparable real estate per square meter. An impairment test did not result in impairment losses. No new estimate was made on 31 December 2019, considering that market values have not changed substantially.

The right to use assets concerns the leasing of branches and counters of the Bank. Lease liabilities are analyzed as follows:

| *Amounts in EUR* | Lease liabilities |
|---|---|
| Balance 1 January 2019 | - |
| First application of IFRS 16 | 381,367 |
| Financial cost (note 6) | 8,512 |
| Payments | (83,261) |
| **Balance as at 31 December 2019** | **306,618** |

| *Amounts in EUR* | 31/12/2019 |
|---|---|
| Short-term part | 77,564 |
| Long-term part | 229,054 |
| **Total** | **306,618** |

The minimum future rental costs are as follows:

| *Amounts in EUR* | 31/12/2019 |
|---|---|
| No more than 1 month | 7,004 |
| Over 1 month and not later than 3 months | 14,007 |
| Over 3 months and not later than 1 year | 63,155 |
| Over 1 year and not later than 5 years | 234,293 |
| Over 5 years | 4,758 |
| **Total contractual cash flows** | **323,217** |

## 18. Intangible assets

| *Amounts in EUR* | Software |
|---|---|
| **Acquisition value** | |
| Balance 1/1/2018 | 583,341 |
| Additions | 101,144 |
| Balance as at 31/12/2018 | 684,484 |
| **Accumulated depreciation & impairment** | |
| Balance 1/1/2018 | (465,674) |
| Depreciation | (53,374) |
| Balance as at 31/12/2018 | (519,048) |
| **Unamortized value 31/12/2018** | **165,437** |
| **Acquisition value** | |
| Balance as at 1/1/2019 | 684,484 |
| Additions | 108,953 |
| Write-offs | (92,164) |
| Balance as at 31/12/2019 | 701,274 |
| **Accumulated depreciation & impairment** | |
| Balance as at 1/1/2019 | (519,048) |
| Depreciation | (69,944) |
| Write-offs | 92,164 |
| Balance as at 31/12/2019 | (496,828) |
| **Unamortized value 31/12/2019** | **204,446** |

## 19. Deferred taxation

| *Amounts in EUR* | 1/1-31/12/2019 | 1/1-31/12/2018 |
|---|---|---|
| **Balance at the start of the year** | 2,889,709 | 2,334,044 |
| Tax in the income statement (note 12) | (590,834) | (119,809) |
| Tax in other comprehensive income | (3,614) | 48,213 |
| Tax in equity | 719 | 627,261 |
| **Balance at the end of the year** | **2,295,980** | **2,889,709** |

The greatest part of deferred receivables (liabilities) is recoverable (payable) after 12 months.

Changes in deferred tax receivables and liabilities during the year, without taking into account offsetting of balances, are the following:

**Deferred tax liabilities:**

| *Amounts in EUR* | Accrued interest | Total |
|---|---|---|
| Balance 1 January 2018 | (38,206) | (38,206) |
| (Debit)/ credit in the income statement | (26,350) | (26,350) |
| **Balance as at 31 December 2018** | **(64,556)** | **(64,556)** |
| (Debit)/ credit in the income statement | 19,731 | 19,731 |
| **Balance as at 31 December 2019** | **(44,825)** | **(44,825)** |

**Deferred tax receivables:**

| *Amounts in EUR* | Impairment of loans and other receivables | Others | Total |
|---|---|---|---|
| Balance 1 January 2018 | 2,106,659 | 265,591 | 2,372,250 |
| (Debit)/ credit in the income statement | (98,204) | 4,745 | (93,459) |
| (Debit)/ Credit in other comprehensive income | | 48,213 | 48,213 |
| (Debit)/ credit in equity | 606,212 | 21,050 | 627,261 |
| **Balance as at 31 December 2018** | **2,614,666** | **339,599** | **2,954,265** |
| (Debit)/ credit in the income statement | (570,196) | (40,370) | (610,566) |
| (Debit)/ Credit in other comprehensive income | | (3,614) | (3,614) |
| (Debit)/ credit in equity | | 719 | 719 |
| **Balance as at 31 December 2019** | **2,044,470** | **296,335** | **2,340,805** |

Deferred tax recognized directly in equity in the previous financial year 2018 relates mainly to the loss arising from the first application of IFRS 9 on 1.1.2018.

The deferred tax recognized in Other comprehensive income relates to actuarial losses from the revaluation of defined benefit plans and losses from the valuation of financial assets at fair value through other comprehensive income.

## 20. Other assets

| *Amounts in EUR* | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Deposit Guarantee Fund | 1,381,606 | 1,381,555 |
| Assets from auctions | 585,088 | 337,500 |
| Accrued expenses | 16,276 | 11,807 |
| Other receivables and advances | 28,116 | 19,074 |
| **Total** | **2,011,087** | **1,749,936** |

With the commencement of the application of Law 4370/2016 (Government Gazette 37/7.3.2016) the provisions of articles 1 to 27 of Law 3746/2009 on the "Deposit Guarantee and Investments Fund (TEKE)" and the provisions of the above Law 4370/2016, were repealed. In this context, the amount of deposits covered by the Deposit Guarantee Scheme was set at € 100,000, per depositor (Article 9 of Law 4370/16). Accordingly, a new method of calculating contributions to the Deposit Cover Scheme (SKK), the Investments Coverage Scheme (SKE), regular ex-post contributions to the Reorganization Scheme (SE), and a fee for participation in the TEKE were introduced. The provisions of the Reorganization Scheme as a reorganization fund for credit institutions come from regular ex-post contributions and extraordinary ex-post contributions as set out in Law 4335/2015 and the relevant amendments made with Law 4370/2016, were repealed. Credit institutions participating at the time of granting loans to SE pay contributions by which SE repays its obligations from loans for reorganization purposes.

The Assets from auctions item includes properties that have been auctioned by the bank. As at 31 December 2018 the Bank valued these properties at each balance sheet date, at the lower value between accounting and fair value, assigning their valuation to independent appraisers. The fair value of the property has been based on Level 3 figures of the fair value hierarchy. The impairment audit showed losses of 8,900 for the previous year, which appear in the item “Other impairment losses” of the income statement (note 11). In the fiscal year 2019, properties were acquired at auctions, with a total value of EUR 248 thousand, which is close to their fair value. On 31.12.2019, the properties sold at auctions were not evaluated as it is estimated that their fair value is not significantly different from the accounting one.

## 21. Liabilities to customers

| *Amounts in EUR* | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Sight deposits | 34,549,302 | 26,838,407 |
| Savings deposits | 27,957,421 | 23,331,517 |
| Term deposits | 40,859,453 | 40,279,007 |
| Checks and payment orders | 192,131 | 41,410 |
| **Total** | **103,558,307** | **90,490,341** |

## 22. Provisions for other liabilities and expenses

The Provisions for other liabilities and expenses of EUR 165,000 (2018: 165,000) relate to provisions for additional taxes and charges for the unaudited fiscal years of the Bank.

## 23. Employee benefit obligations after retirement

| *Amounts in EUR* | 31/12/2019 | 31/12/2018 |
|---|---|---|
| **Balance sheet liabilities** | | |
| Retirement benefits | 172,297 | 134,397 |
| | | |
| **Income statement charge for** | | |
| Retirement benefits (note 8) | 15,887 | 10,162 |
| | | |
| **Actuarial (Profit) / Loss (Other Total Income)** | | |
| Retirement benefits | 22,012 | 16,262 |

The amounts reported in profit and loss are as follows:

| *Amounts in EUR* | 1/1-31/12/2019 | 1/1-31/12/2019 |
|---|---|---|
| Current service cost | 13,230 | 8,111 |
| Financial cost | 2,657 | 2,051 |
| **Total** | **15,887** | **10,162** |

The change of the liability in the balance sheet is as follows:

| *Amounts in EUR* | 31/12/2019 | 31/12/2019 |
|---|---|---|
| Balance at the start of the year | 134,397 | 107,973 |
| Total expense charged in the income statement | 15,887 | 10,162 |
| Actuarial (Profit) / Loss from changes in the financial assumptions | (7,474) | 13,132 |
| Actuarial (Profit) / Loss from experience | 29,486 | 3,130 |
| **Balance at the end of the year** | **172,297** | **134,397** |

The main actuarial assumptions used for accounting purposes are as follows:

| *Assumption* | 2019 | 2018 |
|---|---|---|
| Discount rate | 1,5% | 1,8% |
| Inflation | 2.0% | 2.0% |
| Future salary raises | 2.5% | 3.0% |

The sensitivity analysis of the present value of the obligation in the changes of the principal actuarial assumptions is as follows:

| *Change in actuarial assumptions* | Actuarial Obligation | Percentage Change |
|---|---|---|
| Increase of discount rate by 0.5% | 154,634 | -10% |
| Reduction of discount rate by 0.5% | 192,305 | 12% |
| Increase of expected salary increase by 0.5% | 191,995 | 11% |
| Reduction of expected salary increase by 0.5% | 154,715 | -10% |

Average expected termination of the employee benefit obligation is 22.13 years.

## 24. Other liabilities

| *Amounts in EUR* | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Collections on behalf of third parties | 536,950 | 387,684 |
| Provision for Expected Credit Losses for Credit Risk Related Liabilities | 305,829 | 431,592 |
| Liabilities from other taxes-duties | 54,151 | 56,114 |
| Insurance organizations and other taxes | 54,459 | 54,478 |
| Dividends payable | 68,744 | 104,807 |
| Suppliers | 121,600 | 91,404 |
| Accrued expenses | 12,789 | 14,542 |
| Lease liabilities (note 17) | 306,618 | - |
| Other liabilities | 192,929 | 189,394 |
| **Total** | **1,654,069** | **1,330,015** |

## 25. Cooperative capital and share premium

| *Amounts in EUR* | Cooperative capital | Share premium | Number of shares |
|---|---|---|---|
| Balance 1 January 2018 | 8,536,233 | 1,999,195 | 230,709 |
| Increase of cooperative capital | 452,029 | 244,340 | 12,217 |
| Decrease of cooperative capital | (23,014) | (11,418) | (622) |
| **Balance as at 31 December 2018** | **8,965,248** | **2,232,117** | **242,304** |
| Increase of cooperative capital | 301,698 | 145,025 | 8,154 |
| Decrease of cooperative capital | (24,642) | (12,140) | (666) |
| **Balance as at 31 December 2019** | **9,242,304** | **2,365,003** | **249,792** |

The nominal value of the share is EUR 37.

The Management of the Bank considers that all the conditions for the recognition of cooperative capital as Equity according to IFRIC 2 are fulfilled, as there is a relevant prohibition by the Bank of Greece according to the provisions of article 149 of Law 4261/5.5.2014 for capital repayments.

## 26. Reserves

| Amounts in EUR | *Statutory reserve* | *Extraordinary reserves* | *Articles of Association reserve (registration right)* | *Income reserves from tax preference items* | *Taxed reserves under special provisions of Law* | *Actuarial profit/(loss) reserves* | *Fair value reserves* | *Other reserves* | *Total* |
|---|---|---|---|---|---|---|---|---|---|
| Balance 1 January 2018 | 1,257,326 | 33,148 | 442,405 | 14,667 | 176,982 | (8,298) | - | 16,385 | 1,932,615 |
| Distribution to partners | | | | | (176,982) | | | | (176,982) |
| Reserves formed | 51,163 | | | | | | | | 51,163 |
| Increase of cooperative capital | | | 26,975 | | | | | | 26,975 |
| Actuarial loss for the year | | | | | | (11,546) | | | (11,546) |
| Valuation of investment securities | | | | | | | (106,493) | | (106,493) |
| **Balance as at 31 December 2018** | **1,308,489** | **33,148** | **469,380** | **14,667** | **-** | **(19,844)** | **(106,493)** | **16,385** | **1,715,732** |
| Reserves formed | 77,516 | | | | | | | | 77,516 |
| Increase of cooperative capital | | | 19,675 | | | | | | 19,675 |
| Actuarial loss for the year | | | | | | (18,127) | | | (18,127) |
| Valuation of investment securities | | | | | | | (7,500) | | (7,500) |
| **Balance as at 31 December 2019** | **1,386,006** | **33,148** | **489,055** | **14,667** | **-** | **(37,971)** | **(113,992)** | **16,385** | **1,787,297** |

**(a) Statutory reserve**

Statutory reserves are formed in accordance with the provisions of Greek law (Codified Law 1667/1986) which stipulates that at least 10% of the annual net profit (after taxes) must be allocated to statutory reserves so that they equal one third of the paid-up share capital. The statutory reserve is used for the Bank's operations and to cover its possible losses and is only distributed after the dissolution of the Bank.

**(b) Extraordinary reserves**

Extraordinary reserves include amounts of reserves that have been created by decisions of Ordinary General Meetings, have no special purpose and can be used for any purpose following a relevant decision of the Ordinary General Meeting. The above extraordinary reserves are formed from taxable profits and therefore are not subject to further taxation in the event of their distribution or capitalization.

**(c) Articles of Association reserve (registration right)**

The Articles of Association Special Reserve is formed by subscribers' subscription fees and by the contributions of new partners. This reserve may be used for the development of the Bank's operations or for any purpose decided by the Board of Directors.

**(d) Income reserves from tax preference items**

Reserves that are formed from net profits, which are not taxed under special tax provisions, are monitored. That is, they are formed from net profits for which no tax is calculated or paid. Reserves under special law provisions are reserves for which tax will accrue if their distribution is decided.

**(e) Taxed reserves under special provisions of Law**

Taxed reserves under special provisions of Law include reserve amounts that have been formed from tax-exempt income and from the sale of debt securities for which the tax liability has ended and may be distributed to partners by decision of the General Meeting without being subjected to further taxation.

**(f) Actuarial profit/(loss) reserves**

Actuarial gains and losses arising from empirical adjustments and from changes in actuarial assumptions when measuring the post-employment benefit obligation are recorded.

**(g) Fair value reserves**

Realized or unrealized gains and losses from financial instruments at fair value through other comprehensive income (Note 16).

## 27. Transactions with affiliated parties

The affiliated parties of the Bank include the key members of the Bank's Management, their close relatives, and the entities controlled or jointly controlled by the above persons.

All transactions with affiliated parties are substantially carried out on the same terms as those applicable to similar transactions with non-affiliated parties and do not involve a higher than normal risk.

The balances and transactions of the Bank with its affiliated parties are as follows:

| 31/12/2019 Amounts in EUR | Key management executives | Companies under the control of key management executives | Total |
|---|---|---|---|
| **Assets** | | | |
| Loans and receivables against customers | 431,340 | 1,511,272 | 1,942,612 |
| Less: accumulated provisions for impairment | (99,268) | (153,792) | (253,060) |
| **Total** | **332,072** | **1,357,480** | **1,689,552** |
| **Liabilities** | | | |
| Liabilities to customers | **352,660** | **385,855** | **738,515** |
| **Letters of guarantee and undrawn credit limits** | **115,042** | **509,647** | **624,689** |
| **Revenue** | | | |
| Interest and assimilated revenue | 11,253 | 116,457 | 127,710 |
| Revenue from commissions | 2,148 | 21,583 | 23,731 |
| **Total** | **13,401** | **138,040** | **151,441** |
| **Expenses** | | | |
| Interest and assimilated expenses | (2,783) | (176) | (2,959) |
| Short-term compensation and benefits | (150,420) | - | (150,420) |
| **Total** | **(153,204)** | **(176)** | **(153,379)** |

| 31/12/2018 Amounts in EUR | Key management executives | Companies under the control of key management executives | Total |
|---|---|---|---|
| **Assets** | | | |
| Loans and receivables against customers | 417,263 | 810,641 | 1,227,904 |
| Less: accumulated provisions for impairment | (159,844) | (132,944) | (292,788) |
| **Total** | **257,419** | **677,697** | **935,116** |
| **Liabilities** | | | |
| Liabilities to customers | **404,847** | **144,728** | **549,575** |
| **Letters of guarantee and undrawn credit limits** | **124,447** | **775,831** | **900,278** |
| **Revenue** | | | |
| Interest and assimilated revenue | 21,907 | 59,735 | 81,641 |
| Revenue from commissions | 2,280 | 8,590 | 10,870 |
| **Total** | **24,187** | **68,325** | **92,512** |
| **Expenses** | | | |
| Interest and assimilated expenses | (2,359) | (149) | (2,508) |
| Short-term compensation and benefits | 178,460 | - | 178,460 |
| **Total** | **(180,819)** | **(149)** | **(180,968)** |

## 28. Contingent liabilities and commitments

### i) Off-balance sheet liabilities

As part of its normal business activities, the Bank undertakes commitments that may result in future changes in its asset structure. These commitments are monitored in off-balance sheet accounts and relate to letters of guarantee issued.

| *Amounts in EUR* | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Letters of Guarantee | 6,240,239 | 4,936,279 |
| **Total** | **6,240,239** | **4,936,279** |

During the year, the Bank reversed a provision for expected credit losses for commitments related to the credit risk by letters of guarantee amounting to Euro 125.763 (Note 10) During the previous year, the Bank recorded a provision for expected credit losses for commitments related to the credit risk by letters of guarantee amounting to EUR 74,267 (note 10).

### ii) Litigation cases

No significant lawsuits were pending against the Bank, nor are there any other contingent liabilities as at 31 December 2019 for which no provision has been recognized that may have a material effect on the Bank's financial position.

### iii) Information according to the provisions of Law 4151/2013

As provided by the provisions of Law 4151/2013, any credit institution operating in Greece must pay to the Greek State the balances of its inactive deposits, in addition to the interest accrued, which remain inactive for more than twenty years. This must be made until the end of April of each year.

The Bank did not have to pay to the Greek State, amounts of dormant deposits and interest as mentioned above.

## 29. Dividends

With the decision of the General Meeting of the associates during the previous year, dated 28 June 2018, a distribution of dividends totaling EUR 176,982 from taxed reserves was made. By decision of the General Meeting dated 27 June 2019 no dividends were distributed during the current fiscal year.

The Board of Directors will not propose to the General Meeting of the Bank's associates the distribution of a dividend from the profits of the current fiscal year.

## 30. Events after the balance sheet date

At the end of December 2019 in the city of Wuhan in the province of Hubei in China, the new COVID-19 virus appeared, which has several similarities with the SARS virus. Since the beginning of 2020, the virus has spread to other countries in Asia but also to Europe and America, and today it has spread to several countries around the world. The World Health Organization declared COVID-19 as a pandemic on 11.3.2020.

In Greece, the virus appeared around the end of February 2020, and the Greek Government took drastic restrictive measures in March 2020 to limit the spread of the epidemic.

The publication of this Report is taking place at a time when the global community is facing the unprecedented pandemic crisis caused by COVID-19 disease, having a decisive impact on societies (causing disruption and frustration) and the future of national economies as well as that of the global economy. Measures to limit social contacts were required to tackle it, while the “Lockdown” imposed is expected to shrink global growth dramatically, inevitably leading to a recession. International economic organizations are forecasting a global GDP contraction of 3%, and that the recession period may extend as well to 2021, and call on the governments of the States and health authorities to fully cooperate so as to respond together to this disease. In Greece, from 11 May 2020, by relevant government decisions, the gradual lifting of restrictive measures started, in order to create conditions for the restart of the economy after the imposition of the “Lockdown”. However, the Greek Government remains vigilant to take restrictive measures again if, after the gradual lifting of the measures, there is an increase in the observed cases. Inevitably, more vulnerable economies, such as the Greek economy, will suffer more as we are facing an economic crisis which has nothing to do with the previous great financial crisis and recession and the only thing we are certain of is that a comprehensive and realistic exit plan will be required. However, the fact that the global scientific community is systematically working on the production of medicines and vaccines against the disease, gives the optimism that sooner or later normality will return and when this happens, on the one hand it is important that we will have protected human lives, on the other hand that businesses and jobs will not have been severely affected.

According to estimates by economic operators, the unfavorable economic climate is expected to be reversed in the second half of 2020, but it is not possible to make safe assessments at this stage since, as mentioned above, many issues depend directly on the duration and extent of the pandemic, as well as the efficiency of the international and national budgetary measures taken to tackle the pandemic. It is pointed out that some sectors such as tourism, catering, transport and trade are already facing significant problems since, due to their object, they have been affected to a greater extent than other industries, while at the same time it should be mentioned that some sectors such as industry and food distribution and the pharmaceutical industry, were positively affected by the pandemic.

In the new environment created, the Bank remained focused on the observance of the basic management policies, by immediately implementing a plan to continue its activity, taking all necessary measures and taking all those actions so that its important functions are not disrupted, at the same time having as its first priority to protect the health of its staff, associates and customers. In particular, remote work (teleworking), flexible working hours, protection of vulnerable groups of staff, job rotation, implementation of a business continuity plan and the possibility of conducting online financial transactions contributed to the smooth continuation of all its important work.

More detailed comments on the estimated effects of the health crisis (COVID 19), the actions of the European Institutions and Supervisory Authorities and the ECB on mitigating the effects of the crisis and on the actions of the Bank for the smooth continuation of its activities are set out in note 2.1.

In addition to the events already mentioned, there are no significant events after 31 December 2019 that should either be disclosed or changed in the published financial statements.

Karditsa, 29 June 2020

| THE CHAIRMAN OF THE BOARD | THE CHIEF EXECUTIVE OFFICER | THE TREASURER | THE HEAD OF FINANCIAL SERVICES |
|---|---|---|---|
| GEORGIOS BOUKIS | PANAGIOTIS TOURNAVITIS | GEORGIOS PAPAKOSTAS | THEMISTOKLIS GIANNAKOPOULOS |
| ID Card No AI 318877 | ID Card No AE 997941 | ID Card No AO 348690 | ID Card No AM 844309 |
| | | | Economic Chamber of Greece class A' license number 86778 |