BANK OF EPIRUS COOPERATIVE

Annual financial statements
of 31 December 2016
in accordance with the International Financial Reporting Standards

Ioannina, 22 May 2017

CONTENTS

Name of credit institution	COOPERATIVE BANK OF EPIRUS Cooperative of Limited Liabilities Distinctive title: COOPERATIVE BANK OF EPIRUS)

Year of incorporation	1989
Legal framework	Law 1667/1986, Law 4261/2014, BoG Governor's Act 2258/2.11.1993, Regulation (EU) No 575/2013, and the Bank's Articles.
Authorisation as a Credit Institution	Decision 535/5/2-11-1993 (Item 5) of the Banking and Credit Committee of the Bank of Greece
Number of Branches	9
Reg. General Electronic Commercial Registry No.	31499629000
VAT Reg. No	096069060
Tax Office	IOANNINA
Website	www.epirusbank.com
e-mail address	info@epirusbank.com
BoD composition	
Chairman	Konstantinos Zonidis
CEO	Maria Myzithra
Executive Director	Vasilios Tsoukanelis
1st Vice-Chairman	Christos Papadogiannis
Secretary	Pavlos Chitas
Treasurer	Emmanouil Hatzakis
Directors	Efstratios Goudinakos
	Spyridon Kyriakis
	Alexandros Pantazis
Employee representative	Christos Koliopanos
Address	6 Patriarchou Ioakim, 45221 Ioannina
Telephone	26510 59000
Fax	26510 28065

A. DIRECTORS' REPRESENTATIONS

We hereby represent that, to the best of our knowledge, the Annual Financial Statements which were prepared in accordance with the applicable International Financial Reporting Standards, fairly present the Assets and Liabilities, the Equity and the Profit & Loss Account of Cooperative Bank of Epirus Ltd. Further, the Annual Report of the Board of Directors fairly presents the development, performance and position of the Bank, including a description of the major risks and uncertainties it faces.

Ioannina, 22 May 2017

The Chairman of the BoD	**The CEO**	**The Executive Director**
Konstantinos Zonidis	**Maria Myzithra**	**Vasilios Tsoukanelis**
ID Card No. Φ 461644	**ID Card No. AE088700**	**ID Card No. AE 275733**

B. ANNUAL REPORT OF THE BOARD OF DIRECTORS

This Annual Report of the Board of Directors (the “Report”) refers to the financial year 2016 (1.1.2016 - 31.12.2016) and has been prepared in accordance with the provisions of Article 43A of Codified Law 1920/1920.
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 Cooperative Bank of Epirus Ltd (the “Bank” or the “Bank of Epirus”)

Financial overview 2016

1. World and Greek economy

World economy
High volatility seen in global markets was even higher in Europe, due to the referendum that took place on 23 June 2016, with the UK voting to leave the European Union.
The absence of a specific exit procedure and the uncertainty about the new relationship between the UK and the European Union fuelled investor concerns throughout the second half of 2016, with the pound sterling dropping 14% against the euro and and 16% against the dollar in 2016.
According to the latest outlook of the International Monetary Fund (IMF, January 2017), the projected world GDP growth rate is 3.1% for 2016 and 3.4% for 2017, compared to 3.2% in 2015. However, the world economy remains amid geopolitical tensions and numerous of terrorist attacks, which could potentially halt global economic activity. Moreover, uncertainty has grown over the economic policy that the new President of the US will follow, as no details have been disclosed yet.
Regarding the economic growth rate in developed economies, the IMF estimates it will reach 1.6% in 2016 and move up to 1.9% in 2017, compared to 2.1% in 2015.
In developed economies, low inflation rates allow for continued expansionary monetary policy aiming at strengthening recovery and improving private sector financials. The major central banks intend to increase inflation to 2% in the mid term, with a combination of conventional and unconventional monetary policy measures (e.g. very low or even zero rates) and through forward monetary policy guidance.

International trade in goods and services is estimated to have increased by 1.9% in 2016, while it is expected to significantly rise by 3.8% in 2017 and 4.1% in 2018 (IMF, January 2017). The Organisation of the Petroleum Exporting Countries (OPEC) maintained oil production at high levels in the first eleven months of 2016, pushing the price below US$ 50. However, at the end of November 2016, the agreement between OPEC and other oil-producing countries such as Russia to reduce production in the first half of 2017, with the prospect of extending the agreement, led to a significant rise in oil prices in December. The very low levels at which oil prices remained for more than two years led to low inflationary pressures, especially in developed economies. Deflationary pressures were further strengthened by the decline in commodity prices by 2.7% in 2016 (IMF, January 2017).
In the US, the GDP change rate is expected to increase by 2.3% in 2017 compared to 1.6% in 2016, due to the expansionary fiscal policy announced by the new President. Despite the declining unemployment rates and the upward trend in inflation, in 2016 the Federal Reserve proceeded to only one increase in its base rate in December 2016.
In China, the GDP growth rate slowed down and reached 6.7% in 2016 from 6.9% in 2015, while it is expected to further fall to 6.5% in 2017 and 6.3% in 2018 (IMF, January 2017) due to weak external demand and the slowdown in private investment. However, economic adjustment continued in 2016 and growth was mainly driven by services, while growth of private sector investments was subdued.
In the euro area, the GDP growth rate according to the IMF stood at 1.7% in 2016, compared to 2.0% in 2015; however it is expected to fall back to 1.6% in 2017. Recovery is mainly driven by domestic demand as the European Central Bank (ECB) has adopted an expansionary monetary policy since June 2014, which will continue until December 2017. The deposit facility rate has remained in negative territory since June 2014 (-0.10%) and was further reduced to -0.40% since March 2016. However, as the ECB notes, this expansionary monetary policy needs to be aided by the necessary reforms in the labour and product markets in order to improve the competitiveness of the euro area, create new jobs and make recovery sustainable. The unemployment rate in the euro area fell to 10.0% in 2016. According to the European Commission's Winter 2017 Economic Forecast, the unemployment rate is expected to further fall to 9.6% in 2017 and 9.1% in 2018.

The euro area banking system appears more resilient compared to 2014, according to the stress test results of July 2016. The stress tests launched by the European Banking Authority (EBA) in cooperation with the ECB on a sample of 51 banks, showed that the weighted average Common Equity Tier 1 (CET1) index increased in relation to 2014, both in the baseline (July 2016: 13.0%, 2014: 11.2%) and the adverse scenario (July 2016: 9.1%, 2014: 8.6%). However, Italian Monte dei Paschi di Siena, which is burdened with a significant amount of non-performing loans, failed the tests and resorted to public funds for its rescue, after failing to raise private funds.
In Southeastern Europe, in 2016 Cyprus exited Economic Adjustment Programme and returned successfully to international capital markets. Private consumption was boosted by the fall in inflation and the decline of the unemployment rate, as a result of the economic recovery in the past year. The country's growth rate was estimated at 2.8% in 2016 (European Commission, Winter 2017 Economic Forecast), compared with 1.7% in 2015, due to the increase in private consumption and tourism. In 2017 and 2018 growth is expected to fall to 2.5% and 2.3%.

Greek economy

Year 2016 has been the second consecutive year of stagnation for the Greek economy (2015: -0.3%, 2016: -0.1%), nevertheless showing signs of resilience, despite the capital controls since June 2015. Specifically, in 2016 Greece posted a primary deficit for the fourth consecutive year and exceeded the target. This was attributed to the overperformance of targets in terms of revenue, as a result of the country's contractionary fiscal policy.

The completion of the first and the anticipated completion of the second review of the fiscal adjustment programme are developments with a positive effect on sentiment, upgrading the economy's growth prospects. However, the delays seen recently only perpetuate the feeling of uncertainty and insecurity, holding back the rebound of investments.

The most important developments in the Greek economy can be summarised as follows: Real GDP remained unchanged in 2016. Private consumption was a positive contributor to GDP growth, investments were neutral, while net exports and public consumption were detractors.

With regard to inflation, the national consumer price index fell by 0.8% in 2016 compared to a decline by 1.7% in 2015, while harmonised inflaltion remained unchanged (0.0%) for the first time *since* 2013. The end of deflation seen in 2016 was consistent with the slowdown of the first half and the gradual rebound of the economy in the second half of the year. Deflationary pressures are fading, mainly due to the significant increase in tax rates on consumer products and the increasing international energy prices in November and December 2016, thus not reflecting stronger domestic demand.

In 2017, the harmonised consumer price index is expected to move into positive territory, in line with economic recovery.

Labour market conditions in 2016 were slightly improved, following the trends of 2015. Specifically, in 2016 the unemployment rate fell to 23.5%, from 24.9% in 2015 and 26.5% in 2014, with the number of unemployed persons decreasing by 5.5% and the number of employed persons increasing by 1.7%. A further decline of unemployment and an increase in employment rates will largely depend on the stabilisation of economic conditions, prospects of growth through investments, and the implementation of structural changes.

The General Index of Industrial Production rose by 2.3% in 2016, compared to a smaller increase of 1.0% in 2015. The improved performance of the Greek industry was the result of the upturn in manufacturing activity (2016: 4.0%, 2015: 1.8%). It should be noted that the main segments of the Greek industry continue to post higher figures because they managed to direct an important part of their production to foreign markets.

With regard to foreign trade, (Bank of Greece data), the current account balance posted a deficit of 1.1 billion euros in 2016, in relation to a minor surplus of 0.2 billion in 2015. This was mainly due to the steep decline of the surplus in terms of the balance of services, which the slight decline of the deficit of the balance of goods could not compensate. Specifically, the balance of goods and services accounting for the largest part of the current account balance, posted a deficit of 1.3 billion euros in 2016, compared to deficit of 0.3 billion in 2015. The surplus of the balance of services fell by 9.5% year-on-year, as tourism revenue declined by 6.4% (despite the increase in arrivals by 5.1%), along with a decline in transport revenue by 21.6%.

With regard to fiscal adjustment, in 2016 a government budget surplus was achieved, overperforming the target (0.5% of the GDP). This is due to the better-than-expected levels of public revenue, as a result of increased consumption tax rates, higher use of electronic transactions that expanded the tax base and, finally, the further shrinking of public investment programme funds. Further, it is worth noting the settlement of part of the public sector arrears, which stood at 4.5 billion euros at the end of 2016, compared to 7.4 billion at the end of June 2016.

2. Greek banking system

In 2016 Greek banks showed signs of stabilisation, achieved marginal profit before tax, gradually implemented their commitments in line with their business plans, and strengthened their capital base.
The banking system's capital adequacy (CET 1 Sep 2016, consolidated: 18.1%) and the coverage percentage of non-performing exposures (NPE) from accumulated provisions (Q3 2016: almost 50%) are high, thus creating significant capital reserves which can absorb any additional shocks and support the major efforts made to manage and radically reduce non-performing exposures.
However, the structural deficiencies of the banking system remain, primarily due to the high NPE reserves (Sep 2016: 45.2%) and the low levels of deposits. The limitation of NPEs is essential to further stabilise the banking system, ensure the sustainability of the banks' business model, and to restart the financing of the economy.
The reduced flow of funds to the private sector, which started in the second quarter of 2012 as a result of the economic crisis, slowed down in (December 2016: -1.4%, December 2015: -2.0%). At the end of December 2016, the balance of loans to the private sector stood at 195.2 billion euros compared to 204.3 billion at the end of December 2015. The balance of private deposits stood at 121.4 billion euros in December 2016, posting a marginal increase by 4.3 billion euros. Household deposits stood at 100.8 billion accounting for 83% of total private sector deposits, while business deposits stood at 20.6 billion euros. Finally, total deposits with the banking system which, in addition to private sector, include general government and foreign resident deposits, stood at 157.5 billion in December 2016, posting a marginal decline by 0.2% year-on-year.
In 2016 the use of electronic means of payment by businesses and households was increased as a result of the capital controls. Specifically, the number of payments by card was increased by 440 thousand in the first half of 2016. The use of electronic means of payment is expected to further increase, mainly because it is required by the applicable legislation and because businesses and households are becoming more familiar with such means.
The stabilisation of the Greek economy from the second half of 2016 and the establishment of a framework for the management of non-performing exposures are expected to help create a favourable environment for the banking system.

3. Cooperative banks

In November 1993, cooperative banks were given the option to become credit institutions, by decision 535/5/02.11.1993 of the Banking and Credit Committee of the Bank of Greece (Government Gazette 198/23.11.1993). Act 2258/2.11.93 of the Governor of the Bank of Greece established the framework of operation and supervision which enabled cooperative banks to carry out operations previously carried out by commercial banks in Greece. This means that cooperative banks are governed by the same Basel rules and are subject to Law 3601 and Law 3606, just like commercial banks in terms of supervision.

The Association of Greek Cooperative Banks was created on 22 July 1995.It is a member of the European Association of Co-operative Banks (EACB) and the International Co-operative Banking Association.

Today the Association consists of 9 cooperative banks (Pancretan, Thessaly, Epirus, Drama, Evros, Karditsa, Pieria, Serres, Chania) and 5 credit cooperatives (Etoloakarnania, Arta, Viotia, Magnisia, Megarida).

According to interim information, as at 31.12.2016 the cooperative banks had own funds standing at 186.3 million. They employed 865 people (2% of jobs with banks) and operated 110 branches and safe deposit boxes (4.4% of the market). The number of members-shareholders in all cooperative banks at 31.12.2016 was 167,048.

Total assets of all cooperative banks at 31.12.2016 was approximately 2.52 billion euros, accounting for 1% of the total assets of Greek banks.

In terms of size determined by the level of their assets (interim information of 31.12.2016), they rank as follows:

COOPERATIVE BANK	ASSETS (€ mn.)
PANCRETAN	1.418,54
CHANIA	444,10
EPIRUS	203,01
THESSALY	181,08
KARDITSA	88,16
SERRES	55,26
EVROS	51,37
PIERIA	40,82
DRAMA	32,61
Total	**2,514.95**

Loans

Total loans at 31.12.2016 (interim information) stood at 2.1 billion euros, accounting for 1.7% of all loans of the banking system. Loans account for 83.5% of assets, in relation to only 51.1% of the assets of all banks, demonstrating that all funds of the cooperative banks are allocated towards financing the local economy rather than towards other lucrative operations (investments, etc) and other assets.
The trend of new loans for cooperative banks is downward (2.51%), due to the economic conditions and the stricter credit policy rules; however, this rate is lower compared to that of the systemically important banks, showing that cooperative banks actively support local markets. It is noted that formed provisions at 31.12.2016 for all 9 banks stood at 707,468 thousand euros.

Deposits

Total deposits with the cooperative banks at 31.12.2016 (interim information) stood at 1.9 billion euros, up by 0.2% in relation to 2015. They hold a share of 2.2% of total deposits nationwide, and a share of 11% in the prefectures where they are domiciled.
The cooperative banks have recovered an important part of deposits, as opposed to all banks which post continued decline in deposits. To some extent, this is illustrative of the trust and the bonds that the cooperative banks have with local society and their members. The loans/deposits ratio for the cooperative banks ranges around 110% with a slightly increasing trend, as opposed to the commercial banks for which that ratio was much higher. Among others, this denotes a healthier balance between raising and allocating funds, but also the inability to use funds from other sources. 81% of deposits are time deposits, which account for 60% of the entire banking system. This alone has caused increased costs for the cooperative banks in raising funds, also showing that many customers keep their primary accounts with the large commercial banks. As a result, the cooperative banks are forced to offer high rates to attract deposits. Specifically, the average rate of deposits for 2016 was much higher than that offered by the commercial banks, which indicates the inability of the cooperative banks to raise funds at market rates and the need to redetermine the terms and method of their operation.

4. Supervisory & institutional framework

The responsibility for assessing the cooperative banks lies exclusively with the Bank of Greece which is required to transparently and in cooperation with the cooperative banks determine the required capital. According to information from the Bank of Greece, general guidance suggests that local communities should support the cooperative banks if they really need it, which is why they increase their share capital using member-shareholder funds. In view of the above, all cooperative banks were notified by letter from the Supervision Department of the Bank of Greece to provide information within a few days about their planned actions to recapitalise so that the capital adequacy ratio is at least 9%.

The Cooperative Bank of Epirus

1. Organisational structure & Human resources

Employees are the most important asset for growth available to the Cooperative Bank of Epirus. This is why the Bank systematically invests in the selection, training, evaluation, retention and development of its people, with a view to becoming a preferred employer. At 31 December 2016, the Bank employed 75 people. Details about the HR structure of the Bank of Epirus are shown in the table below:

	SEX		PERSONNEL	PERCENTAGE
EDUCATION	MEN	WOMEN	TOTAL	
POSTGRADUATE	10	3	13	17.33%
UNIVERSITY	11	12	23	30.67%
TECHNOLOGICAL EDUCATION	7	9	16	21.33%
SECONDARY EDUCATION	12	11	23	30.67%
TOTAL	**40**	**35**	**75**	**100**

The Bank makes sure that its employees act in line with the values and principles of the Code of Ethics & Conduct, so that all activities are consistent with the values of corporate behaviour:

1. Legality
2. Priority to the customers
3. Quality of personnel
4. Contribution to society
5. Respect for the environment

It is the Bank's intention to recruit and retain skilled employees who will embrace its values and principles, contribute to the attainment of the organisation's objectives and the continuation of its business.

Training and development are the most important vehicles to take both the employees and the Bank to the next level. The continuous improvement of professional skills and knowledge by attending the numerous seminars organised by the bank and other banking organisations, remaining up to date about current financial developments, combined with self-training and lifelong learning, are key priorities which the Bank supports through an educational assistance programme.

The Cooperative Bank of Epirus responsibly responds to issues of its human resources and responsibly implements the following policies:

- Respects and protects diversity among employees (age, sex, race, nationality, religion, disabilities, sexual orientation, etc)
- Provides excellent working conditions and development opportunities on the principles of meritocracy and non-discrimination
- Pays fair fees, consistent with current labour market conditions, ensuring compliance with the relevant requirements on minimum wage, working hours and leaves
- Protects human rights, acknowledges the freedom of trade union activity and collective bargaining.

2. Development of financial figures

Assets & funds

As at 31.12.2016 the Bank's assets stood at €203,009 thousand compared to €205,927 thousand in 2015, down by 1.42%.
The following table presents the development of assets over the past 5 years

2012	2013	2014	2015	2016
267,435,153.57	258,877,277.58	240,688,608.90	205,926,884.50	203,008,733.20

Amounts in €
The development of the Bank's funds and reserves over the same period is shown in the following table:

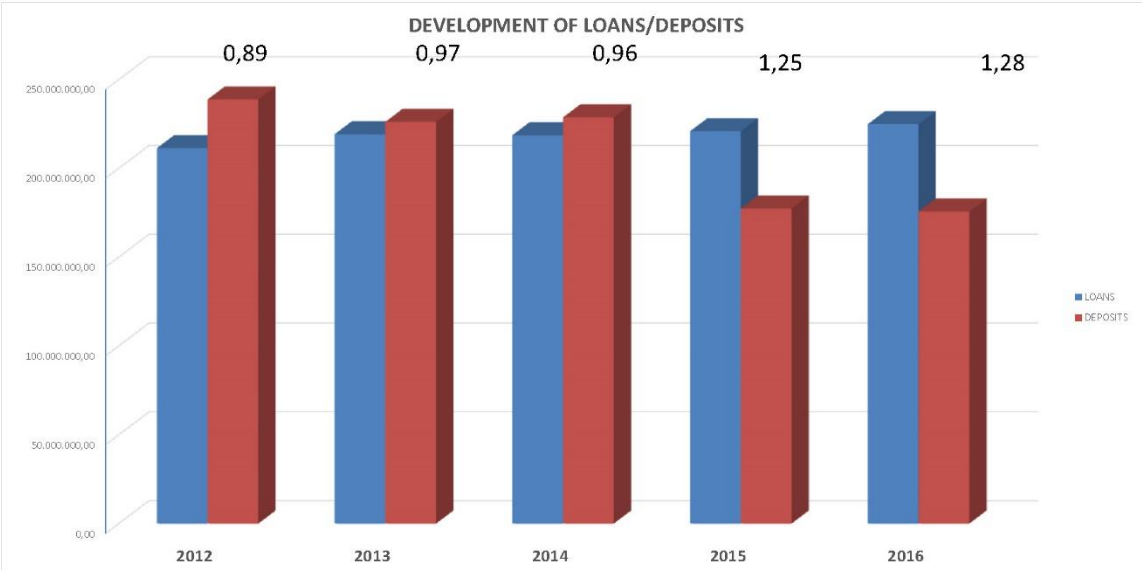
YEAR	CAPITAL	RESERVES	TOTAL	CHANGE %
2012	15,875,127	8,423,866	24,298,993	
2013	19,281,366	9,413,053	28,694,419	18
2014	19,206,822	-13,349,525	5,857,297	-80
2015	8,220,347	2,736,973	10,957,320	87
2016	8,380,469	2,420,190	10,800,659	-1

Deposits

At 31.12.2016 the Bank's deposits stood at 175,704 thousand euros compared to 177,404 thousand as at the same date in 2015, posting a marginal drop by 0.96%. The Bank's deposits are a qualitative element that demonstrates the trust and a key indicator of the Bank's appeal in Epirus.
Today, the Bank, looking forward to a recovery of the Greek economy and relying on the trust of its members - customers, enriches its portfolio of deposit products offering solutions with attractive returns.

Loans

In 2016 as well, the Cooperative Bank of Epirus continued applying the same prudent provisioning policy. The balance of loans at the end of 2016 was 224,886 thousand euros compared to 220,889 thousand in 2015, shared out to all sectors of interest for the local economy.
The historical development of deposits and loans and the development of the loans/deposits ratio are shown in the following chart:



Denounced loans at 31.12.2016 accounted for 43.06% of all loans, increased both due to the impact of the prolonged depression and the implementation of the arrears management policy aimed at their final settlement. It should be noted that the Bank formed additional provisions for 2016 for non-performing loans in the amount of €3,605 thousand, increasing the amount of total provisions to approximately €54,413 thousand.

The following table shows the development of the relevant figures:

DEVELOPMENT OF PROVISIONS

	2011	2012	2013	2014	2015	2016
ANNUAL PROVISIONS*	1.800.000,00	1,000,000.00	3,900,000.00	34,238,000.00	6,049,150.69	3,589,081.78
PLUS PROVISIONS*	5,676,173.49	6,676,173.49	10,576,173.49	44,814,173.49	50,863,324.18	54,412,752.20

The amount of provisions, combined with the existing collateral, covers the default risk associated with the relevant loans by 98.56% and is improved by 3.03% in relation to 2015.

Other operations

The balance of effective letters of guarantee and commissions as at 31.12.2016 stood at 16,054 thousand and 526 thousand euros respectively.

In 2016 the Bank increased the network number of POS terminals installed at cooperating businesses to 400, and is pursuing the vigorous expansion of its network, gaining a significant share in the local market.

In collaboration with cooperative insurance company Syneteristiki, the Bank provides insurance and bancassurance products, generating commissions of 90.29 thousand euros in 2016.

Profit and loss 2016

The figures and structure of the Bank's profit and loss account for 2016 are slightly but clearly improved compared to the previous year.

Operating results (profit) before provisions stood at 3,496 thousand euros compared to 3,460 thousand in 2015. The bank's continued operation requires a stronger capital base, which can be achieved through the formation of reserves and a cooperative capital increase; to this end, all profit recorded in 2016 was again allocated to the formation of provisions. The total amount of provisions formed in 2016 was 3,605 thousand. The following table details the income and expenses for 2016 and 2016.

Description	**2016**	**2015**
Interest receivable and similar income	11,169.53	12,479.02
Interest payable and similar charges	-3,016.31	-4,688.41
Net interest income	**8,153.22**	**7,790.61**
Commissions income	1,920.75	1,486.16
Commissions expenses	-3.68	-1.35
Income from insurance activities	90.29	85.62
Net other expenses	-112.98	307.96
Net operating income	**10,047.60**	**9,669.00**
Personnel expenses	-2,985.29	-2,766.75
General administrative and other operating expenses	-3,142.34	-2,938.48
Depreciation of investment property, PPE & other intangibles	-313.34	-361.59
Impairment of non-financial assets	-138.34	-141.70
Profit/(loss) before provisions	**3,496.35**	**3,460.48**
Impairment provisions for credit risk	-3,605.28	-6,229.28
Provision for impairment of participating interests and securities	28.06	0.00
Profit/ (loss) before tax	**(-108.93)**	**(-2,768.80)**
Taxes	-19.18	1,698.34
Net profit/(loss) after tax	**(-128.11)**	**(-1,070.46)**

3. Network of branches & ATMs

The Bank currently operates 9 branches and 15 ATMs, with presence in all 4 prefectures of the Epirus region.

Specifically, it operates 5 branches in the Prefecture of Ioannina, 1 in the Prefecture of Arta, 1 in the Prefecture of Thesprotia, and 2 in the Prefecture of Preveza. Each branch has an ATM, while 5 more machines are installed at other locations.

4. E-banking

The Cooperative Bank of Epirus offers both modern and innovative electronic banking services, for the quality and innovation of which it has been awarded the BITE Award, Category: IT Connection with Business Strategy, Award: Video Customer Service.The Bank pays special attention to speed, uninterrupted operation and security of transactions, so that its customers can enjoy full banking services 24 hours a day, from the comfort of their home or office.

Categories of transactions

The e-banking service covers the entire range of transactions that a customer can carry out at a branch: Management of banking products (modification of limits, change of components, etc)

- Transfers
- Payments
- Remittances

It also covers a number of additional services exclusive offered on the online platforms of the Cooperative Bank of Epirus:

- Payment of e-fee
- Wider range of bill payment transactions

Security of transactions

- Access to the e-banking services is made through the use of securely generated **passwords** known only to the user.

- Security of electronic transactions is guaranteed by sophisticated systems certified by **international certification agencies**.
- Recognised **encryption protocols** secure the confidentiality of transactions and protect the data transferred.
- Access to the systems of the Cooperative Bank of Epirus is controlled by a **firewall** which prohibits access to systems and databases containing confidential information.

5. Risk management & Corporate governance

The bank is exposed to a number of financial risks, the most important being credit risk, market risk, liquidity risk, changes in the fair value of assets due to general fluctuations of market prices and rates, and the adequacy of regulatory capital and own funds to support the Bank’s activities.

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 Committee is responsible for designing, adapting and implementing the risk management framework.
The Bank's policy is designed so that, through appropriate mechanisms, risks can be monitored and analysed and appropriate steps can be taken. The Bank regularly reviews its risk management policies and models to incorporate market and product changes and develop more effective practices.
The most recent policy refers to the bank's adoption of the guidelines on ICAP and ILAP information collected for SREP purposes, 10.02.2017 (EBA/GL/2016/10).

ICAAP

Document that presents the Bank's internal capital adequacy assessment process. The purpose is to provide a detailed presentation of the processes, methodologies and measurements of its capital position, and their proper reporting to the supervisory authorities in line with BoG instructions and the guidelines of the European Banking Authority (EBA). Pursuant to the regulatory requirements of the BoG, in the context of SREP, the Bank is required to submit an ICAAP. The ICAP aims to enable the detailed review of the Bank's capital strategy and the assessment of its capital position within the time limit for provisions set out in the process.

The BoG requested the Bank to prepare the ICAAP in the context of the supervisory review and evaluation process (SREP). The Bank took into account the following regulatory documents:

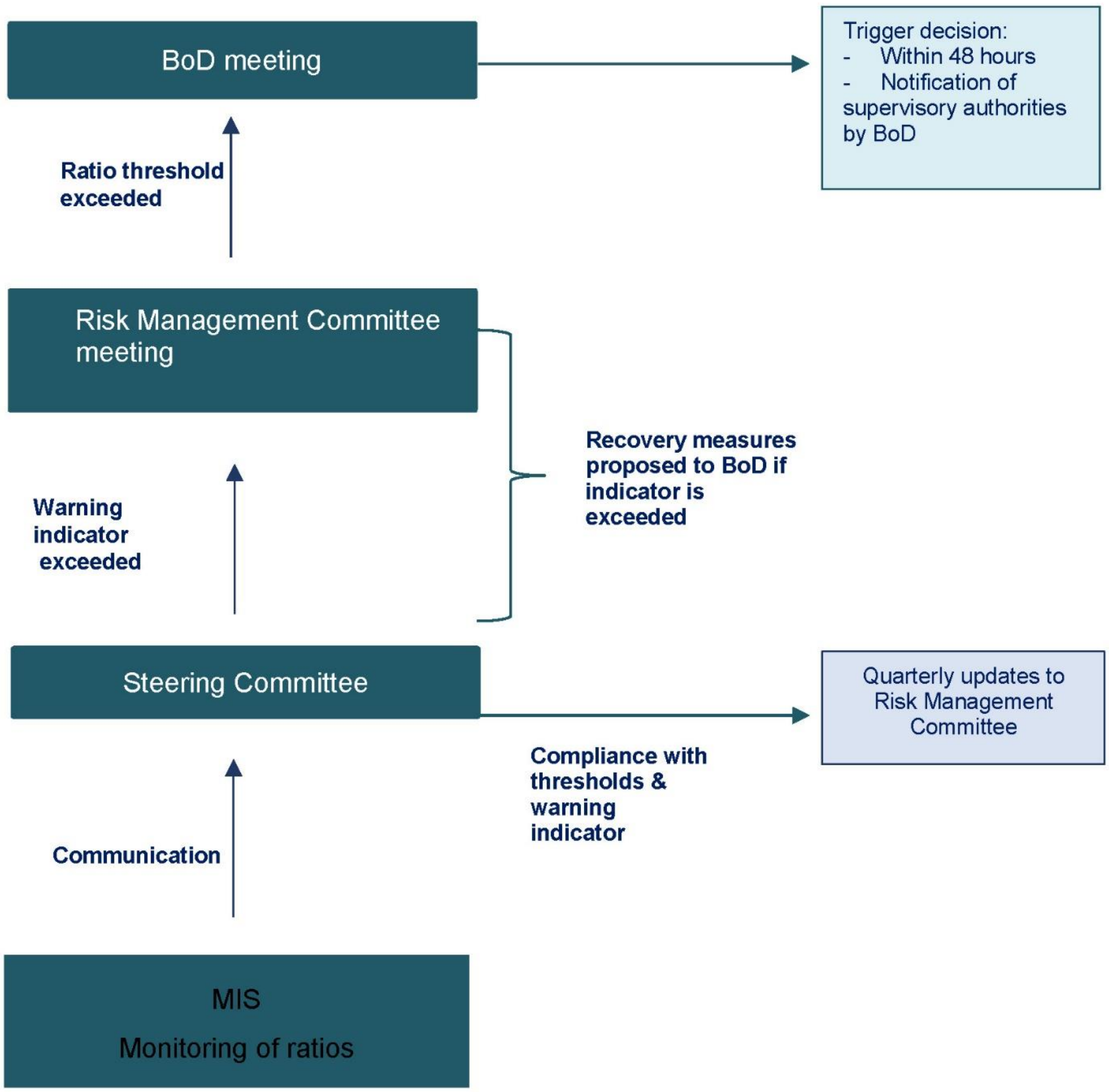
- EBA guidelines on ICAAP and ILAAP information collected for SREP purposes, 10.02.2017 (EBA/GL/2016/10);
- EBA guidelines on the management of interest rate risk arising from non-trading book activities, 5.10.2015 (EBA/GL/2015/08);
- EBA guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP), 19.12.2014 (EBA/GL/2014/13).

In light of the new regulatory requirements in relation to the ICAAP, the Bank has established a mechanism that records, plans and escalates capital adequacy and capital requirements monitoring processes in relation to Pillar 1 and the ICAAP. This mechanism includes the procedures, roles and competences required to develop, prepare, review and approve the ICAAP.
The ICAAP was approved by the Bank's Board of Directors by decision 8/20.4.2017 and was subsequently submitted to the BoG by letter No 401 (Εμπ.Πρ.)/ 20 - 04-2017.

Recovery plan

The purpose of the plan is to develop a number of recovery measures to restore the Bank's financial position and meet capital adequacy and liquidity needs following a potentially significant deterioration of its financial situation.
To that effect, the plan establishes the governance framework, so that any deterioration threats can be immediately identified and properly managed. The Bank, to respond to the new regulatory requirements, has created a mechanism in line with the basic principles and the model of corporate governance, which specifies the procedures, roles and competences associated with the development, preparation, review and approval of the plan.
This plan was approved by the BoD and the Risk Management Committee.

The plan also forms an integral part of the Bank's risk management framework. Below follows a chart showing the monitoring of ratios and the actions to be taken:



In addition, the Bank intends to develop a special ratio monitoring tool in its IT systems, so as to ensure reliable data extraction.

Corporate governance

The Bank has established corporate governance principles since 1998, thus ensuring proper and transparent operations and effective provision of services to its shareholders and customers. The Corporate Governance Regulation and the practices stemming from its application are core to the Bank, ensuring that its economic financial value will be passed on and securing the interests of both the customers and the shareholders of the institution.
The Board of Directors is responsible for reviewing the Corporate Governance Regulation, within the framework set by the legislation and the supervisory authorities. The Corporate Governance Regulation reflects the development of an effective business model while embodying a uniform business culture. Among others, the regulation:

- ✓ Establishes a clear organisational structure;
- ✓ Sets out the Bank’s reporting lines;
- ✓ Provides a detailed hierarchical description of the units that constitute the Bank’s organisation;
- ✓ Assigns distinct functions to the units involved in risk management and control.

The Bank’s successful management and effectiveness functions are complemented by a number of committees which are grouped in two categories, in line with the principles of corporate governance. One category includes the committees of the Board of Directors and the other category includes joint committees with the participation of 2 managers and executives. These committees are responsible for special matters that require transparency and technical skills. The Corporate Governance Regulation is at the heart of the Bank's governance and operation functions, and consolidates its policies and processes. The Bank has acknowledged the need to apply the principles of corporate governance to the management of day-to-day business and to its business decision-making processes in order to achieve sound operations and development for a long period of time.

6. Corporate social responsibility

The cooperative principles on which the Cooperative Bank of Epirus was developed and operates are intertwined with the concept of responsibility towards the local society that created and supports the bank.

The provision of support to businesses and households, in practice and in a responsible way, is proof that the Cooperative Bank of Epirus is “their Bank”, an institute that contributes to the region and its people.

The Cooperative Bank of Epirus produces a social output that is attributed to the State or to citizens and in 2016 exceeded 4,051 thousand euros.

Indicatively, the size of the Bank's social contribution is shown in the following table:

TABLE OF SOCIAL OUTPUT 2016	
Public sector (taxes, contributions, etc)	1,519
Insurance Funds	866
Staff	1,637
Sponsorships	29
TOTAL (amounts in EUR thousand)	4,051

At the same time, in return for the trust of the people of Epirus and with a strong sense of social responsibility, the Bank continues, despite the need to cut back costs, to support development, social and cultural initiatives taken by local players, and the work of local social clubs.
The bank's support has been decisive in several occasions in the completion and success of important actions.

Ioannina, 22 May 2017

The Chairman of the BoD	The CEO	The Executive CEO
Konstantinos Zonidis	**Maria Myzithra**	**Vasilios Tsoukanelis**
ID Card No. Φ 461644	**ID Card No. AE088700**	**ID Card No. AE 275733**

C. INDEPENDENT CERTIFIED AUDITOR-ACCOUNTANT'S REPORT

To the Shareholders of “Cooperative Bank of Epirus Ltd”

Audit Report on the Financial Statements

We have audited the accompanying financial statements of Cooperative Bank of Epirus Ltd, which comprise the statement of financial position of 31 December 2016, the income and comprehensive income statements, the statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting principles and methods, and other explanatory notes.

Management’s Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements, in accordance with the International Financial Reporting Standards, as adopted by the European Union, and for those safeguards the management considers necessary to enable the preparation of financial statements free of material misstatements due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the International Auditing Standards, as transposed into the Greek legislation (Government Gazette 2848/B/23.10.2012). These standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from any material misstatements.

An audit involves performance of procedures to obtain audit evidence with regard to the amounts and disclosures in the financial statements. The procedures selected rely on the auditor’s judgment, including the assessment of risks of material misstatements in the financial statements, whether due to fraud or error. In making such risk assessments, the auditor considers the safeguards relevant to the preparation and fair presentation of the Bank’s financial statements, with the purpose of planning audit procedures appropriate to the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the Bank’s safeguards. The audit also includes an evaluation of the appropriateness of the accounting principles and methods used and the fairness of accounting estimates made by the management, as well as an evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and adequate to form the basis for our audit opinion.

Opinion

In our opinion, the attached financial statements fairly present, in all material aspects, the financial position of Cooperative Bank of Epirus Ltd as at 31 December 2016, and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards, as adopted by the European Union.

Limitation of scope

Your attention is drawn to note 2.2 to the financial statements, where reference is made to the material uncertainties resulting from the current economic environment in Greece and current developments which could have a negative impact in relation to the going concern principle. No further qualifying remarks are expressed in our opinion pertaining to this matter.

Report on Other Legal and Regulatory Requirements

Having regard that the management is responsible for preparing the Directors' Report, pursuant to the provisions of Article 2(5) (part B) of Law 4336/2015, it is noted that:

(a) In our opinion, the Directors' Report has been prepared in accordance with the applicable legal requirements laid down in Article 43(a) Codified Law 2190/1920, and its contents are in agreement with the attached financial statements for the financial year ended 31/12/2016.

(b) On the basis of the information obtained during our audit in relation to Cooperative Bank of Epirus Ltd and the environment it operates in, we did not identify any material misstatements in the Directors' Report.

Ioannina, 23 May 2017
The Certified Auditor-Accountant

Stergios K. Detsikas
Institute of Certified Public Accountants of Greece (SOEL) Reg. No. 41961

Grant Thornton
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D. ANNUAL FINANCIAL STATEMENTS FOR FY 2016

STATEMENT OF COMPREHENSIVE INCOME

	Note	1/131/12/2016	1/1-31/12/2015
Interest receivable and similar income		11,169,528	12,479,019
Interest payable and similar charges		-3,016,308	4.688.412
Net interest income	**6**	**8,153,220**	**7,790,607**
Commissions income		1,920,750	1,486,155
Commissions expenses		-3,683	-1,353
Net commissions income/(expenses)	**7**	**1,917,067**	**1,484,802**
Income from insurance activities		90,292	85,623
Expenses from insurance activities		0	0
Net income from insurance activities	**8**	**90,292**	**85,623**
Net other income/(expenses)	**9**	-251,324	307,961
Net operating income		**9,909,256**	**9,668,994**
Personnel expenses	**10**	-2,985,290	-2,766,755
General administrative and other operating expenses	**11**	-3,142,336	-2,938,484
Depreciation of investment property, PPE, software & other intangibles	**18**	-313,340	-361,586
Impairment provisions for credit and other risks		-3,605,283	-6,229,279
Provision for impairment of participating interests and securities		28,060	0
Impairment of PPE		0	-141,696
Profit/ (loss) before tax		**-108,933**	**-2,768,807**
Taxes	**12**	-19,179	1,698,342
Net profit/(loss) after tax (A)		**-128,112**	**-1,070,465**
Attributable to:			
Holders of non-controlling interests			
Bank shareholders		**-128,112**	**-1,070,465**
Actuarial gains/(losses)			2,683
Capital increase expenses			-55,597
Corresponding tax			15,345
Other comprehensive income/(expenses) after tax (B)		**0**	**-37,569**
Total comprehensive income/(expenses) after tax (A)+(B)		**-128,112**	**-1,108,034**
Attributable to:			
Holders of non-controlling interests			
Bank shareholders		**-128,112**	**-1,108,034**
Earnings/(loss) per share (EUR) - Basic and adjusted		**-0.01**	**-0.07**

STATEMENT OF FINANCIAL POSITION

	Note	31.12.2016	31.12.2015
Assets			
Cash with central banks	**13**	3,712,945	4,628,235
Receivables from financial institutions	**14**	7,316,530	9,018,389
Loans and receivables from customers (after provisions)	**15**	170,473,559	170,025,682
Available-for-sale financial assets	**16**	224,127	193,604
Held-to-maturity financial assets		60,000	0
Participating interests in subsidiaries and affiliates		24,271	26,734
Goodwill, software and other intangible assets		56,477	83,807
Property, plant and equipment	**18**	4,810,072	5,026,700
Deferred tax assets	**19**	9,558,329	9,565,242
Other assets	**20**	6,772,423	7,358,494
TOTAL ASSETS		***203,008,733***	***205,926,885***
Liabilities			
Payables to credit institutions	**21**	13,911,640	13,927,222
Payables to customers	**22**	169,295,726	172,476,005
Liabilities to debt instruments	**23**	6,021,000	6,021,000
Retirement benefit obligations	**24**	256,472	229,253
Income tax		110,000	105,000
Other liabilities	**26**	2,613,237	2,211,085
Total Liabilities		***192,208,075***	***194,969,564***
Equity			
Cooperative capital	**27**	8,380,469	8,220,347
Share premium	**28**	7,319,717	7,355,657
Reserves	**29**	1,817,663	1,819,363
Results carried forward		(6,717,191)	(6,438,047)
Own funds of Bank shareholders		***10,800,658***	***10,957,320***
TOTAL EQUITY AND LIABILITIES		***203,008,733***	***205,926,885***

STATEMENT OF CHANGES IN EQUITY

Amounts in EUR	Share capital	Share premium	Reserves	Results carried forward	Total
Equity balance 01/01/2015	**19,206,822**	**6,776,752**	**1,641,360**	**(21,767,636)**	**5,857,297**
Profit & loss after tax				(1,070,465)	**(1,070,465)**
Other total income/(expenses) after tax				(37,569)	**(37,569)**
Capital reduction through set-off of losses	(16,632,352)			16,632,352	**(0)**
Capital increase	5,559,740	557,518	3,613		**6,120,871**
Finalisation of previous year new subscriptions	86,137	21,388	1,690	0	**109,215**
Return of invested capital			(22,029)		**(22,029)**
Distribution approved by the GM of 07/08/2015			194,729	(194,729)	**0**
Equity balance 31 December 2015	**8,220,347**	**7,355,657**	**1,819,363**	**(6,438,047)**	**10,957,320**

	Share capital	Share premium	Reserves	Results carried forward	Total
Equity balance 01/01/2016	**8,220,347**	**7,355,657**	**1,819,363**	**(6,438,047)**	**10,957,320**
Profit & loss after tax	0	0	0	(128,112)	**(128,112)**
Capital increase	160,122	(35,940)	(1,700)	(151,032)	**(28,550)**
Equity balance 31 December 2016	**8,380,468**	**7,319,717**	**1,817,663**	**(6,717,191)**	**10,800,658**

CASH FLOW STATEMENT

Amounts in EUR	**01,01, - 31,12,2016**	**01.01. - 31.12.2015**
Cash flows from operating activities		
Profit/(loss) before tax	(108,933)	(2,768,807)
Plus/less adjustments for:		
Impairment and provisions	3,605,283	6,370,975
Depreciation and amortisation	313,340	361,586
Retirement benefits	27,219	32,570
(Profit)/loss on investing activities	(28,060)	
Cash flows from operating activities before change in operational assets and liabilities	*3,808,848*	3,996,325
Changes in operational assets and liabilities:		
Net (increase)/decrease of loans and receivables from credit institutions	1,701,859	26,472,459
Net (increase)/decrease of loans and receivables from customers	(4,053,160)	(2,474,568)
Net (increase)/decrease of other assets	586,070	932,641
Net increase/(decrease) of payables to credit institutions	(15,581)	7,317,852
Net increase/(decrease) of payables to customers	(3,180,279)	(49,482,805)
Net increase/(decrease) of other payables	402,152	(3,738,717)
Income tax paid	(7,266)	(8,965)
Net cash inflows/(outflows) from operating activities	**(757,356)**	**(16,985,778)**
Cash flows from investing activities		
Purchase of investment portfolio securities	(60,000)	
Purchase of PPE and intangible assets	(69,383)	(50,527)
Sale of PPE and intangible assets		
Total inflows/(outflows) from investing activities (b)	**(129,383)**	**(50,527)**
Financing activities		
Issue/(repayment) of debt instruments and other borrowed funds	0	6,021,000
Share capital increase	(26,850)	6,169,186
Collections/(payments) of reserves	(1,700)	(16,725)
Dividends paid		
Net cash inflows/(outflows) from financing activities	**(28,550)**	**12,173,460**
Net increase/(decrease) in cash and cash equivalents for the period (a) + (b) + (c)	**(915,289)**	**(4,862,844)**
Cash and cash equivalents at period start	**4,628,235**	**9,491,079**
Cash and cash equivalents at period end	**3,712,945**	**4,628,235**

E. NOTES TO THE FINANCIAL STATEMENTS

1. Information about Cooperative Bank of Epirus Ltd

1.1 General information

The Cooperative Bank, as a mere credit cooperative of variable capital, aims to offer banking services as those are laid down in the applicable legislation for cooperative banks, with the purpose of promoting the financial growth of its shareholders and expanding its activities. It was authorised by decision 535/2-11-1993 of the Banking and Credit Committee of the Bank of Greece.

The past decade has been a period of radical changes and restructuring for the Greek banking system. The market has transformed from a structure of traditional and, for the most part, State-owned commercial banks, to private, flexible and modern credit institutions with competitive position in global markets.

1.2 Bank structure and activities

The Cooperative Bank has:

- Nine business units: five in Ioannina, one in the bordering municipality of Anatoli, one in Preveza, one in Louros, one in Igoumenitsa, and one in Arta, which opened in September 2011, and 15 ATMs across the region of Epirus;
- ATMs which operate 24/7 at local and national level;
- Credit and debit cards;
- High-return deposit products;
- Retail banking facilities.

The Bank's products are flexible to meet the special needs of our customers.

The main categories of customers are:

- Small businessmen - Professionals - Tradesmen primarily from the category of small and medium enterprises
- Farmers - Livestock farmers
- Owners of hotels and other accommodation facilities
- Self-employed
- Developers - Construction companies
- Households that need to meet housing and other consumer needs

The Cooperative Bank carries out transactions with its members, other credit institutions, and the Greek public sector.

1.3 BoD composition

The Board of Directors was elected by the General Meeting of 30 September 2016 and consists of ten directors:

- Konstantinos Zonidis, Trader, Chairman of the BoD
- Maria Myzithra, CEO
- Vasilios Tsoukanelis, Executive Director
- Christos Papadogiannis, BoD Vice-Chairman
- Pavlos Chitas, BoD Secretary and member of the Audit Committee
- Emmanouil Hatzakis, BoD Treasurer
- Efstratios Goudinakos, Director
- Spyridon Kyriakis, Director
- Alexandros Pantazis, Director and member of the Audit Committee
- Christos Koliopanos, Director, Employee representative

2. Basic accounting principles

2.1 Basis of presentation

These financial statements of the Bank of Epirus for the financial year ended 31 December 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), and with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union.

The preparation of financial statements in accordance with the IFRSs requires the use of certain critical accounting estimates. It also requires that the Management makes subjective judgments in the process of applying the accounting principles. Moreover, it requires the use of estimates and assumptions which affect the above amounts of assets and liabilities, the disclosure of contingent receivables and liabilities as at the date of the financial statements, and the reported income and expense amounts in the year under review. Although these calculations are based on the best possible knowledge of the Management with respect to the current conditions and activities, the actual results may eventually differ from such estimates.

2.2 Going concern principle

These financial statements were prepared on the basis of the going concern principle. Despite the existence of conditions which cause uncertainty over the above principle and relate to the adverse macroeconomic environment, the Bank's capital adequacy and liquidity risk, the Management estimates that the Bank will smoothly continue its operations, also in view of the participation of a strong strategic investor in its capital.

Macroeconomic environment:

The adverse economic conditions in Greece, combined with the current political developments, are the main factor of uncertainty for the Greek banking sector. The prolonged depression of the past eight years has led to a significant increase in non-performing loans and, as a result, to a burden on the Bank's results and equity. The bank holiday in Greece from 29 June 2015 to 20 July 2015 and the continuing capital controls intensified economic uncertainty, as well as the pressures on the financial system and the budgetary figures.

The provisions of Article 2 of Law 4334 transposed into the Greek legislation Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, which became effective on 1 January 2016. The impact of the capital controls further aggravated the depression and, therefore, it is possible that the Bank will suffer a deterioration of its loan and a further impairment of collateral. Although somewhat less restrictive, the capital controls remained as of the date on which the financial statements were approved; this may indeed be a contributing factor to the stabilisation of deposits, but could lead to a slowdown and keep withdrawn deposits away from the Greek banking system.

On 22 May 2016, Law 2016 (Government Gazette 94A/94) was passed, concerning urgent provisions for the implementation of the agreement relating to fiscal targets and structural reforms, and other provisions. Article 70 of the Law established the framework for the management of receivables from loans and facilities granted by credit or financial institutions, which are transferred or assigned to companies servicing or acquiring receivables from loan and credit facilities.

The Eurogroup meeting of 25 May 2016, after signing the Supplemental memorandum of understanding (SMoU), decided to complete the first review, and on 17 June 2016 the European Stability Mechanism decided to disburse the amount of 10.3 billion euros. The first instalment of 7.5 billion was paid on 21 June 2016, allocated to financing needs (€5.7 bn) και the settlement of public sector arrears (€1.8 bn). On 25 October, after the plenary assembly of the parliament adopted the required measures, the ESM approved the disbursement of the second instalment of 2.8 billion on 26 October, which would also be allocated for financing needs (€1.1 bn) and the settlement of arrears (€1.7 bn). Finally, the Eurogroup meeting held in December 2016 decided to adopt short-term debt relief measures (extended repayment of EFSF loans, mitigation of risk arising from interest rate increases, and lift of the interest margin on an EFSF loan of €11.3 bn under the second programme).

The completion of the second review and timely disbursement of the instalments under the programme to meet financing needs and settle public sector arrears, but also the adoption of new fiscal adjustment measures, are crucial to the state of the economy in 2017.

The economic and political situation in Greece remains the primary risk factor for both the Greek banking sector as a whole and the Cooperative Bank of Epirus in particular. Accordingly, any delays and potentially negative developments regarding the completion of the second review of the economic adjustment programme for the Greek economy could affect the Bank's liquidity and capital adequacy. The completion of the review session, combined with the anticipated sovereign debt relief measures, is expected to help gradually improve sentiment, along with the implementation of privatisations, the gradual lift of the restrictions on capital flows, the return of the GDP to positive territory, and the inclusion of Greek bonds in the ECB quantitative easing programme.

The Bank's Management closely monitors developments and regularly assesses the potential effect on its operations.

Capital adequacy:

The Common Equity Tier 1 (CET 1) capital ratio stood at 6.67%, the Tier 1 capital ratio at 6.67%, and the total capital (CAD) ratio at 10.00%. According to Article 92 of Regulation (EU) No 575/2013, the minimum limits are 4.5%, 6% and 8% respectively.

To restore and further support capital adequacy, the Bank's Management took the following steps:

1) On 28 December 2015, the Bank's Board of Directors ratified (Minutes No 32) the cooperative capital increase by approximately 6.10 million euros and the issue of a subordinated bond loan of approximately 6.02 million euros.
2) An institutional investor also participated in the above increase (Subsidiary Professional Insurance Fund for Insurance Agents & Insurance Company Employees -TEA-EAPAE), contributing 3.5 million euros to the share capital increase and acquiring subordinated bonds of 3.5 million euros.
3) On 20 February, the Bank's Board of Directors approved the Bank's recovery plan, which describes possible measures to be taken in case of deterioration of the institution's financial situation.
4) On 20 February 2017 the Bank submitted its Capital Plan to the Bank of Greece, which detailed the measures to be taken by the Bank to strengthen its capital adequacy.
5) Finally, it was decided to propose to the following General Meeting to increase the capital up to the amount of 12 million euros, with a view to further strengthening the Bank's capital adequacy and liquidity, obtaining authorisation for nationwide operations, and implementing the Bank's business plan.

Liquidity:

In 2015, the Greek banking system was required to raise liquidity from the Emergency Liquidity Facility (ELA) to meet the short-term needs as a result of ECB's decision to suspend the acceptance of bonds issued or guaranteed by the Greek government for main refinancing operations, and also due to the significant decrease in deposits especially in the first half of the year ended.

In December 2016, domestic deposits (public sector, households and businesses) with Greek banks stood at approximately 132.1 billion euros compared to approximately €133.7 billion in 2015 (according to data of the Bank of Greece); however, in December 2016, deposits of the Deposits and Loans Fund were reclassified from the financial sector to general government. The delayed completion of the second review led to an additional decrease of deposits in 2017 to 129.7 billion euros (April 2017), or 1.8%.

In the previous year, the Bank received indirect liquidity under the supervision of the National Bank with interest rates, terms and conditions similar to those of ELA, to meet short-term needs arising from the massive flight of deposits. The agreement for provision of liquidity remained effective during the year ended, and as at 31 December 2016 the amount received by the Bank stood at 8 million euros, which was further reduced to 7 million on 15 May 2017.

In view of the introduction of the new financial adjustment programme, the provision of liquidity to the Greek banking system by the Eurosystem, the successful completion of the share capital increase, the significant cash contribution of an institutional investor and the above liquidity injection agreement, the Management estimates that Bank will be able to meet its short-term financing needs.

To monitor liquidity, the Bank's Management established a daily monitoring mechanism, so as to immediately take all necessary steps to address any issues.

2.3 Changes to accounting policies

2.3.1 New standards, interpretations, revisions and amendments to existing standards not effective or not adopted yet by the European Union

The following amendments and interpretations of IFRS have been issued by the International Accounting Standards Board (IASB), have been adopted by the European Union and are mandatorily effective for periods beginning on or after 1 February 2015.

Amendments to IAS 19: "Defined Benefit Plans: Employee Contributions" (effective for annual periods beginning on or after 1 February 2015)

In November 2013 the IASB issued a narrow-scope project to amend IAS 19, entitled "Defined Benefit Plans: Employee contributions". The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendment has no effect on the Bank's financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle (effective for annual periods beginning on or after 1 January 2015)

In December 2013 the IASB published “Annual Improvements to IFRSs 2010-2012 Cycle”, a collection of amendments regarding seven issues, which forms part of the annual improvements to IFRSs.

The amendments are effective for annual periods beginning on or after 1 July 2014, with earlier adoption permitted. The issues included in this cycle are: **IFRS 2:** Definition of 'vesting condition'; **IFRS 3:** Accounting for contingent consideration in a business combination; **IFRS 8:** Aggregation of operating segments; **IFRS 8:** Reconciliation of the total of the reportable segments' assets to the entity's assets; **IFRS 13:** Short-term receivables and payables; **IAS 16/IAS 38:** Revaluation method - proportionate restatement of accumulated depreciation; and **IAS 24:** Key management personnel services. The amendments have no effect on the Bank’s financial statements.

Amendments to IFRS 11: “Accounting for acquisitions of interests in joint operations” (effective for annual periods beginning on or after 1 January 2016)

In May 2014 the IASB published amendments to IFRS 11. The amendments add new guidance on the accounting treatment of the acquisition of a joint venture that constitutes a business and clarify the appropriate accounting treatment for such acquisitions. The amendments have no effect on the Bank’s financial statements.

Amendments to IAS 16 and IAS 38: “Clarification of acceptable methods of depreciation and amortisation” (effective for annual periods beginning on or after 1 January 2016)

In May 2014 the IASB published amendments to IAS 16 and IAS 38. IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments have no effect on the Bank’s financial statements.

Amendments to IAS 16 and IAS 41: “Agriculture: Bearer plants” (effective for annual periods beginning on or after 1 January 2016)

In June 2014 the IASB published amendments that change the financial reporting for bearer plants. It was decided that bearer plants should be accounted for in the same way as property, plant and equipment (IAS 16). Consequently, the amendments include bearer plants within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The amendments have no effect on the Bank’s financial statements.

Amendments to IAS 27: “Equity method in separate financial statements” (effective for annual periods beginning on or after 1 January 2016)

In August 2014 the IASB published narrow-scope amendments to IAS 27. These amendment allow entities to account for investments in subsidiaries, associates and joint ventures using the equity method in their separate financial statements, an option that entities did not have before the issue of the amendment. The amendments have no effect on the Bank’s financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle (effective for annual periods beginning on or after 1 January 2016)

In December 2014 the IASB published "Annual Improvements to IFRSs 2012-2014 Cycle", a collection of amendments regarding four standards which forms part of the annual improvements to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier adoption permitted. The issues included in this cycle are: **IFRS 5:** Changes in methods of disposal; **IFRS 7:** Servicing contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements; **IAS 19:** Discount rate: local market issue; and **IAS 34:** Disclosure of information 'elsewhere in the interim financial report'. The amendments have no effect on the Bank's financial statements.

Amendments to IAS 1: "Disclosure initiative" (effective for annual periods beginning on or after 1 January 2016)

In December 2014 the IASB published amendments to IAS 1. The amendments aim at addressing issues relating to existing presentation and disclosure requirements and ensuring that entities are able to use judgment when presenting their financial reports. The amendments have no effect on the Bank's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28: "Investment entities: Applying the consolidation exception" (effective for annual periods beginning on or after 1 January 2016)

In December 2014 the IASB IASB published narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28. The amendments clarify certain aspects of the accounting requirements for investment entities and also provide relief in certain circumstances, which will reduce the costs to preparers of applying IFRS. The amendments have no effect on the Bank's financial statements.

2.3.2 New standards, interpretations and amendments to existing standards not effective or not adopted yet by the European Union

The following new standards and amendments have been issued by the IASB but have not become effective or not adopted yet by the European Union.

FRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016)

In January 2014 the IASB issued IFRS 14. The objective of this interim standard is to enhance the comparability of financial reporting by entities that conduct regulated activities. In many countries, there are sectors subject to special regulation, under which government authorities regulate the provision and the rates of specific types of activities conducted by an entity. The Bank will consider the effect of all the above on its financial statements, although they are not expected to have any effect. The above have not been adopted by the European Union awaiting the final version of the standard.

IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018)

In May 2014 the IASB issued IFRS 15. The standard is fully aligned with revenue recognition requirements under both the IFRSs and the US GAAP. The basic principles on which the standard is based are consistent for the most part with current practice. The new standard is expected to improve financial reporting by establishing a more robust framework for addressing issues, by enhancing comparability across industries and capital markets by providing additional disclosures and clarifying the accounting treatment of contract costs. The new standard replaces IAS 18 "Revenue", IAS 11 "Construction contracts" and some interpretations relating to revenue. The Bank will consider the effect of all the above on its financial statements, although they are not expected to have any effect. The above have been adopted by the European Union and are effective from 1 January 2018.

IFRS 9 "Financial instruments" (effective for annual periods beginning on or after 1 January 2018)

In July 2014 the IASB issued the final version of IFRS 9. The package of improvements introduced by the new standard includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The Bank is already assessing the effect that adoption of the standard will have and is adjusting procedures for full adoption. The above have been adopted by the European Union and are effective from 1 January 2018.

Amendments to IFRS 10 and IAS 28: "Sale or contribution of assets between an investor and its associate or joint venture" (the IASB deferred indefinitely the effective date of the amendments)

In September 2014 the IASB published narrow-scope amendments to IFRS and IAS 28. The aim of the amendments is to address a recognised inconsistency between the requirements of IFRS 10 and those of IAS 28 in accounting for the sale or transfer of assets between an investor and its associate or joint venture. In December 2015 the IASB deferred indefinitely the effective date of the amendments, awaiting the results of the research project in relation to accounting treatment using the equity method. The Bank will consider the effect of all the above on its financial statements, although they are not expected to have any effect. The above have not been adopted by the European Union.

IFRS 16 "Lease" (effective for annual periods beginning on or after 1 January 2019)

In January 2016 the IASB issued IFRS 16. The objective of the IASB was to develop a new lease accounting standard that sets out the principles that both parties to a contract applied to provide relevant information about leases in a manner that faithfully represents those transactions. To achieve this, a lessee should recognise the assets and liabilities arising from the lease. The Bank will consider the effect of all the above on its financial statements, although they are not expected to have any effect. The above have not been adopted by the European Union.

Amendments to IAS 12: "Recognition of deferred tax assets for unrealised losses" (effective for annual periods beginning on or after 1 January 2017)

In January 2016 the IASB published narrow-scope amendments to IAS 12. The aim of such amendments is to clarify the accounting treatment of the deferred tax claims for non-accrued losses from debit instruments valued at their fair value. The Bank will consider the effect of all the above on its financial statements, although they are not expected to have any effect. The above have not been adopted by the European Union.

Amendments to IAS 7: "Disclosure initiative" (effective for annual periods beginning on or after 1 January 2017)

In January 2016 the IASB published narrow-scope amendments to IAS 7. The aim of the amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. These amendments require from entities to make disclosures that will enable investors to evaluate changes in liabilities arising from financial activities, including changes arising from cash flows and changes of a different, other than cash flow, nature. The Bank will consider the effect of all the above on its financial statements, although they are not expected to have any effect. The above have not been adopted by the European Union.

Clarifications to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 01/01/2018 January 2018)

In April 2016 the IASB issued clarifications in relation to IFRS 15. The amendments to IFRS 15 do not alter the basic principles of the standard but provide clarification as to the application of these principles. The amendments clarify how companies identify a performance obligation in a contract, determine whether a company is a principal or an agent, determine whether the revenue from granting a licence should be recognised at a point in time or over time. The Bank will consider the effect of all the above on its financial statements, although they are not expected to have any effect. The above have not been adopted by the European Union.

Amendment to IFRS 2: "Classification and measurement of share-based payment transactions" (effective for annual periods beginning on or after 1 January 2018)

In June 2016 the IASB published a narrow-scope amendment to IFRS 2. The amendment aims to provide clarifications about the accounting treatment of certain share-based payment transactions. Specifically, the amendment introduces the requirements about how to address the impact of vesting and non-vesting conditions on the measurement of the fair value of the liability incurred in a cash-settled shared-based payment, how to classify share-based payments that include net settlement features for tax purposes, and how to account for a modification of a shared-based payment transaction from cash-settled to equity-settled. The Bank will consider the effect of all the above on its financial statements, although they are not expected to have any effect. The above have not been adopted by the European Union.

Amendments to IFRS 4: "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018)

In September 2016 the IASB published amendments to IFRS 4. The amendments are intended to address concerns about the different effective dates of IFRS 9, Financial Instruments, and the forthcoming new insurance contracts standard. The amendments to the existing requirements of IFRS 4 provide entities whose predominant activity is issuing contracts with an optional exemption from applying IFRS 9 until 2012 ("deferral approach"), and issuers of insurance contracts with the option to recognise the volatility that may arise if IFRS 9 is applied before the forthcoming new insurance contracts standard, from profit or loss to other comprehensive income ("overlay approach"). The Bank will consider the effect of all the above on its financial statements, although they are not expected to have any effect. The above have not been adopted by the European Union.

Annual Improvements to IFRSs 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2017 and 1 January 2018)

In December 2016 the IASB published "Annual Improvements to IFRSs 2014-2016 Cycle", a collection of amendments regarding certain standards which forms part of the annual improvements to IFRSs. The improvements included in this cycle are: **IFRS 12:** Clarification of the scope of the standard; **IFRS 1:** Deletion of short-term exemptions for first-time adopters; **IAS 28:** Measuring an associate or joint venture at fair value. The amendments are effective for annual periods beginning on or after 1 January 2017 in relation to IFRS 12, and on or after 1 January 2018 in relation to IFRS 1 and IAS 28. The Bank will consider the effect of all the above on its financial statements, although they are not expected to have any effect**.** The above have not been adopted by the European Union.

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018)

In December 2016 the IASB issued IFRIC 22. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Bank will consider the effect of all the above on its financial statements, although they are not expected to have any effect. The above have not been adopted by the European Union.

Amendments to IAS 40: "Transfers of investment property" (effective for annual periods beginning on or after 1 January 2018)

In December 2016 the IASB published narrow-scope amendments to IAS 40. The aim of the amendments is to reinforce the principle for transfers into, or out of, investment property, to specify that (a) such a transfer should only be made when there has been a change in use of the property, and (b) a change of use occurs if property meets, or ceases to meet, the definition of investment property. That change in use should be supported by evidence. The Bank will consider the effect of all the above on its financial statements, although they are not expected to have any effect. The above have not been adopted by the European Union.

BASIC ACCOUNTING PRINCIPLES

2.4 Financial assets

A financial instrument is any contract that creates a financial asset in an entity and a financial liability or an equity instrument in another.

2.4.1 Initial recognition

The bank recognises financial instruments as assets or liabilities when a counterparty that acquires rights or undertakes obligations under the contractual terms of the financial instrument. On initial recognition, the bank measures financial assets and liabilities at fair value.

2.4.2 Subsequent measurement of financial assets

The Bank's financial instruments are classified into the following categories based on the substance of the contract and the purpose for which they were acquired.

i) Loans and receivables

This category may include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, for which the Bank considers it unlikely to not recover substantially all of its initial investment, other than because of credit deterioration. The Bank’s loans and receivables include:

- loans to customers;
- all kinds of receivables from customers, banks, etc.

The effective rate method calculates the amortised cost of a financial asset and apportions interest income or expenses to the reporting period. The effective interest rate is the rate that exactly discounts the expected stream of future cash inflows or outflows through maturity or the next repricing date of a financial instrument.

ii) Held-to-maturity portfolio

The held-to-maturity portfolio includes fixed and floating rate securities which the Bank intends and is able to hold to maturity.

Held-to-maturity securities are initially accounted for at fair value (including transaction costs) and are subsequently measured at amortised cost using the effective rate method, after deducting any accumulated impairment losses.

If the Bank sells or transfers part of the held-to-maturity portfolio before maturity other than in special cases, e.g. selling a small portion of the portfolio, then the entire held-to-maturity portfolio must be transferred to the available-for-sale portfolio and measured at fair value, reflecting the resulting goodwill or depreciation in the reserves of the available-for-sale portfolio. Also, an asset may not be classified as held-to-maturity for the next two years.

Under certain conditions, financial assets (other than derivative assets) may be transferred from the trading portfolio to the held-to-maturity portfolio. Additionally, a financial asset may be transferred from the available-for-sale portfolio to the held-to-maturity portfolio.

(iii) Available-for-sale portfolio

The available-for-sale portfolio includes securities to which no holding period applies and which can be sold to meet liquidity needs or address changes in interest rates and prices. Available-for-sale securities are initially accounted for at their acquisition cost (including transaction costs). Subsequently, they are measured at fair value and the gains or losses arising from changes in fair value are recognised directly in equity until such assets are sold, collected or disposed of in any other way, or until impaired, at which time accumulated losses recognised in Equity are transferred to the income statement.

Under certain conditions, financial assets (other than derivative assets) may be transferred from the trading portfolio to the available-for-sale portfolio. Such transfer is only permitted when there is no intention to hold them to maturity and extraordinary conditions prevail in the market.

Additionally, a financial asset that qualifies as a loan may be transferred from the available-for-sale portfolio to the loans when holding for the foreseeable future is intended. At the same time, a financial asset that does not qualify as a loan may be transferred from the available-for-sale portfolio to held-to-maturity portfolio when holding to maturity is intended.

2.4.3 Financial liabilities measured at amortised cost

These liabilities are expensed using the effective rate method. This category includes payables to credit institutions and customers, bonds issued by the Bank, and other debt obligations.

2.4.4 Methods of determining fair value

For the purpose of posting the assets and liabilities at fair values, current market prices were used for each financial asset. The values of assets and liabilities of the Bank for which current market prices were not available, resulted from valuation methods and do not differ significantly from the values at which they are posted in the financial statements.

2.4.5 Derecognition of financial assets

The bank derecognises a financial asset when:

- the rights to the cash flows of the financial assets have expired;
- the contractual right to the assets' cash flows has been transferred along with the risks and rewards of ownership;
- loans or investments in securities have become unrecoverable,
- and writes them off.

2.4.6 Derecognition of financial liabilities

The bank derecognises a financial liability when the obligation is discharged, cancelled or expired.

In cases of derecognition, the difference between the carrying amount of a financial liability that is repaid or transferred to a third party and the consideration paid, including other, non-cash transferred assets and any new liabilities created, is recognised through profit and loss.

2.4.7 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities may be set off in the balance sheet when, and only when, the bank has a legally enforceable right of set-off and intends either to to realise the financial asset and settle the financial liability simultaneously or settle on a net basis.

2.5 Converting into foreign currency

The financial statements are reported in euro, which is the Bank's functional currency. When preparing the financial statements, assets and liabilities are converted into euro using the applicable exchange rates as at the date of the statement of financial position.

Foreign currency transactions are translated into the national currency using the exchange rates as at the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions during the year and from the translation of monetary assets and liabilities denominated in foreign currencies using the current rates, are recognised through profit and loss.

2.6 Property, plant and equipment

This category includes plots, the buildings accommodating the central services and the branches, costs for additions and improvements to leased property, and mobile equipment, all of which are owner-occupied.

Both real estate and mobile equipment are initially measured at cost, increased by the costs associated with the transaction for their acquisition.

Specifically, buildings and plots at the start of the comparable period (01.01.2014) were measured at fair value, being their deemed cost at that date.

Following initial recognition, they are measured at cost, less accumulated depreciation and any accumulated impairment losses. Subsequent expenses increase the asset's value or recognised as a separate asset only when it is highly likely that the asset will generate future economic benefits, while repair and maintenance costs are expensed in the year they are incurred. Depreciation of buildings and equipment is calculated at cost less their residual value, and are recognised using the straight method over their expected useful life.

Useful live per category of assets is as follows:

Buildings	40	years
Transportation equipment	3-10	years
Additions and improvements to leased property	Term of lease	

Land is not depreciated. It is, however, tested for impairment.

Upon sale of PPE, any difference between the proceeds and their book value is recorded as profit or loss in the operating results. Repair and maintenance are expensed in the year to which they refer.

2.7 Intangible assets

This category includes software, which is measured at cost less accumulated depreciation and impairment. The cost of purchased software includes the purchase price and any directly attributable cost for preparing the software for its intended use, including personnel and specialist fees.

Depreciation is calculated on the basis of the expected useful life of software, which the Bank has set at 1 to 5 years.

Depreciation of intangible assets is calculated using the straight method. All intangible assets are tested for impairment. No residual value is calculated in relation to intangible assets.

2.8 Assets from auctions

Assets from auctions primarily include real estate acquired by the Bank in auction proceedings, in full or partial recovery of receivables. Such assets are initially recognised at cost, which includes the transaction costs, and are posted under other assets. Following initial recognition, these assets are valued at their carrying amount or the estimated realisable value less selling costs, whichever is lower. The gains and losses resulting from valuation differences from the sale of assets at auctions are posted under other operating income.

2.9 Impairment of non-financial assets

At each date of the financial statements, the Bank assesses the carrying amount of tangible and intangible assets in order to identify any indications that the assets have been impaired, in which case it estimates the recoverable value of the asset. When the recoverable value of an individual asset cannot be estimated, the Bank estimates the recoverable value of the cash-generating unit to which the asset belongs. The recoverable value of an asset is its net selling price or its value in use, whichever is higher. To calculate the asset's value in use, the estimated future cash flows are discounted at their present value.

If the recoverable value of an asset (or a cash-generating unit) is estimated to be lower than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable value. Impairment loss is recognised through profit and loss. When the impairment loss is subsequently reversed, the book value of the asset or (cash-generating unit) is increased up to the lowest of its revised estimated recoverable value or its carrying amount that would have been accounted for had no impairment loss of the asset (or cash-generating unit) been recognised in previous years. The impairment loss reversal is recognised through profit and loss.

2.10Cash and cash equivalents

This category includes:

- Cash in hand
- Non-restricted deposits with central banks
- Short-term receivables from banks and reverse repos.

Receivables are considered to be short-term when they become due within three months from the date of the financial reports.

2.11 Income and deferred tax

Income tax consists of current and deferred taxes. Current tax includes the tax expected to be assessed on the taxable income for the year, using the applicable tax rates as at the date of the financial statements.

Deferred tax means a tax that will be paid or recovered in the future and relates to transactions carried out during the year ended but treated as taxable income or deductible expenses of subsequent years. It is calculated on the temporary differences between the tax base of receivables and liabilities and their respective carrying amount.

Deferred tax assets and liabilities are calculated using the tax rates anticipated to apply to the period in which an asset or obligation will be settled, taking into account the established or tax rates applicable as at the balance sheet date.

A deferred tax asset is recognised only if it is considered probable that there will be future taxable profit from which the relevant temporary differences can be deducted. Income tax, both current and deferred, is recognised in the income statement, unless it refers to items directly recognised in equity, in which case the corresponding tax is directly recognised in equity.

2.12Payables for debt instruments and borrowed funds

Payables from the issue of debt instruments and other borrowed funds are initially accounted for at fair value (proceeds of issue less realised issue costs). Following initial recognition, debt instruments and borrowed funds are shown at amortised cost. Any difference between the proceeds from the issue (less issue costs) and the redemption value is recognised through profit and loss over the life of the instruments, using the effective rate method. The Bank's payables from instruments and borrowed funds include subordinated bond loans.

2.13 Employee benefits

Short-term benefits: The short-term benefits to employees (apart from the post-employment benefits), in cash and in kind, are recognized as an expense when they become payable.

Any outstanding amount is recorded as a liability, while if the amount already paid exceeds the amount of the benefits, the Bank recognises the excess amount as an asset (prepaid expense) only to the extent that the prepayment will lead to a reduction of future payments or to a reimbursement.

Post-employment benefits: The Bank pays contributions towards post-employment benefit plans. These plans are distinguished into defined benefit and defined contribution plans, and provide retirement grants, pension and other healthcare benefits.

i) Defined benefit plans

A defined benefit plan is a plan in which the benefits are determined based on certain factors such as age, years of service or remuneration. The value of the liability in defined benefit plans is equal to the present value of the benefits at the date of the financial statements, less the fair value of the plan's assets, adjusted for unrecognised actuarial gains or losses. Actuarial gains or losses are recognised in the statement of other comprehensive income as incurred.

The liability is estimated annually by independent and designated actuaries using the projected unit credit method unit. The present value of the liability is determined by estimated future cash flows, discounted at the rate of government bonds with a duration equal to that of the liability.

ii) Specific Contribution Plans

A defined contribution plan is plan under which the employer must pay specific contributions to a fund, without any further legal or contractual liability to cover any deficits of such fund. The Bank's contributions to the defined benefit plans are recognised through profit and loss during the year they refer to, and are posted under personnel fees and expenses.

2.14 Provisions and contingent liabilities and receivables

Provisions are formed when the Bank has present legal or constructive liabilities as a result of past events and it is probable that the Bank will be required to settle such liabilities. Provisions are measured based on the best estimate of the members of the Board of Directors, are reviewed at the date of the financial statements and adjusted to reflect the present value of the expense at which the liability is expected to be settled.

Contingent liabilities are not recognised in the financial statements but are disclosed, unless the probability of an outflow of resources embodying economic benefits is remote. Contingent receivables are not recognised in financial statements, but must be disclosed where an inflow of economic benefits is probable.

2.15 Equity

Principles of debt and equity

Financial instruments issued to raise funds are classified as equity when, on the basis of the substance of the contract, the bank does not undertake a contractual obligation to pay cash or another financial asset or to exchange financial assets under potentially unfavourable conditions.

The rights and obligations of the the Cooperative Bank’s shareholders are governed by Law 1667/1986, as amended by Law 4340/2015, by the decisions of the Bank's bodies and its Articles the provisions of which are less restrictive than those laid down in the Law.

According to IFRIC 2 “Members’ Shares in Co-operative Entities and Similar Instruments”, many financial instruments, including the members’ shares in cooperative entities, have equity characteristics such as voting rights and the right to participate in dividend distribution. Some financial instruments entitle their holder to request repayment in cash or for another financial instrument. but may include or be subject to restrictions as to whether the financial instruments will be repaid. The terms of repayment determine whether the financial instruments are recognised as equity or financial liabilities. The contractual right of the holder of a financial instrument to request repayment does not in itself require the classification of the financial instrument as a financial liability. Rather, the entity should take into account all terms and conditions of the financial instrument to determine whether it should be classified as a financial liability or equity. The terms and conditions include relevant local laws, regulations and the entity’s Articles as in force at the date of classification, but not the expected future amendments to such laws, regulations or Articles.

Specifically, members’ shares will be classified as equity when: (a) an entity has an unconditional right to refuse to repay the members’ shares; and (b) local laws or regulations or the Articles an entity may impose various prohibitions on the repayment of member shares, e.g. unconditional or liquidity-based prohibitions. If repayment is expressly prohibited by local laws or regulations or the Articles of an entity, the members’ shares are considered to be equity. However, those provisions of local laws, regulations or of the entity’s Articles which prohibit repayment only under specific conditions, such as liquidity restrictions, do not create the requirement that member shares should be accounted for as equity.

Pursuant to Article 149 of Law 4261/2014, the Bank may not redeem cooperative shares when its capital adequacy ratio is less than the minimum required by the current institutional framework. In addition, the Bank of Greece may impose restrictions on the repayment of cooperative shares on the part of the Bank if this would compromise its sustainability.

The Bank has recognised the total cooperative capital in equity, as no repayment authorisation has been obtained from the Bank of Greece in accordance with the provisions of Article 149 of Law 4261/2014.

Share premium

This item posts the difference between the face value of the shares issued and their offer price in case of an increase in the cooperative capital.

2.16 Recognition of revenue and expenses

The Bank's revenue and expenses primarily include interest income on loans and interest-bearing securities, interest charges on deposits, management and other banking fees, dividend income and other income and expenses.

Revenue and expenses are recognised as follows:

i) Interest income and expenses

Interest income and expenses are recognised through profit and loss in terms of all interest-bearing financial assets and liabilities.

They are recognised based on the accrual principle and determined using the effective rate method. Financial assets that are impaired are expensed at their new, impaired balance at their effective rate.

ii) Commissions income and expenses

Income and expenses from commissions are recognised during the period in which the services were provided or received, depending on the conclusion of the transaction, so as to match the cost of service; income and expenses relating to credit risk are recognised in the income statement on a straight-line basis over the duration of the risk.

iii) Impairment of financial assets

When testing form impairment of loans and receivables from customers, the bank makes estimates of the amount and timing of future cash flows.. Taking into account that such estimates are affected by a number of factors and future economic considerations, actual results may differ.

iv) Income tax

The bank recognises current and deferred tax assets and liabilities, and associated results, based on estimates of the amounts expected to be collected from or paid to the tax authorities in the current and subsequent years.

2.17 Distribution of dividends

Dividends distributed to the shareholders from the Bank's net profit are recognised as a liability in the financial statements on the date of their approval by the General Meeting in accordance with the applicable institutional framework and the Bank's Articles.

3. Critical accounting estimates and judgments

The preparation of financial statements in accordance with the IFRSs requires the judgments, estimates and assumptions of the Management that affect both the accounting balances of assets and liabilities and the amount of revenue and expenses recognised in the consolidated and separate financial reports, as well as in the notes that form an integral part thereof. The Bank's management believes that the judgments, estimates and assumptions made in preparing the financial statements were appropriate considering the circumstances at 31 December 2016.

In particular, the Bank considered the following accounting principles to be important for the understanding of the financial statements, because of the judgments, assessments and assumptions they contain and also because of the sensitivity of the financial statements to such judgments.

3.1 Impairment of loans

The provisions for credit risk are the result of the continued assessment of the loan portfolio and its possible losses. Estimates are affected by a number of factors such as the borrower's financial position, the net realisable value of the covers, the overall economic situation and the current legal framework. The management believes that the provisions formed are sensible and sufficiently reasoned.

To calculate the impairment of loans, the bank performs an impairment test based on the following methodological approach first adopted in the year ended.

(a) Criteria for testing on a separate or basis or at portfolio level

The bank separately tests for impairment those loans which it considers important. Business loans that exceed the amount determined by the Management per customer are considered to be important. For other loans, impairment testing is carried out at portfolio level.

The bank has specified the trigger events.

Separately tested loans for which no impairment loss is identified are tested on a collective basis after they are grouped based on similar credit risk characteristics.

To perform the impairment test on a collective basis, the bank classifies the portfolio to homogeneous classes based on common risk characteristics.

(b) Methodology of approaching future cash flows in impaired loans

The bank uses historical data, including the amounts by which the value of the loans is ultimately impaired (Loss given default - LGD) after completion of enforcement or other actions, in its effort to recover loan receivables and after all kinds of collateral have been taken into account.

The recoverable amount of each loan is calculated based on that data, once the timing of each flow has been. The reduction of cash flows to present values is made at the original effective rate.

3.2 Retirement benefit obligations

Retirement benefits obligations are assessed applying actuarial methods that use assumptions in relation to the discount rate and the increase in remunerations and pensions.

3.3 Useful life of PPE subject to depreciation

The Bank's management determines the estimated useful life of PPE and the corresponding depreciation. The Management's assessment is based on the expected useful life of buildings and other fixed assets subject to depreciation, such as furniture and other fixtures, machinery and transportation equipment, which is not expected to change significantly. However, the management may change the depreciation rates in cases where, at its discretion, the useful life appears to be different from that initially estimated and proceed to write-offs or write-downs of the depreciated fixed assets.

3.4 Recoverability of deferred tax assets

The Bank recognises deferred tax assets to the extent that future taxable earnings are expected, sufficient to offset any rebatable differences and deferred tax losses.

The deferred tax assets recognised by the Bank primarily refer to rebatable temporary differences arising from the impairment of loans.

The Bank recognised such assets from temporary differences in loan impairment because, according to the estimate of future taxable profits, they are recoverable and no time restrictions exist in terms of recovery, as is the case for other categories of deferred tax assets. The estimate of future taxable profits was based on projections in relation to the development of accounting figures as presented in the assumptions in the Bank's business plan, as approved by the Board of Directors in May 2017. Account has also been taken of the existence of taxable profits over the past decade. In view of the above, the Bank estimates that all deferred tax assets that have been recognised are recoverable.

Further to and irrespective of the recoverability assessment made as per above, in accordance with Article 27(a) of Law 4172/2013, the Bank may convert deferred tax assets in relation specific temporary differences into current assets receivable from the Greek public sector.

By decision of the Extraordinary General Meeting of shareholders of 24 November 2015, the Bank was included in the provisions of Article 27(a) of Law 4172/2013. The maximum balance of deferred assets that may be converted, subject to Article 27(a) of Law 4172/2013, to current assets receivable from the Greek public sector currently stands at 9 million euros.

The main uncertainties regarding the recoverability of deferred tax assets relate to the achievement of the Bank's targets set out in its business plan, which is affected by the overall macroeconomic environment in Greece and globally. At each reporting date, the Bank reviews its assessment of recoverability of the deferred tax assets by reference to the factors affecting it.

3.5 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 in the future may result in the reclassification of all or part of equity in the financial liabilities.

4. Financial risk management

The bank is exposed to a number of financial risks, the most important being credit risk, market risk, liquidity risk, changes in the fair value of assets due to general fluctuations of market prices and rates, and the adequacy of regulatory capital and own funds to support the Bank's activities.

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 Unit is responsible for designing, adapting and implementing the risk management framework.

The Bank's policy is designed so that, through appropriate mechanisms, risks can be monitored and analysed and appropriate steps can be taken. The Bank regularly reviews its risk management policies and models to incorporate market and product changes and develop more effective practices.

4.1 Credit risk

Credit risk associated with loans emerges from from the risk that borrowers will not pay all or part of their debts within the prescribed time limits. Credit risk is the most important source of risk for the Bank; therefore, effective monitoring and management is a primary concern of the Bank.

The majority of individual loans relates to business loans and accounts for approximately 77% of total loans. Loans to individuals and loans to public sector organisations and corporations stand at about 21% and 2% respectively.

The Bank's Management places particular emphasis on proper credit risk management by assessing the credit rating of each counterparty, subject to the applicable regulatory framework.

4.1.1 Credit risk measurement

Credit risk factors are numerous, including the prevailing condition of the economy and the market, as well as prospects, the financial position of the counterparties, the type, duration and amount of the contractual obligation, as well as and the existence of guarantees and collateral (covers).

The Risk Management Unit assesses the creditworthiness of borrowers through the ICAP CREDIT RATING system by ICAP. ICAP Credit Rating aims at assessing the creditworthiness of undertakings under review in terms of the probability of default or bankruptcy over a one-year horizon. The model classifies borrowers in the following categories:

Assessment	Risk level
AA	Low Risk
A	
BB	
B	
C	Medium Risk
D	
E	
F	High Risk
G	
H	
NR	Not rated
NT	
NC	

The determination of credit risk associated with loans and receivables includes:
(a) assessing the customer's creditworthiness and
(b) monitoring current exposure to credit risk.

<u>4.1.2 Management of risk limits and credit risk mitigating techniques</u>

The Bank manages, controls and limits the concentration of credit risk by counterparty, by group of counterparties, by product and by segment of activity, having established a system of counterparty and approval limits to ensure that it assumes risks to the highest permitted extent.

The following paragraphs describe other techniques used by the Bank for controlling and limiting credit risk.

Guarantees and collateral

The Bank receives collaterals to secure the credit facilities granted to customers, reducing total credit risk and securing repayment of its receivables. To this end, it has identified and incorporated in its credit policy categories of acceptable covers and collateral, the most important ones being:

- Pledged deposits,
- Greek Government guarantees,
- TEMPME guarantees,
- Pledged cheques,
- Charges/mortgages on real estate,
- Receivables from third parties.

The value of collateral is initially assessed at the time of approval of a facility on the basis of current value, which is subsequently adjusted to reflect the current value of collateral at the date of the financial statements.

It should be noted that almost all credit facilities are guaranteed by at least two guarantors.

<u>4.1.3 Impairment of financial assets</u>

At each reporting date, the Bank assesses whether a financial asset or a group of financial assets has been impaired.

The recoverable/collectable value of financial assets for the purpose of carrying out the relevant impairment tests is generally determined based on the present value of estimated future cash flows discounted at either the original discount rate of the asset or group of assets or the current rate of return of a similar financial asset. Resulting impairment losses are recognised through profit and loss.

The Bank regularly checks for sound and objective indications that an asset has been impaired. To this end, at each reporting date, it performs a loan impairment test, in accordance with the general principles and the methodology described in IFRSs, and forms provisions accordingly.

If the amount of the provision is reduced in a subsequent period and is related to objective events that occurred after the formation of the provision, e.g. improved creditworthiness of the borrower, then the provision is reduced and the difference is recognised in the income statement.

4.2 Credit risk management

The following tables present the Bank's maximum exposure to credit risk at 31.12.2016 and 31.12.2015, excluding covers or other credit protection instruments. With regard to the items included in the statement of financial position, credit exposures are based on their carrying amounts as shown in the statement of financial position.

		31.12.2016		
		Amount before impairment	**Impairment**	**Net value**
	Credit risk of exposures associated with balance sheet items			
	Cash with central banks	3,712,945		3,712,945
	Receivables from credit institutions	7,316,530		7,316,530
	Loans and receivables from customers	224,886,311	54,412,752	170,473,559
	Available-for-sale financial assets	2,283,127	2,101,699	181,428
	Held-to-maturity financial assets	60,000		60,000
	Other assets	6,968,753	196,330	6,772,423
A	**Total value of balance sheet items exposed to credit risk**	**245,227,666**	**56,710,781**	**188,516,886**
	Total assets not exposed to credit risk	14,491,848		14,491,848
	Total assets	**259,719,514**	**56,710,781**	**203,008,733**
	Credit risk of exposures associated with off-balance sheet items			
	Letters of guarantee	16,054,185		16,054,185
B	**Total value of off-balance sheet items exposed to credit risk**	**16,054,185**	**0**	**16,054,185**
A+B	**Total value of items exposed to credit risk**	**261,281,851**	**56,710,781**	**204,571,071**

		31.12.2015		
		Amount before impairment	**Impairment**	**Net value**
	Credit risk of exposures associated with balance sheet items			
	Cash with central banks	4,628,235	0	4,628,235
	Receivables from credit institutions	9,018,389	0	9,018,389
	Loans and receivables from customers	220,889,006	50,863,324	170,025,682
	Available-for-sale financial assets	2,283,127	2,089,523	193,604
	Other assets	7,358,494	0	7,358,494
A	**Total value of balance sheet items exposed to credit risk**	**244,177,250**	**52,952,848**	**191,224,402**
	Total assets not exposed to credit risk	14,742,718	40,236	14,702,483
	Total assets	**258,919,968**	**52,993,083**	**205,926,885**

	Credit risk of exposures associated with off-balance sheet items			
	Letters of guarantee	22,958,707	0	22,958,707
B	**Total value of off-balance sheet items exposed to credit risk**	**22,958,707**	**0**	**22,958,707**
A+B	**Total value of items exposed to credit risk**	**267,135,957**	**52,952,848**	**214,183,109**

Loans and receivables from credit institutions refer to deposits with specially rated credit institutions, and at 31.12.2016 and 31.12.2015 stood at €7,316,530 and €9,018,389 respectively. These amounts are considered to involve no risk of impairment.

Loans and receivables from customers are analysed as follows:

	31.12.2016			**31.12.2015**		
	Amount before impairment	**Impairment**	**Net value**	**Amount before impairment**	**Impairment**	**Net value**
Loans and receivables from customers						
Loans and receivables not past due or not impaired	48,978,146	0	48,978,146	50,136,815	0	50,136,815
Loans and receivables past due, not impaired	30,343,107	0	30,343,107	34,789,613	0	34,789,613
Loans and receivables impaired	145,565,058	54,412,752	91,152,306	135,962,578	50,863,324	85,099,254
	224,886,311	**54,412,752**	**170,473,559**	**220,889,006**	**50,863,324**	**170,025,682**

4.2.1 Qualitative analysis of loans

31.12.2016

	Loans and receivables not impaired		**Loans and receivables impaired**			**Accumulated prov**	
Loans and receivables category	**Not past due**	**By means of in arrears**	**Separate assessment**	**Collective assessment**	**Value before impairment**	**Separate provisions**	**Colle prov**
Individuals	**8,904,451**	**8,214,245**	**0**	**31,608,250**	**48,726,945**	**0**	**7,954**
Mortgage	6,597,029	4,780,536	0	24,629,581	**36,007,146**	0	5,147
Consumer	2,307,421	3,433,708	0	6,978,670	**12,719,799**	0	2,807
Business	**38,024,714**	**21,222,922**	**72,658,711**	**40,406,319**	**172,312,666**	**30,798,066**	**15,51**
Small and medium-sized companies	37,013,977	20,177,733	72,658,711	40,406,319	**170,256,740**	30,798,066	15,38
Large enterprises	1,010,737	1,045,188	0	0	**2,055,926**	0	135,0
Public sector	**2,048,982**	**905,940**	**864,225**	**27,552**	**3,846,700**	**77,581**	**62,73**

Total 31.12.2015	**48,978,146**	**30,343,107**	**73,522,937**	**72,042,121**	**224,886,311**	**30,875,647**	**23,5**

	Loans and receivables not impaired		**Loans and receivables impaired**			**Accumulated provisi**	
Loans and receivables category	**Not past due**	**By means of in arrears**	**Separate assessment**	**Collective assessment**	**Value before impairment**	**Separate provisions**	**Collec provis**
Individuals	**9,331,380**	**10,351,100**	**0**	**29,323,409**	**49,005,888**	**0**	**7,261,**
Mortgage	6,446,672	7,131,184	0	22,484,081	**36,061,937**	0	4,485,
Consumer	2,884,708	3,219,916	0	6,839,328	**12,943,951**	0	2,775,
Business	**37,269,794**	**24,082,479**	**69,627,646**	**36,665,328**	**167,645,248**	**28,941,290**	**14,502**
Small and medium-sized companies	35,216,614	24,082,479	69,627,646	36,665,328	**165,592,068**	28,938,296	14,498
Large enterprises	2,053,179	0	0	0	**2,053,179**	2,994	3,854
Public sector	**3,535,641**	**356,034**	**346,195**	**0**	**4,237,870**	**94,819**	**63,444**
Total	**50,136,815**	**34,789,613**	**69,973,841**	**65,988,737**	**220,889,006**	**29,036,109**	**21,827**

Loans past due over 90 days are classified in impaired loans. Separately assessed loans for which impairment provisions have been formed are classified in this category only if past due over 90 days. If a borrower's loan exceeding 20% of all loans is past due over 90 days, then all loans of the same borrower are classified in impaired loans.

4.2.2 Credit rating of not impaired and not past due loans

31.12.2016

	Individuals		**Business**		**Public sector**	
	Mortgage	**Consumer**	**Small and medium-sized enterprises**	**Large enterprises**	**Public sector**	**Total net value**
Satisfactory rating	6,597,029	2,307,421	35,224,167	1,010,737	2,027,837	**47,167,192**
Monitored	0	0	1,789,810	0	21,145	**1,810,954**
Total	**6,597,029**	**2,307,421**	**37,013,977**	**1,010,737**	**2,048,982**	**48,978,146**
Value of collateral	5,855,481	1,705,122	28,091,405	188,389	1,357,152	37,197,548

31.12.2015

	Individuals		**Business**		**Public sector**	
	Mortgage	**Consumer**	**Small and medium-sized companies**	**Major companies**	**Public sector**	**Total Net value**
Satisfactory rating	6,446,672	2,884,708	34,066,381	2,053,179	3,535,641	**48,986,581**
Monitored	0	0	1,150,234	0	0	**1,150,234**

Total	**6,446,672**	**2,884,708**	**35,216,614**	**2,053,179**	**3,535,641**	**50,136,815**
Value of collateral	6,048,256	2,016,509	27,916,418	1,103,589	2,869,012	39,953,784

4.2.3 Ageing analysis of past due and not impaired loans and receivables per category of loans

31.12.2016

	Individuals		**Business**		**Public sector**	
	Consumer	**Mortgage**	**Small and medium-sized enterprises**	**Large enterprises**	**Public sector**	**Total net value**
1- 30 days	1,830,811	1,639,003	8,246,782	0	724,571	**12,441,167**
31-90 days	2,949,726	1,762,852	11,773,251	1,045,188	181,369	**17,712,386**
91-180 days	0	0	140,126	0	0	**140,126**
181-360 days	0	0	1	0	0	**1**
> 360 days	0	0	3,255	0	0	**3,255**
Denounced	0	31,853	14,319	0	0	**46,172**
Total	**4,780,536**	**3,433,708**	**20,177,733**	**1,045,188**	**905,940**	**30,343,107**
Value of collateral	4,437,327	2,399,750	16,527,894	1,045,188	859,837	25,269,996

31.12.2015

	Individuals		**Business**		**Public sector**	
	Mortgage	**Consumer**	**Small and medium-sized enterprises**	**Large enterprises**	**Public sector**	**Total net value**
1- 30 days	2,386,315	1,269,634	5,176,526	0	218,930	**9,051,405**
31-90 days	4,744,869	1,950,281	18,775,889	0	137,104	**25,608,144**
91-180 days	0	0	6,458	0	0	**6,458**
181-360 days	0	0	91,265	0	0	**91,265**
> 360 days	0	0	15,676	0	0	**15,676**
Denounced	0	0	16,665	0	0	**16,665**
Total	**7,131,184**	**3,219,916**	**24,082,479**	**0**	**356,034**	**34,789,613**
Value of collateral	6,855,296	2,612,310	17,533,936		191,286	27,192,828

4.2.4 Ageing analysis of impaired loans and receivables per category of loans

31.12.2016

	Individuals		**Business**		**Public sector**	
	Mortgage	**Consumer**	**Small and medium-sized enterprises**	**Large enterprises**	**Public sector**	**Total net value**
Performing	0	0	1,145,883	0	0	**1,145,883**

1- 30 days	14,437	0	204,164	0	0	**218,601**
31-90 days	0	27,234	612,694	0	0	**639,928**
91-180 days	2,487,551	299,349	12,670,985	0	0	**15,457,885**
181-360 days	1,464,385	742,227	9,100,194	0	0	**11,306,807**
> 360 days	4,924,972	1,440,388	10,964,113	0	891,778	**18,221,251**
Denounced	15,738,235	4,469,471	78,366,997	0	0	**98,574,703**
Total	**24,629,581**	**6,978,670**	**113,065,030**	**0**	**891,778**	**145,565,058**
Value of collateral	21,949,464	4,857,193	71,062,051		864,225	98,732,933

31.12.2015

	Individuals		**Business**		**Public sector**	
	Mortgage	**Consumer**	**Small and medium-sized enterprises**	**Large enterprises**	**Public sector**	**Total net value**
Performing	0	0	349,735	0	0	**349,735**
1- 30 days	0	0	48,371	0	0	**48,371**
31-90 days	0	0	1,412,090	0	0	**1,412,090**
91-180 days	1,564,163	728,721	11,668,902	0	0	**13,961,786**
181-360 days	4,421,835	855,733	23,104,321	0	0	**28,381,889**
> 360 days	3,212,395	1,233,534	15,148,969	0	346,195	**19,941,093**
Denounced	13,285,689	4,021,339	54,560,586	0	0	**71,867,613**
Total	**22,484,081**	**6,839,328**	**106,292,975**	**0**	**346,195**	**135,962,578**
Value of collateral	20,192,114	4,258,247	68,506,047		346,195	93,302,602

4.2.5 4.2.5 Mortgage loan to collateral ratio

The loan to collateral ratio in relation to mortgages indicates the relation of the loan and the value of the collateralised property. Below follows the ratio regarding the mortgage portfolio:

LTV ratio	31.12.2016	31.12.2015
Less than 50%	3,780,492	3,999,909
51%-70%	4,532,887	4,627,722
71%-80%	5,182,090	6,510,477
81%-90%	4,680,303	5,663,981
91%-100%	6,278,145	5,944,367
101%-120%	5,966,166	4,366,124
121%-150%	3,113,635	2,778,402
Over 150%	2,473,429	2,170,954
Total	**36,007,146**	**36,061,937**
Average ratio	**84%**	**83%**

4.2.6 Analysis of collateral received

As already mentioned, the Bank receives collaterals to secure the credit facilities granted to customers, reducing total credit risk and securing repayment of its receivables. Collateral falls under three categories:

- **Collateral over real estate:** Residential, commercial property and plants
- **Financial collateral:** Cash, assigned receivables & cheques and other debt instruments.
- **Other collateral:** Government guarantees, TEMPME guarantees, other collateral

Below follows an analysis of collateral received by the Bank by loan category:

Collateral 31.12.2016

Loans and receivables category	Collateral over real estate	Financial collateral	Other collateral	Total value
Individuals	40,307,124	792,091	105,121	**41,204,336**
Business	103,116,740	3,809,667	9,988,520	**116,914,927**
Public sector	457,029	21,145	2,603,041	**3,081,214**
Total	**143,880,893**	**4,622,903**	**12,696,682**	**161,200,477**

Loans and receivables category	Collateral 31.12.2015			
	Collateral over real estate	**Financial collateral**	**Other collateral**	**Total value**
Individuals	40,678,640	1,174,172	129,920	**41,982,732**
Business	100,269,332	4,335,042	10,455,616	**115,059,990**
Public sector	492,023	37,215	2,877,255	**3,406,493**
Total	**141,439,994**	**5,546,430**	**13,462,791**	**160,449,215**

It is noted that the above amounts are exclusive of collateral over cooperative shares. The value of collateral has been assumed as equal to the most recent market value of the collateral. In the case of property, the lowest of the mortgage or the property value was assumed. It is noted that all values are capped at 100% of a debt.

The Bank has received personal and business guarantees for almost all of its loans. However, due to the absence, by the reporting date, of a reliable system to assess their real value, it was considered appropriate to not include any amounts in the financial statements.

4.2.7 Acquisition of ownership of provided collateral

During the year ended the Bank did not acquire ownership of any collateral granted.

4.2.8 Loans and receivables from customers. Impaired loans and Impairment provisions by loan category and segment

The following table analyses the Bank’s exposure to credit risk, at carrying amounts, grouped by operating segment. Breakdown of risk exposure by counterparty operating segment.

31.12.2016

Segment	Loans and receivables	Impaired	Accumulated provision	Balance
Individuals	**48,726,945**	**31,608,250**	**7,954,528**	**40,772,418**
Mortgage	36,007,146	24,629,581	5,147,062	30,860,084
Consumer	12,719,799	6,978,670	2,807,466	9,912,333
Credit cards	0	0	0	0
Other	0	0	0	0
Business	**172,312,666**	**113,065,030**	**46,317,914**	**125,994,752**
Agriculture - livestock farming	12,687,537	5,375,039	1,651,696	11,035,841
Real estate operation	4,623,014	1,871,427	1,455,944	3,167,070
Commerce	44,794,818	35,361,759	14,171,727	30,623,091

Energy	4,591,476	738,302	68,283	4,523,192
Construction	25,389,359	21,131,578	10,209,065	15,180,295
Manufacturing	27,605,699	19,921,307	9,290,921	18,314,779
Transport & logistics	6,422,336	3,146,209	1,209,719	5,212,618
Tourism	36,559,751	18,818,770	5,767,362	30,792,389
Services	4,991,381	4,090,392	1,636,536	3,354,845
Other	4,647,293	2,610,246	856,662	3,790,632
Public sector	**3,846,700**	**891,778**	**140,310**	**3,706,389**
Total	**224,886,311**	**145,565,058**	**54,412,752**	**170,473,559**

31.12.2015

Segment	Loans and receivables	Impaired	Accumulated provision	Balance
Individuals	**49,005,888**	**29,323,409**	**7,261,214**	**41,744,675**
Mortgage	36,061,937	22,484,081	4,485,927	31,576,010
Consumer	12,943,951	6,839,328	2,775,286	10,168,665
Business	**167,645,248**	**106,292,975**	**43,443,848**	**124,201,400**
Agriculture - livestock farming	12,357,156	5,824,757	1,592,121	10,765,035
Real estate operation	4,453,175	4,453,175	1,337,372	3,115,804
Commerce	43,696,698	33,666,651	12,640,779	31,055,919
Energy	5,096,949	9,880	38,561	5,058,388
Construction	24,397,621	19,669,136	8,921,701	15,475,920
Manufacturing	26,973,105	20,044,406	9,868,119	17,104,986
Transport & logistics	6,150,017	1,594,032	1,285,500	4,864,517
Tourism	35,202,114	15,533,575	5,810,921	29,391,193
Services	4,852,502	3,519,619	1,350,085	3,502,417
Other	4,465,909	1,977,744	598,689	3,867,221
Public sector	**4,237,870**	**346,195**	**158,263**	**4,079,607**
Total	**220,889,006**	**135,962,578**	**50,863,324**	**170,025,682**

It is noted that all loans have been granted in Greece and specifically in Epirus.

4.2.9 Analysis of modified loans and receivables by type of modification

The Bank proceeds to modifications of debts of cooperative and viable borrowers, provided they are effective and sustainable in the long run, taking into account both the causes that led to the financial difficulties and the borrower's repayment ability.

An existing loan agreement may be modified (a) at the request of the customer; (b) in accordance with the procedure laid down by under the Arrears Resolution Procedure of the banking Code of Conduct issued by the Bank of Greece (Law 4224/2013). The types of modifications applied by the Bank are: (a) short-term modifications of less than two years in cases where repayment difficulties are reasonably considered to be temporary; and (b) long-term modifications of over two (2) years, aiming to reduce the amount of instalment and/or the debt, taking into account conservative assumptions about the estimated future repayment ability of the borrower until expiry of the up to the expiration of the repayment plan. The types of modifications available to the Bank are specified in the Arrears Management Regulation which was approved by BoD decision 5/18.3.2015. Financial analysis of modified loans is presented below.

31.12.2016

	Loan amount	Amount of modified loans	Percentage of modified loans
Not past due and not impaired	48,978,146	25,953,529	53%
Past due and not impaired	30,343,107	16,883,561	56%
Impaired	145,565,058	25,694,196	18%
Total value (before impairment)	**224,886,311**	**68,531,286**	**30%**
Impairment	-54,412,752	-11,914,266	22%
Total net value	**170,473,559**	**56,617,020**	**33%**
Collateral received	-161,200,477	-49,771,585	31%
Net value after collateral	**9,273,082**	**6,845,435**	**74%**

	Loans and receivables	Modified	Percentage
Individuals	**48,726,945**	**17,760,215**	**36%**
Mortgage	36,007,146	12,234,197	34%
Consumer	12,719,799	5,526,019	43%
Business	**172,312,666**	**50,771,070**	**29%**
Agriculture - livestock farming	12,687,537	3,612,825	28%
Real estate operation	4,623,014	2,751,587	60%
Commerce	44,794,818	9,110,299	20%
Energy	4,591,476	11,400	0%
Construction	25,389,359	4,950,019	19%
Manufacturing	27,605,699	6,030,072	22%
Transport & logistics	6,422,336	2,680,914	42%
Tourism	36,559,751	19,546,236	53%
Services	4,991,381	896,665	18%
Other	4,647,293	1,181,053	25%
Public sector	**3,846,700**	**0**	**0%**
Total	**224,886,311**	**68,531,286**	**30%**

31.12.2015

	Loan amount	Amount of modified loans	Percentage of modified loans
Not past due and not impaired	50,136,815	15,551,490	31%
Past due and not impaired	34,789,613	12,008,211	35%
Impaired	135,962,578	13,425,960	10%
Total value (before impairment)	**220,889,006**	**40,985,661**	**19%**
Impairment	-50,863,324	-5,678,643	11%
Total net value	**170,025,682**	**35,307,019**	**21%**
Collateral received	-160,449,215	-27,816,261	17%
Net value after collateral	**9,576,467**	**7,490,758**	**78%**

	Loans and receivables	Modified	Percentage
Individuals	**49,005,888**	**12,079,244**	**25%**
Mortgage	36,061,937	9,534,081	26%
Consumer	12,943,951	2,545,163	20%
Business	**167,645,248**	**28,906,418**	**17%**
Agriculture - livestock farming	12,357,156	1,555,609	13%
Real estate operation	4,453,175	0	0%
Commerce	43,696,698	7,105,744	16%
Energy	5,096,949	13,448	0%
Construction	24,397,621	1,603,536	7%
Manufacturing	26,973,105	3,882,229	14%
Transport & logistics	6,150,017	1,278,742	21%
Tourism	35,202,114	12,559,316	36%
Services	4,852,502	561,737	12%
Other	4,465,909	346,057	8%
Public sector	**4,237,870**	**0**	**0%**
Total	**220,889,006**	**40,985,661**	**19%**

4.2.10 Quality of earnings analysis

	Fiscal Year 2016			FY 2015		
Loans and receivables category	**Interest on loans not impaired**	**Interest on loans impaired**	**Total value**	**Interest on loans not impaired**	**Interest on loans impaired**	**Total value**
Individuals	1,284,724	626,886	**1,911,610**	1,459,245	1,108,882	**2,568,127**
Business	5,125,591	3,903,155	**9,028,746**	5,253,693	4,271,813	**9,525,506**
Public sector	139,325	30,647	**169,972**	206,151	10,560	**216,711**
Total interest on loans	**6,549,641**	**4,560,687**	**11,110,328**	**6,919,089**	**5,391,255**	**12,310,344**
Interest on receivables from financial institutions	59,201	0	**59,201**	168,675	0	**168,675**
Total	**6,608,841** **0.59**	**4,560,687** **0.41**	**11,169,528**	**7,087,763** **0.57**	**5,391,255** **0.43**	**12,479,019**

4.3 Risk concentration of assets exposed to credit risk

The following table presents an analysis of the Bank's exposure to credit risk per item (on and off balance sheet), at carrying amounts.

	31.12.2016	31.12.2015
Balance sheet items		
Receivables from credit institutions	7,316,530	9,018,389
Loans to individuals	40,772,418	41,744,675
Loans to businesses	125,994,752	124,201,400
Loans to public sector	3,706,389	4,079,607
Participating interests in other enterprises	224,127	193,604
Held-to-maturity financial assets	60,000	0
Other assets	0	0
Total	**178,074,216**	**179,237,674**
Off-balance sheet items		
Letters of guarantee	16,054,185	22,958,707
Commitments to increase or renew credit limits	29,318,400	34,083,400
	45,372,585	**57,042,107**

4.4 Liquidity risk

The Bank recognises that effective liquidity risk management contributes substantially to the ability to meet financial obligations without the risk of significant financial losses.

Liquidity risk to which a financial institution is exposed is the risk that it will not be able to meet its financial obligations when due, as a result of lack of the necessary liquidity.

The Bank has established a liquidity risk management policy. The policy defines liquidity risk, contains methods risk measurement and assessment and aims to specify and monitor the concentration limits of deposits, the ratio of loans to deposits, establishing the desired structure of deposits. It clearly defines the ratios and targeted limits of liquidity risk, which are determined on the basis of the financial results, the key figures and the nature of the Bank's activities.

The Bank focuses on customer deposits and tries, through its policies, to keep them the primary source of funding.

In reviewing the quantitative data, the following are assessed at Bank level:

- Monitoring of volatility of deposits with particular emphasis on large depositors.
- Ratio of deposits to total assets - liabilities and loans.
- Measuring and monitoring of the cost to cover exposures.
- Dispersion of funding sources.
- Development of quick liquidity ratios and asset-liability maturity mismatch.

A main mechanism to assess and address risk involves compliance with the risk monitoring procedure, in accordance with BoG Governor's Act 2614/7.4.2009 and observance of the limits laid down in the above Act.

Liquidity risk management refers to the Bank's ability to maintain sufficient liquidity to meet its obligations. To measure and manage this risk, future inflows and future outflows are estimated. Asset composition is designed, and future liquidity requirements and borrowing needs are monitored, in line with the maturity of liabilities.

Liquidity risk management for the Bank is of paramount importance. The Asset-Liability Management Committee (ALCO) is responsible for its effective management, while the Financial Services Division provides daily information on liquidity to the Management and executives .

To address this risk, the Bank has signed short-term financing agreements secured by pledges, with two domestic banks. The total amount raised as at 31 December 2016 under those agreements amounts to approximately 8 million euros.

The table below analyses the Bank's liquidity in line with the maturity of assets and liabilities.

	31.12.2016				
Amounts in EUR thousand	**Up to 1 month**	**1-3 months**	**3-12 months**	**Over 1 year**	**Total**
Cash with central banks	3 713				**3 713**
Receivables from financial institutions	7,317				**7,3 7**
Loans and receivables from customers (after provisions)	10,018	974	6,108	153,374	**170,474**
Available-for-sale financial assets				2 24	**224**
Held-to-maturity financial assets				60	**60**
Participating interests in subsidiaries and affiliates				24	**24**
Goodwill, software and other intangible assets				56	**56**
Property, plant and equipment				4,810	**4,810**
Deferred tax assets				9,558	**9,558**
Other assets	831	148.	429	5,364	**6,773**
Total assets	**21,879**	**1,122**	**6,537**	**173,472**	**203,010**
Payables to credit institutions	5,912		8 ,000		**13,912**
Payables to customers	23,263	44,293	49,018	52,722	**169,296**
Liabilities to debt instruments				6 ,021	**6,021**
Retirement benefit obligations				2 56	**256**
Income tax				1 10	**110**
Other liabilities	1,492	95	347	679	**2,613**
Total liabilities	**30,667**	**44,388**	**57,365**	**59,789**	**192,209**
Equity				**10,801**	**10,801**
Total liquidity exposure	**-8,788**	**-43,266**	**-50,828**	**102.882**	**0**

Amounts in EUR thousand	31.12.2015				
	Up to 1 month	**1-3 months**	**3-12 months**	**Over 1 year**	**Total**
Cash with central banks	4,628				**4,628**
Receivables from financial institutions	9,018				**9,018**
Loans and receivables from customers (after provisions)	20,860	1,284	6,825	141,057	**170,026**
Available-for-sale financial assets				194	**194**
Participating interests in subsidiaries and affiliates				27	**27**
Goodwill, software and other intangible assets				84	**84**
Property, plant and equipment				5,027	**5,027**
Deferred tax assets				9,565	**9,565**
Other assets	1,584			5,774	**7,358**
Total assets	**36,090**	**1,284**	**6,825**	**161,727**	**205,927**
Payables to credit institutions	12,870	1,057			**13,927**
Payables to customers	51,831	32,029	28,901	59,715	**172,476**
Liabilities to debt instruments				6,021	**6,021**
Retirement benefit obligations				229	**229**
Income tax				105	**105**
Other liabilities				2,211	**2,211**
Total liabilities	**64,701**	**33,086**	**28,901**	**68,281**	**194,969**
Equity				**10,958**	**10,958**
Total liquidity exposure	**-28,611**	**-31,802**	**-22,076**	**82,488**	**0**

4.5 Offsetting financial assets and financial liabilities

The Bank had not set off any assets and liabilities as at 31.12.2016 and 31.12.2015, considering that it did not hold any financial instruments that were subject to master or similar netting agreements.

4.6 Market risk

Market risk is the probability of loss arising from the management of assets and liabilities, as well as from the management of various trading portfolios due to the movement of the prices of the products included in those portfolios in opposite directions.

4.6.1 Currency risk

Currency risk is the assumed investment risk that arises from changes in exchange rates when an open currency position is held.

The Bank's currency position as at 31 December 2015 and 31 December 2014 was as follows:

31.12.2016	**EURO**	**USD**	**GBP**	**Total**
Currency risk of assets				
Cash with central banks	3,712,945	0	0	3,712,945
Receivables from financial institutions	1,611,938	5,659,196	45,396	7,316,530
Loans and receivables from customers (after provisions)	170,473,559	0	0	170,473,559
Other assets	21,505,699	0	0	21,505,699
Total financial assets	**197,304,141**	**5,659,196**	**45,396**	**203,008,733**
Currency risk of liabilities				
Payables to credit institutions	13,911,640	0	0	13,911,640
Payables to customers	163,648,785	5,626,567	20,375	169,295,726
Other liabilities	9,000,694	0	0	9,000,694
Total financial liabilities	**186,561,119**	**5,626,567**	**20,375**	**192,208,061**
Net financial position	**10,743,022**	**32,630**	**25,021**	**10,800,672**
Net off-balance sheet position	0	0	0	0
Total currency position	**10,743,022**	**32,630**	**25,021**	**10,800,672**

31.12.2015	**EURO**	**USD**	**GBP**	**Total**
Currency risk of assets				
Cash with central banks	4,628,235	0	0	4,628,235
Receivables from financial institutions	3,574,020	5,405,278	39,091	9,018,389
Loans and receivables from customers (after provisions)	170,025,682	0	0	170,025,682
Other assets	22,254,580	0	0	22,254,580
Total financial assets	**200,482,516**	**5,405,278**	**39,091**	**205,926,885**
Currency risk of liabilities				
Payables to credit institutions	13,927,222	0	0	13,927,222
Payables to customers	167,079,170	5,373,316	23,519	172,476,005
Other liabilities	8,566,338	0	0	8,566,338
Total financial liabilities	**189,572,729**	**5,373,316**	**23,519**	**194,969,564**
Net financial position	**10,909,786**	**31,962**	**15,572**	**10,957,320**

Net off-balance sheet position	0	0	0	0
Total currency position	**10,909,786**	**31,962**	**15,572**	**10,957,320**

4.6.2 Interest rate risk

Interest rate risk refers to the potential reduction in the profit or the value of assets as a result of interest rate curve fluctuations, and is associated with the asset-liability time mismatch.

The Bank's policy provides for the balance of those figures, a condition that was met in all previous years. Also, emphasis is placed on the possibility of a short-term response to interest rate fluctuations, by envisaging the acceptance of deposits with a maximum term of one year and the promotion of even shorter-term deposits. The Bank's Financial Services Division of the Bank monitors and analyses long-term trends in loan and deposit rates.

The Bank's exposure to interest rate risk is the minimum possible, because its entire loan portfolio includes floating rate products and also because it does not hold any special products.

			31.12.2016				
Amounts in EUR thousand	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Unaffected items**	**Total**
Cash with central banks	3 713						**3 713**
Receivables from financial institutions	7,317						**7,317**
Loans and receivables from customers (after provisions)	10,018	974	6,108	21,697	131,677		**170,474**
Available-for-sale financial assets						224	**224**
Held-to-maturity financial assets						60	**60**
Participating interests in subsidiaries and affiliates						24	**24**
Goodwill, software and other intangible assets						56	**56**
Property, plant and equipment						4,810	**4,810**
Deferred tax assets						9,558	**9,558**
Other assets						6,772	**6,772**
Total assets	**21,048**	**974**	**6,108**	**21,697**	**131,677**	**21,504**	**203,008**

Payables to credit institutions	5,912		8,000				**13,912**
Payables to customers	23,263	44,293	49,018	52,722			**169,296**
Liabilities to debt instruments					6,021		**6,021**
Retirement benefit obligations						256	**256**
Income tax						110	**110**
Other liabilities						2,613	**2,613**
Total liabilities	**29,175**	**44,293**	**57,018**	**52,722**	**6,021**	**2,979**	**192,208**
Equity						**10,801**	**10,801**
Total interest rate risk exposure	**-8,127**	**-43,319**	**-50,910**	**-31,025**	**125,656**	**7,979**	

Amounts in EUR thousand	**31.12.2015** **Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Unaffected items**	**Total**
Cash with central banks	4,628						**4,628**
Receivables from financial institutions	9,018						**9,018**
Loans and receivables from customers (after provisions)	40,491	1,284	6,825	89,401	32,025		**170,026**
Available-for-sale financial assets						194	**194**
Participating interests in subsidiaries and affiliates						27	**27**
Goodwill, software and other intangible assets						84	**84**
Property, plant and equipment						5,027	**5,027**
Deferred tax assets						9,565	**9,565**
Other assets	1,584					5,774	**7,358**
Total assets	**55,721**	**1,284**	**6,825**	**89,401**	**32,025**	**20,671**	**205,927**
Payables to credit institutions	12,870	1,057					**13,927**
Payables to customers	109,650	32,029	28,901	1,896			**172,476**
Liabilities to debt instruments					6,021		**6,021**
Retirement benefit obligations						229	**229**
Income tax						105	**105**
Other liabilities						2,211	**2,211**
Total liabilities	**122,520**	**33,086**	**28,901**	**1,896**	**6,021**	**2,545**	**194,969**
Equity						**10,958**	**10,958**
Total interest rate risk exposure	**-66,799**	**-31,802**	**-22,076**	**87,505**	**26,004**	**7,168**	

4.7 4.7 Fair values of financial assets and liabilities

Fair value is the price one would receive for the sale of an asset or the price one would pay for the transfer of a liability in a normal transaction between market participants as at the date of measurement.
Differences may arise between the carrying amount and the fair value of financial assets in the statement of financial position and liabilities.
Financial assets at fair value through profit and loss, available-for-sale financial assets and financial derivatives are presented in the financial statements at fair value. Loans and other receivables, securities held to maturity and financial liabilities are reported at amortised cost which closely approximates their fair value. Specifically:

(a) *Receivables from credit institutions*
Receivables from other banks only include sight deposits with credit institutions. As a result, their fair value equals their carrying amount and are available-for-sale financial assets.

(b) *Loans and receivables from customers*
Total loans refers to loans bearing a fixed rate which, except for the category of mortgages, approximated the current rates offered on the Bank's loans at 31.12.2016 and 31.12.2015. The fair value of loans and receivables from Bank customers is determined based on the discount of future cash flows of such receivables at the current rates offered on the Bank's loans at 31.12.2016 and 31.12.2015, and closely approximates their amortised cost.

(c) *Deposits*
The fair value of open deposits (savings and sight) is the amount that the Bank should pay whenever so requested by a customer. The average maturity of customer deposits is short. As a result, their estimated fair value closely approximates their carrying amount.

4.8 Financial assets and liabilities at fair value

Fair value hierarchy
The fair value hierarchy levels are:

- Level 1: quoted prices (unadjusted) in markets with a significant volume of transactions for identical assets or liabilities.
- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (e.g. prices) or indirectly (e.g. price derivative).
- Level 3: Inputs are unobservable inputs for the asset or liability.

The fair value hierarchy level at which the fair value measurement is classified, is determined on the basis of the lowest level input considered important for fair value measurement.

Securities in the available-for-sale portfolio
Valuation is made by introducing variables based on other than observable market data. The Bank's securities mainly consist of interests in other cooperative banks and in the Panhellenic Bank, whose fair value approximates their intrinsic value. The fair value of level 3 shares is taken into account where indications of impairment of such shares are identified; otherwise they are accounted for at cost. The shares and cooperative shares held by the Bank, of a total acquisition value of 2,283,127 euros, have been impaired by 2,089,523 euros to reflect their fair value.

Financial assets and liabilities measured at fair value in the income statement are classified based on the fair value hierarchy levels as follows:

	Hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets 31.12.2016				
Available-for-sale financial assets			224,127	**224,127**
Total			**224,127**	**224,127**
Assets 31.12.2015				
Available-for-sale financial assets			193,604	**193,604**
Total			**193,604**	**193,604**

5. Capital adequacy

In accordance with the regulatory framework governing banking operations, Bank is required to comply with capital adequacy (solvency) requirements of the Bank of Greece. The total capital adequacy (solvency) ratio of a credit institution is defined as the ratio of own funds to the sum of risk-weighted assets and off-balance sheet items.

As of 1 January 2014, the Bank had complied with the new regulatory framework “CRD IV” (adoption of Basel III by the EU) as reflected in Directive 2013/36/ EU (CRD) and Regulation (EU) No 575/2013 (CRR). The Directive was transposed into the Greek legislation by Law 4261/2014.

The new regulatory framework requires credit institutions to maintain a minimum level of regulatory capital in relation to the level of risk assumed. The minimum capital adequacy ratios under Article 92 of the CRR and the Bank’s corresponding ratios at 31/12/2016 were as follows:

Ratio	**Minimum**	**Bank of Epirus**
CET 1 ratio	4.50%	6.67%
Tier 1 ratio	6.00%	6.67%
CAD ratio	8.00%	10.00%

6. Net interest income

Net interest income is analysed as follows:

Amounts in €	**01.01 to 31.12.2016**	**31.12.2015**
Interest receivable and similar income		
Loans and receivables from credit institutions	59,201	168,333
Loans and receivables from customers	11,110,328	12,310,685
Total	**11,169,528**	**12,479,019**
Interest payable and similar charges		
Payables to credit institutions	(151,125)	(209,446)
Payables to customers	(2,376,452)	(4,472,988)
Bonds issued by the Bank and other debt obligations	(483,000)	0
Other	(5,731)	(5,978)
Total	**(3,016,308)**	**(4,688,412)**
Net interest income	**8,153,220**	**7,790,607**

7. Net commissions income

Net income from commissions is analysed as follows:

Amounts in €	**01.01 to 31.12.2016**	**31.12.2015**
Commissions income		
Loans	66,695	68,919
Letters of guarantee	526,049	613,729
Imports Exports	26,734	16,915
Credit cards	50,422	57,958
Transactions	112,348	95,087
Other commissions	1,138,502	633,548
Total	**1,920,750**	**1,486,155**
Commissions expenses		
Other commissions	(3,683)	(1,353)
Total	**(3,683)**	**(1,353)**
Net commissions income	**1,917,067**	**1,487,508**

8. Income from insurance activities

Net income from insurance activities is analysed as follows:

Amounts in €	01.01 to 31.12.2016	31.12.2015
Income from insurance activities		
Income from personnel insurance	9,927	10,399
Income from insurance commissions	80,365	75,224
Total	**90,292**	**85,623**
Net commissions income	**90,292**	**85,623**

9. Net other income/(expenses)

Net other operating income is analysed as follows:

Amounts in €	01.01 to 31.12.2016	31.12.2015
Net other income/(expenses)		
Currency translation differences (charge)	(3,035)	0
Credit currency translation differences	1,063	28,403
Income from lease of safe deposit boxes	5,289	5,529
Incidental activity income	3,523	17
Income from subsidies	21,516	0
PPE grants for the year	1,831	2,117
Other extraordinary income		268,965
Other extraordinary expenses	(143,167)	0
Other extraordinary profit	0	2,930
Total	**(112,982)**	**307,961**

10. Personnel fees and expenses

The number of personnel employed as at 31 December 2016 and 31 December 2015 was 75 and 76 persons respectively.

The total amount charged to the statement of comprehensive income for personnel fees and expenses is analysed as follows:

Amounts in €	01.01 to 31.12.2016	31.12.2015
Personnel expenses		
Salaries and wages	2,306,484	2,099,339
Insurance contributions	425,659	419,440
Banking employees insurance fund	110,312	112,310
Retirement benefit obligations	21,488	26,701
Other employee benefits	121,347	108,965
Total	**2,985,290**	**2,766,755**

11. Other operating expenses

Other operating expenses are analysed as follows:

Amounts in €	From 01.01 to 31.12.2016	31.12.2015
General administrative and other operating expenses		
Directors' fees	120,754	115,662
Consultants fees	870,860	641,575
Telephone and mail expenses	101,949	108,466
Rents	192,735	192,621
Premiums	83,548	70,180
Public utility networks	63,773	65,657
Taxes and duties	271,820	288,744
Promotion and advertisement expenses	61,212	89,231
Bank contributions	830,137	1,005,032
Subscriptions	10,235	12,215
Donations	28,651	23,050
Other expenses	506,663	326,051
Total	**3,142,336**	**2,938,484**

12. Taxes

Income tax for the year ended is analysed as follows:

Amounts in €	01.01 to 31.12.2016	31.12.2015
Taxes		
Current tax	(12,266)	0
Deferred tax	(6,913)	1,698,342
Total	**(19,179)**	**1,698,342**

It is noted that the Bank is subject to income tax in accordance with the provisions of Law 4172/2013. Pursuant to Article 1(4) of Law 4334/2015 elating to urgent arrangements for the negotiations and the conclusion of an agreement with the European Stability Mechanism (ESM), the income tax rate for legal entities was increased from 26% to 29%. The provisions apply to profit posted in fiscal years beginning on or after 1 January 2015.
Pursuant to Article 5 of Law 4303/17.10.2014 ratifying the order relating to urgent arrangements for the replacement of the Public Revenue Secretary-General due to early termination of office (Government Gazette 136A) and other provisions, deferred tax assets of legal entities supervised by the Bank of Greece, as referred to in Article 26(5), (6) and (7) of Law 4172/2013, which have or will be recognised and result from PSI debit differences and accumulated provisions, and other losses associated with credit risk in general, and refer to receivables up to 31 December 2014, are converted into current assets receivable from the public sector, where the net accounting result represents losses, as per the financial statements that have been audited and approved by the ordinary general meeting of shareholders.
Inclusion in the Law is effected by decision of the General Meeting of Shareholders and refers to tax assets created in or after 2016; inclusion is also possible following the same procedure after an entity has obtained an approval from the competent supervisory authority. Article 4 of Law 4340/2015 introduced modifications as to the time of adoption, which is deferred by one year. In addition, it also limited the level of a deferred tax asset because of the occurrence of credit risk in the context of the said provisions, to the amount corresponding to provisions for credit risk that have been accounted for by 30 June 2015.
By decision of the Extraordinary General Meeting of shareholders of 24 November 2015, the Bank was included in the provisions of Article 27(a) of Law 4172/2013. The maximum balance of deferred assets that may be converted, subject to Article 27(a) of Law 4172/2013, to current assets receivable from the Greek public sector currently stands at 9 million euros.

Below follows an analysis of deferred taxs for the year ended and the previous year:

Amounts in €	**01.01 to 31.12.2016**	**31.12.2015**
Depreciation of assets	0	41,092
Adjustment of PPE depreciation	(18,918)	(10,803)
Intangible assets depreciation adjustment	(3,741)	(1,356)
Impairment-valuation of receivables	7,521	715,087
Employee benefit obligations	7,894	9,477
Impairment of interests	(8,137)	0
Impairment of assets from auction	40,119	0
Tax losses carried forward	(35,130)	51,829
Other	3,480	(12,933)
Effect of change to tax rate	0	905,949
Total	**(6,913)**	**1,698,342**

Below follows the reconciliation between nominal and actual tax rate:

	From 1 January to 31/12/2016	31/12/2015
Profit/ (loss) before tax	108,933	-2,768,807
Nominal income tax	29% 31,591 29%	802,954
Increase/decrease resulting from		
Property tax		
Tax assessed on non-deductible expenses	-38,504	-10,561
Tax-exempt income	0	0
Effect of change to tax rate	0	905,949
Provision for income tax	-12,266 _	
	-19,179	**1,698,342**

13. Cash with the Central Bank

Deposits with the Central Bank are mandatory deposits of reserves and are not available to be utilised in daily functions of the Bank.

For purposes of preparing the cash flow statement, cash and cash equivalents include the following balances, with a maturity less than 3 months from acquisition date:

Amounts in €	**31.12.2016**	**31.12.2015**
Cash in hand	2,096,461	2,279,629
Cash with central banks	1,616,484	2,348,605
Total	**3,712,945**	**4,628,234**

14. Receivables from credit institutions

The Bank's receivables from deposits and transactions with other credit institutions are analysed as follows:

Amounts in €	**31.12.2016**	**31.12.2015**
Placements with other banks	7,316,530	9,018,389
Total	**7,316,530**	**9,018,389**

For the purpose of preparing the cash flow statement, cash and cash equivalents means the balances of cash with the Central Bank and receivables from credit institutions.

15, Loans and receivables from customers

Loan receivables from customers are analysed as follows:

Amounts in €	**31.12.2016**	**31.12.2015**
Loans and receivables from customers (after provisions)		
Individuals	**48,726,945**	**49,005,888**
Mortgage	36,007,146	36,061,937
Consumer	12,719,799	12,943,951
Credit cards	0	0
Other	0	0
Business	**172,312,666**	**167,645,248**
Agriculture - livestock farming	12,687,537	12,357,156
Real estate operation	4,623,014	4,453,175
Commerce	44,794,818	43,696,698
Energy	4,591,476	5,096,949
Construction	25,389,359	24,397,621
Manufacturing	27,605,699	26,973,105
Transport & logistics	6,422,336	6,150,017
Tourism	36,559,751	35,202,114
Services	4,991,381	4,852,502
Other	4,647,293	4,465,909
Public sector	**3,846,700**	**4,237,870**
Total (before impairment)	**224,886,311**	**220,889,006**
Less: Accumulated depreciation	-54,412,752	-50,863,324
Total	**170,473,559**	**170,025,682**

Changes in the loan impairment item are as follows:

Analysis of changes in impairment	
Balance 1 January 2015	**44,814,173**
Changes from 01.01 to 31.12.2015	
Impairment loss for the year	6,049,151
Amounts used for disposals	0
Balance 31 December 2015	**50,863,324**
Changes from 01.01 to 31.12.2016	
Impairment loss for the year	3,589,082
Amounts used for disposals	-39,654
Balance 31 December 2016	**54,412,752**

16. Available-for-sale financial assets

The available-for-sale portfolio is analysed as follows:

Amounts in €	**31.12.2016**	**31.12.2015**
Available-for-sale financial assets		
Participating interests in other enterprises	61,020	61,020.00
Shares not listed on ATHEX	2,222,107	2,222,107
Other securities	0	0.00
Less: Provisions for impairment	-2,059,000	-2,089,523
Total	**224,127**	**193,604**

No changes were made in the year ended in available-for-sale financial assets.

17. Intangible fixed assets

Changes in intangible assets are as follows:

	Software and other rights	**Total**
Gross carrying amount	954,855	954,855
Accumulated depreciation and value impairment	(848,954)	(848,954)
Carrying amount 1 January 2015	**105,901**	**105,901**
Gross carrying amount	842,764	842,764
Accumulated depreciation and value impairment	(758,957)	(758,957)
Carrying amount 31 December 2015	**83,807**	**83,807**
Gross carrying amount	847,432	847,432
Accumulated depreciation and value impairment	(790,955)	(790,955)
Carrying amount 31 December 2016	**56,477**	**56,477**

	Software and other rights	**Total**
Carrying amount 1 January 2015	**105,901**	**105,901**
Additions	21,199	21,199
Sales - Disposals		0
Depreciation and amortisation	(43,293)	(43,293)
Carrying amount 31 December 2015	**83,807**	**83,807**
		0
Additions	4,669	4,669
Sales - Disposals		0
Depreciation and amortisation	(31,998)	(31,998)
Net currency translation differences		0
Carrying amount 31 December 2016	**56,477**	**56,477**

18. PPE

Changes in PPE are as follows:

	Owner-occupied property	Buildings in third party property	Mechanical equipment	Transportation equipment	Furniture & other fixtures	Total
Gross carrying amount	4,404,843	1,295,085	336,360	46,479	1,457,948	7,255,557
Accumulated depreciation and value impairment	(139,929)	(585,823)	(271,479)	(27,500)	(1,058,624)	(1,747,625)
Carrying amount 1 January 2015	**4,264,914**	**709,263**	**64,881**	**18,980**	**399,323**	**5,507,932**
Gross carrying amount	4,272,344	1,295,085	336,360	46,479	1,478,078	7,428,347
Accumulated depreciation and value impairment	(208,202)	(688,383)	(288,262)	(30,277)	(1,186,524)	(2,401,648)
Carrying amount at 31 December 2015	**4,064,142**	**606,703**	**48,099**	**16,202**	**291,554**	**5,026,700**
Gross carrying amount	4,283,320	1,301,285	336,360	46,479	1,525,617	7,493,061
Accumulated depreciation and value impairment	(274,566)	(791,158)	(303,705)	(33,055)	(1,280,506)	(2,682,989)
Carrying amount 31 December 2016	**4,008,753**	**510,127**	**32,656**	**13,425**	**245,111**	**4,810,072**

	Owner-occupied property	Buildings in third party property	Mechanical equipment	Transportation equipment	Furniture and fixtures	Total
Carrying amount 1 January 2015	**4,264,914**	**709,263**	**64,881**	**18,980**	**399,323**	**5,457,361**
Decrease in value due to revaluation of real estate	(141,696)					(141,696)
Decrease in depreciation due to revaluation of real estate						0
Additions	9,197				20,130	29,327
Sales - Disposals						0

Depreciation and amortisation	(68,274)	(102,560)	(16,783)	(2,778)	(127,899)	(318,293)
Transfers/ Disposals						0
Revaluation of property						
Carrying amount 31 December 2015	**4,064,142**	**606,703**	**48,099**	**16,202**	**291,554**	**5,026,700**
Decrease in value due to revaluation of real estate						0
Decrease in depreciation due to revaluation of real estate						0
Additions		17,175			47,539	64,714
Sales - Disposals						0
Depreciation and amortisation	(66,364)	(102,775)	(15,443)	(2,778)	(93,982)	(281,342)
Transportation						0
Transfers/Disposals						0
Carrying amount 31 December 2016	**3,997,778**	**521,103**	**32,656**	**13,425**	**245,111**	**4,810,072**

As at 31 December 2016 the Bank did not have any commitments for capital expenditure or PPE under financial lease.

Depreciation recognised through profit and loss for the year ended is analysed as follows:

Amounts in €	**01.01 to 31.12.2016**	**31.12.2015**
Depreciation of investment property, PPE, software & other intangibles		
Building depreciation	169,139	170,834
Depreciation of machinery	15,443	16,783
Depreciation of transportation means	2,778	2,778
Depreciation of furniture and fixtures	93,982	127,899
Depreciation of intangible assets	31,998	43,293
Total	**313,340**	**361,586**

19. Deferred tax assets

Deferred tax assets are as follows:

	Balance 01.01.2016	Recognition through P&L	Recognition in equity	Balance 31.12.2016
Charge under Law 4046/2012	**0**	0	0	**0**
PPE adjustment	**-275,554**	-18,918	0	**-294,472**
Intangible assets depreciation adjustment	**11,127**	-3,741	0	**7,386**
Impairment-valuation of receivables	**9,024,247**	2,823	0	**9,027,070**
Employee benefit obligations	**66,483**	7,894	0	**74,377**
Impairment of interests	**606,985**	-8,137	0	**598,847**
Tax losses recognised	**51,829**	-35,130	0	**16,698**
Other	**80,125**	48,298	0	**128,422**
Total	**9,565,242**	**-6,913**	**0**	**9,558,329**

	Balance at 01.01.2015	Recognition through P&L	Recognition in equity	Balance 31.12.2015
Charge under Law 4046/2012	**0**			**0**
PPE adjustment	**-274,204**	-1,350	0	**-275,554**
Intangible assets depreciation adjustment	**11,191**	-64	0	**11,127**
Impairment-valuation of receivables	**7,496,425**	1,527,822	0	**9,024,247**
Employee benefit obligations	**51,807**	15,455	-778	**66,483**
Impairment of interests	**544,193**	62,792	0	**606,985**
Tax losses recognised	**0**	35,705	16,123	**51,829**
Other	**22,142**	57,982	0	**80,125**
Total	**7,851,555**	**1,698,342**	**15,345**	**9,565,242**

Deferred tax assets are analysed as follows, according to the period of time within which they are expected to be settled:

	Balance on 31.12.2016	Settlement period: Up to 5 years	Over 5 years	Unspecified
PPE adjustment	**-294,472**			-294,472
Intangible assets depreciation adjustment	**7,386**		7,386	
Impairment-valuation of receivables	**9,027,070**		9,027,070	
Employee benefit obligations	**74,377**			74,377
Impairment of interests	**598,847**			598,847
Tax losses recognised	**16,698**	16,698		
Other	**128,422**	63,606		64,817
Total	**9,558,329**	**80,304**	**9,034,456**	**443,569**

20. Other assets

Other assets are analysed as follows:

Amounts in €	**31.12.2016**	**31.12.2015**
Other assets		
Prepaid taxes	1,170	55,575
Deposit guarantee fund	3,744,490	3,695,254
Assets from auctions	790,394	587,519
Accrued income	55,827	657
Clearing house cheques receivable	831,221	1,583,921
Receivables from programmes	718,512	832,782
Receivables from the provision of services	624,960	567,382
Other requirements	202,179	215,531
Impairment of other assets	(196,330)	(180,129)
Total	**6,772,423**	**7,358,494**

21. Payables to credit institutions

Payables to credit institutions are analysed as follows:

Amounts in €	**31.12.2016**	**31.12.2015**
Payables to credit institutions		
-Sight	815,314	811,886
- Time	5,096,326	4,116,214
ELA financing through NBG	8,000,000	8,999,122
Total	**13,911,640**	**13,927,222**

22. Payables to customers

Deposits and other customer accounts are analysed as follows:

Amounts in €	**31.12.2016**	**31.12.2015**
Payables to customers		
Sight deposits of individuals	841,515	626,995
Sight deposits of companies	16,226,033	14,146,308
Sight deposits of public organisations	8,337,306	9,529,408
Current deposits	35,821,617	43,720,457
Time deposits of individuals	96,372,460	94,870,127
Time deposits of businesses	6,367,761	4,484,452
Time deposits in foreign currency	5,329,033	5,098,257
Total	**169,295,726**	**172,476,005**

Pursuant to Law 4151/2013, credit institutions operating in Greece must pay any balances in bank accounts that have remained dormant for 20 years to the public sector. In the year ended, the Bank did not have any obligation to pay such amounts to the public sector.

23, Debt instruments and other debt obligations

In the year ended, the Bank issued subordinated bonds in the total amount of 6,021,000 euros. The issue date was set for 31 December 2015 and, as a result, the obligation as at the above date was 6,021,000 euros. The terms of bond issue are described below:

Subordinated bond (common)	
Date of Issue	31/12/2015
Expiry date	31/12/2025
Years - instalments	One-off payment in year 10
Amount	6,021,000
Bond face value	1 000
Offer price	1 000
Number of bonds	6,021
Interest rate	8.00%
Coupon period	6 months

24. Retirement benefit obligations

The Bank has not officially or unofficially introduced any special employee benefit plan which would pay guaranteed grants in cases of retirement. The only plan in place which was introduced in the past is the obligation (pursuant to Law 2112/20, Law 3198/55 and Law 4093/12) for the payment of a one-off grant on retirement.

Retirement benefit obligations in the statement of financial position refer to:

	Payables	**Balance Sheet**	
Amounts in €	**31.12.2016**		**31.12.2015**
Retirement benefit obligations			
Retirement benefit provisions under Law 2112/1920		256,472	229,253
Total		**256,472**	**229,253**

Changes in the item in the statement of financial position and the relevant charge to profit & loss and comprehensive income are analysed as follows:

	Change in present value	
Amounts in €	**31.12.2016**	**31.12.2015**
Obligation at year start	**229,253**	**199,257**
Current cost of service	21,488	26,701
Interest rate risk	5,731	5,978
Indemnities paid		
Actuarial (gains)/losses for the year Financial assumptions	0	(2,683)
Actuarial (gains)/losses for the year Empirical assumptions		
Closing balance	**256,472**	**229,253**

	Income Statement	
Amounts in €	**31.12.2016**	**31.12.2015**
Current employment cost	21,488	26,701
Financial expenses	5,731	5,978
Total	**27,219**	**32,679**

The main actuarial assumptions used are as follows:

Technical interest rate	2,5%
Wage increase	1.5%
Inflation	2.0%
Mortality table	MT_EAE2012P
Net percentage of exit from service (resignations less dismissals)	0.0%
Average age of retirement:	
Men & women: Other insurance classes	67 years
Valuation date	1,1,2016
Insured group structure	Closed: no admissions
Fund assets	€0.00

25. Current tax liabilities

Current tax liabilities are analysed as follows:

Amounts in €	**31.12.2016**	**31.12.2015**
Taxes		
Current tax	0	0
Income tax provisions	110,000	105,000
Other taxes	0	0
Total	**110,000**	**105,000**

26. Other liabilities

Other liabilities are analysed as follows:

Amounts in €	**31.12.2016**	**31.12.2015**
Other liabilities		
Dividends payable	116,189	116,189
Deferred income	4,187	0
Accrued expenses for the year	524,272	624,149
Insurance organizations	124,742	123,080
Tax liabilities	213,768	303,283
Checks payable	438,738	126,653
Payables for collections on behalf of third parties	600,804	300,315
Payables from interbanking operations	64,132	106,229
Investment grants	1,220	3,051
Other	525,184	508,136
Total	**2,613,237**	**2,211,085**

27. Cooperative capital

The Bank's cooperative capital is divided into 16,760,937 shares of 0.50 euros each. The changes in shares during the year ended are as follows:

	Number of shares	Face value	Cooperative capital
Opening balance 01.01.2015	**372,948**	**51.5**	**19,206,822**
Reduction of face value by issuing 15 new shares for each old share	**5,148,940**	**3.4**	19,206,822
Reduction of face value by offsetting lossesFinalisation of previous year new subscriptions	**172,274**	**0.5**	-16,632,352 86,137
Capital increase	**11,119,480**	**0.5**	5,559,740
Closing balance 31.12.2015	**16,440,694**	**51.5**	**8,220,347**
Opening balance 01.01.2016	**16,440,694**	**51.5**	**8,220,347**
Capital increase	**320,243**	**0.5**	160,122
Closing balance 31.12.2016	**16,760,937**	**0.5**	**8,380,469**

28. Share premium

Changes in this item are as follows:

Opening balance 01.01.2015	6,776,752
Period movements	578,906
Closing balance 31.12.2015	**7,355,657**
Period movements	-35,940
Closing balance 31.12.2016	**7,319,717**

29. Reserves

The movement of reserves is as follows:

	Statutory reserves	Reserves under the Articles	Subscription right	Reserves for exit of members	Tax-exempt reserves	Law 1882/90	Total
Opening balance 01.01.2015	**873,909**	**436,426**	**506,242**	**-194,291**	**14,374**	**4 700**	**1,641,360**
Shareholder subscriptions/deregistrations			1.775				**1.775**
Income tax on reserves				194,729			**194,729**
Finalisation of previous year new subscriptions			1,690	1,838			**3.528**
Return of invested capital				-22,029			**-22,029**
Closing balance 31.12.2015	**873,909**	**436,426**	**509,707**	**-19,752**	**14,374**	**4 700**	**1,819,363**
Opening balance 01.01.2016	**873,909**	**436,426**	**509,707**	**-19,752**	**14,374**	**4 700**	**1,819,363**
Finalisation of previous year new subscriptions			-1,700				**-1,700**
Closing balance 31.12.2016	**873,909**	**436,426**	**508,007**	**-19,752**	**14,374**	**4 700**	**1,817,663**

30. Commitments, contingent liabilities and receivables

(a) Contingent tax liabilities

The Bank has been audited by tax authorities and has settled all unaudited years up to and including 2008. Financial years 2009 through 2016 have not been audited and, therefore, additional taxes and charges may be assessed when the Bank's tax obligations are reviewed and finalised for the above years. To address this risk, as at 31 December 2016 the Bank had made provisions charged to profit and loss in the total amount of 110,000 euros, which are considered to be sufficient.

It is noted that the tax audit on the financial year was completed during the current year, and additional taxes and charges were assessed in the total amount of 3,658.73 euros.

(b) Contingent legal liabilities

Applications and claims have been filed against the Bank, in the total amount of 50,000 euros. As the legal department estimates, their final settlement is not expected to have any financial effect on the Bank and, therefore, the Bank has not formed any provisions for such debts. Further, the applications for inclusion in the provisions of Law 3869/2010 are still pending.

The Bank has taken legal action for the recovery of past due debts, in accordance with banking practice.

(c) Restricted assets

Restricted assets as at 31.12.2016 stood at 23.5 million euros and included:

(a) Restricted deposits with credit institutions of USD 5,780,480, which have been pledged by another credit institution for provision of liquidity;

(b) Collateral (pledge) of 17,721,714 euros on loans and receivables from customers amounting to 32,829,620, which have been pledged by another credit institution for provision of liquidity.

31. Transactions with related parties

Related parties means the members of the Board of Directors and the Bank's executives, as well as their associates and dependants (spouses, children, etc).

(a) Outstanding balances with Directors and key management

Amounts in €	**31.12.2016**	**31.12.2015**
Receivables		
Loans and receivables	6,267,815	5,194,471
Payables		
Deposits - Bonds	734,961	672,224
Profit and loss account		
Board of Directors' fees	90,531	95,851
Interest receivable and similar income	423,212	310,020
Interest payable and similar charges	15,737	19,948

32. Events after the reporting date

On 29 March 2017 Law 4465/2017 was passed (Government Gazette 47A/04.04.2017) which transposed into the Greek legislation Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features, and introduced other provisions, which provides for the amendment to provisions of Law 4172/2013. Article 43 of the Law amends Article 27 and Article 27(a) of Law 4172/2013 to regulate how a deferred tax asset that has already been recognised and may, on certain conditions, be converted to a current tax asset receivable from credit institutions, in a way consistent with the write-offs and modifications of their loans. The regulation facilitates the implementation of established targets of credit institutions to limit non-performing loans through write-offs and restructuring, without compromising their capital adequacy.

On 28 April 2017 Law 4469/2017 was passed (Government Gazette 62A/03.05.2017) regarding the out-of-court settlement of business debts and other provisions. The provisions of the Law regulate the procedure of out-of-court settlement of debt obligations with any creditor, which are either associated with the borrower's business activity or were created for other reasons, where the parties to the procedure consider the settlement of such debt obligations necessary to ensure the borrower's viability. The new framework is expected to facilitate the final settlement of many distressed loans.

On 19 May 2017 Law 4472/2017 was passed (Government Gazette 74A/19.05.2017) regarding pension arrangements for the public sector, amending provisions of Law 4387/2016, and introducing implementing measures for the fiscal targets and reforms, social support measures and labour arrangements, the medium-term fiscal strategy 2018-2021, and other provisions.

Passing of the Law entailed adoption of the fiscal measures required for the completion of the second review. Further, Article 65 of the Law regulates matters relating to liability of public sector and credit institution representatives under loan or other debt restructuring. Completion of the second review is expected to follow the adoption of the above law is passed, and is expected to lead to the restoration of confidence in the Greek economy and the improvement of sentiment. In addition, executive liability provisions are expected to help adopt permanent and sustainable solutions in relation to distressed business loans.

Ioannina, 22 May 2017

The Chairman of the BoD	The CEO	The Executive Director	The CFO
Konstantinos Zonidis	**Maria Myzithra**	**Vasilios Tsoukanelis**	**Christos Tromboukis**
ID Card No. Φ 461644	**ID Card No. AE088700**	**ID Card No. AE 275733**	**OEE Reg. No 6837-Class A ΤΑΞΕΩΣ**