NBG FACTORS

Annual Financial Report

31 December 2018

In accordance with the International Financial Reporting Standards

Athens, June 2019

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Board of Directors Annual Report
on the Financial Statements of Ethniki Factors S.A.
for the financial year 2018

According to the provisions of Company's Act and Company's Articles of Association, the activities of the Company during its tenth financial year which covers the period from 1 January to 31 December 2018 are presented below.

Financial position and comprehensive income of the Company

The main activities of the Company for the period from 1 January to 31 December 2018 were mainly focused on broadening portfolio clientele basis, enhance of strategic partnerships, empowering of synergies with parent Bank "National Bank of Greece S.A." while maintaining the extremely low NPL's rate. In view of the uninterrupted support of liquidity, the Company continued its efforts in order to provide specialized solutions tailored to the needs of each customer combined with a high level of service.

On 31 December 2018 Company's loans and advances to customers, amounted to €428,459.1 thousand recording an increase of 28.9% compared to the corresponding figures of fiscal year of 2017, were reached to €332,434.5 thousand. Total Factoring volume amounted to €2,710,765.6 thousand against €2,235,200.8 thousand in 2017, resulting in an increase of 21.3%. Profit before tax for the period amounted to €12,785.4 thousand against €11,676.0 thousand in 2017 (increase 9.5%) and profit after tax resulted to €9,692.7 thousand against €8,277.9 thousand in 2017 (increase 17.1%), mainly due to the broadening portfolio clientele basis compared to fiscal year of 2017.

Company's capital adequacy is being monitored by Bank of Greece which is responsible for collecting necessary reporting data, in accordance with the Bank of Greece Governor's Act 2640/18.01.2011 (as it has been replaced by Bank of Greece Governor's Act 2651/20.1.2012). The calculation of capital adequacy, from 1 January 2010, regarding Factoring Companies is carried out under the new monitoring framework of Basel II.

In 2018 the Company's capital adequacy ratios of basic and total equity amounted to 20.56% against 26.09% in 2017.

The Company during its tenth financial year charged additional credit provisions of €616.8 thousand against of €94.1 in 2017. Total credit provisions charged in statement of financial position amounted to €5,407.4 thousand. Management believes that the accumulated allowance for loan losses clearly reflect the real situation as at 31 December 2018.

The Company's net interest income in 2018 amounted to €10,956.2 thousand against €9,714.6 thousand of 2017 resulting in an increase of 12.8%, whereas net commission income improved to €4,644.9 compared to €4,095.0 of 2017 resulting in an increase of 13.9% due to the significant growth of business development throughout 2018. As a result, total income amounted to €15,590.4 thousand against €13,808.7 thousand of 2017 recording a significant increase of 12.9%. Total expenses, amounted to €2,188.2 thousand (increase 7.4%) of which €973.5 thousand (increase 0.4%) relate to personnel expenses and the remaining amount of €1,214.8 thousand (increase 13.6%) relates to other administrative and operating expenses (office rentals, marketing expenses, third party expenses, depreciation of property & equipment , amortization of intangible assets etc). Thus the total expenses (excluding credit provisions) over the total income ratio reached 14.0% compared to 14.8% for 2017.

Going concern

The Company as a 100.0% subsidiary of the National Bank of Greece maintains significant synergies both with its parent Bank and also with the other companies of the NBG Group. Those synergies mainly relate to a) Company's funding for new factoring financing, b) business development and client credit assessment and c) various operational issues. As a result the Company highly correlates its operations to its parent Bank strategy.

As at 31 March 2019, funding to parent Bank from European Central Bank ("ECB") amounted to €2.25 billion, and remained unchanged related to 31 December 2018, after the significant reduction in 2017 of the parent Bank exposure to Eurosystem funding (collectively, ECB and Emergency Liquidity Assistance ("ELA")), with the fully elimination of parent Bank dependence from the ELA. Furthermore, as of 31 March 2019 the parent Bank had entered into repurchase bond agreements with foreign financial institutions (repos) of €2.2 billion, while the parent Bank's Eurosystem liquidity buffer from financial assets stood at €10.1 billion (cash value).

Macroeconomic developments

Economic activity improved in 2018 with GDP increasing by 1.9% y-o-y – the strongest pace in 11 years – following a pick-up in GDP growth in 2017, when GDP rose by 1.4% y-o-y for the first time since 2014. The main driver of GDP growth in 2018 was a strong increase in total exports (8.8% y-o-y in constant price terms), which outweighed the increase in total imports of 2.9% y-o-y, with net exports contributing 1.8 pps to annual GDP, growth. A broadly steady expansion in private consumption – of 1.0% y-o-y in 2018 from 0.9% y-o-y in 2017 – was the second pillar of growth (Source: EL.STAT., Quarterly National Accounts Press Release, 4th Quarter 2018, March 2019). However, investment spending recorded a sharp and largely unanticipated decline of 12.0% in FY:2018, following a healthy average growth of 7.0%, per annum, in 2016-2017). This contraction in investment that reached 27.2% y-o-y in Q4:2018 has been amplified by the shrinkage in non-residential construction (-36.5% y-o-y in Q4:2018) which reflected a carry in Q4:2018 of an abnormally negative base effect in Q3:2018 GDP, resulting from a reclassification related to the inclusion in investment expenditure in H2:2017 for non-residential construction of completed projects carried out by means of concession agreements, which – prior to completion – were recorded under inventories (Source: EL.STAT., Quarterly Gross fixed capital formation by Asset, Chain-linked volumes, reference year 2010, Fourth Quarter 2018, March 2019).

Looking forward, the notable improvement in coincident and forward-looking indicators of business activity in H2:2018 and early 2019 (mentioned below), compounded by a positive base effect related to the above described investment shrinkage and a positive carry of public investment activity from 2018, are estimated to support an investment growth in 2019. The above factors are expected to counteract the negative impact on goods exports and tourism from a prospective slowdown in the euro area economy and the typical sluggishness in investment decisions during an election year.

GDP deflator increased by 0.6% y-o-y in 2018 (by a marginally higher pace than in 2017, Source: EL.STAT., Quarterly National Accounts Press Release, fourth Quarter 2018, March 2019) indicating a subdued response of the domestic price level to the strengthening in economic activity. On the same note, the consumer price index increased by 0.6%, y-o-y in FY:2018, despite the significant increase in oil prices (25.4% y-o-y, in the same period), whereas core inflation (which excludes the impact of energy and unprocessed fruit and vegetable prices) stabilized in 2018 (0.1% y-o-y), exemplifying, inter alia, a sustainable cost containment by Greek firms and the still limited pricing power in the domestic market. Similar trends for CPI and core inflation are observed in in January-February 2019 (increases of 0.5% y-o-y and 0.1% y-o-y, respectively, Sources: Bank of Greece, Bulletin of Conjunctural Indicators, January-February 2019, EL.STAT., Press Release, Consumer Price Index, February 2019 and Federal Reverse Bank Of St. Louis Economic data).

A joint improvement in a significant number of coincident and economic confidence indicators in H2:2018 and in 4M:2019 suggests that economic activity is going to gain additional traction in the first semester of 2019. In this regard, the Purchasing Managers' Index ("PMI") remained clearly above 50 for a 21st consecutive month and stood at 54.2in February 2019 from 54.1, on average, in 2018, whereasthe capacity utilization rate in Greek industry reached 71.5 in December 2018 and 70.2 in 2M:2019, being broadly in line with its 25-year average following protracted period of very low use of productive capital (Sources: Bank of Greece, Bulletin of Conjunctural Indicators, January-February 2019 and Markit Economics, Press Releases, January 2018-February 2019). In addition, consumer confidence remained on an upward trend during 2018 and in 2M:2019 – reaching a 9-year high in January 2019 – and presaging a further strengthening in domestic demand in H1:2019. In fact, the assessment by households of the general economic situation and their willingness to proceed with major purchases over the course of 2019 showed a notable improvement in Q4:2018, with the relevant subcomponent of the consumer survey index, increasing at pre-crisis levels (Source: European Commission, Business and Consumer Surveys, February 2019). The above trends are expected to be buoyed: i) by the supportive impact on disposable income from the continuing recovery of the Greek labor market and a pick-up in hourly compensation, through the legislated increase in the national minimum wage (+11% since February 2019) and the conclusion of new collective agreements in specific sectors; and ii) declining country risk, reflected in the gradual improvement in sovereign debt valuations, on the basis of increased fiscal credibility and the implementation of new debt relief measures.

Against this backdrop, real GDP growth is expected to reach 2.3%, y-o-y, on average, in 2019, according to the latest estimates of the International Monetary Fund ("IMF") and the European Commission (Sources: IMF, Country Report No 19/73 - Greece, First Post-Program Monitoring Discussions, March 2019 and European Commission, Enhanced Surveillance Report - Greece, February 2019). However, the recovery remains susceptible to downside risks related, *inter alia*, to the consistently high fiscal effort to meet the medium-term fiscal targets, a gradual improvement in domestic liquidity conditions and the still vulnerable financial position of a significant number of business entities and households, following the multiyear crisis. Adverse external factors affecting export demand or a tightening in financial and monetary conditions internationally could weigh on Greece's economic performance.).

According to the latest DSA estimates by the European Commission of 27 February 2019, which incorporate the estimated impact of the medium-term measures (Source: European Commission, Enhanced Surveillance Report - Greece, February 2019) – the long-term debt-to-GDP ratio is projected to be substantially improved by the implementation of the above described measures, agreed in the Eurogroup of 21 June 2018. Gross general government debt is expected to decline to 112.4% of GDP in 2040 and to 87.6% in 2060 (or about 40.0% of GDP lower than the respective estimate without the implementation of the medium-term measures by 2060), whereas GFNs will be maintained below the agreed thresholds of 15.0% and 20.0% of GDP in the medium and the long term, respectively. However, the developments in GFNs in the long run (beyond 2032) remain sensitive to the macroeconomic assumptions, especially, as regards nominal GDP growth. To this end, the Eurogroup of 21 June 2018 stated that the official lenders are committed to reassess Greece's debt sustainability in the future and implement debt relief measures, if needed (Sources: Eurogroup Statement, 22 June 2018 and European Commission, Compliance Report, ESM Stability Support Programme for Greece, Fourth Review, June 2018, & Enhanced Surveillance Report - Greece, February 2019). Moreover, for the long run, the Eurogroup recalled the agreement that had been reached in the Eurogroup of May 2016, on a contingency mechanism on debt that could be activated in the case of an unexpectedly more adverse macroeconomic scenario, adjusting debt servicing costs to more sustainable levels, if required and decided by the Eurogroup (Source: Eurogroup Statement, 22 June 2018).

The updated Debt Sustainability Analysis included in the first IMF's report under "post-program discussions", also confirms the sustainability of debt refinancing terms until, at least, 2028 which is the terminal point in the respective analysis. The Public debt-to-GDP ratio is projected to remain on a downward trajectory declining to 153.8% in 2022 and to 135.4% in 2028, with GFNs remaining below the medium term threshold of 15% of GDP over the forecasting horizon (2019-2028). Medium-term debt sustainability is estimated by the IMF to remain robust under "standard macro-fiscal stress tests", with temporary shocks to GDP growth, the primary balance, and interest rates not significantly endangering Greece's debt servicing capacity over the projection horizon (Source: IMF, Country Report No. 19/73 – Greece, First Post-Program Monitoring Discussions, March 2019).

Against this backdrop and taking into consideration the decision on the set of the implementation of medium-term debt relief measures, the capacity of the Hellenic Republic to access the markets for financing its maturing debt on a sustainable basis is a critical step for the return of the country to economic normalcy. Towards this direction, there was further progress in 2018 and, especially, in Q1:2019 with the Hellenic Republic proceeding in new government bond issuance. More specifically, on 8 February 2018, the Hellenic Republic issued, through syndication, a new 7-year benchmark bond, raising €3.0 billion at a re-offer yield of 3.5% (Source: Athens Exchange (the "ATHEX"), Press Release "Hellenic Republic – Press points for 7-year new GGB", 8 February 2018). On 29 January 2019, the Hellenic Republic issued a new 5-year benchmark bond, raising €2.5 billion at 3.6%, with coupon at 3.45%, which is the first issuance following the completion of the Third Program (Source: Public Debt Management Agency, Announcement on the issuance of 5-year bond, 1 February 2019). Moreover, on 5 March 2019, the Hellenic Republic issued a new 10-year benchmark bond – the first 10-year bond issuance since 2010 – raising €2.5 billion at 3.9%, with coupon at 3.875% (Source: Public Debt Management Agency, Announcement on the issuance of 10-year bond, 5 March 2019).

The swift progress towards the completion of the Third Program and its successful conclusion in August 2018, in conjunction with the decision by the Eurogroup of 21 June 2018 regarding the implementation of additional measures to ensure debt sustainability, have been accompanied by an improvement in Greece's sovereign debt valuations which, however, remained slow until end-2018, mainly, due to the increasing turbulence in the emerging markets (especially Turkey) and Italy in H2:2018. In this respect, the yield of the 10-year Greek bond declined to 3.9% in July 2018 from 4.4% in December 2017, increased, however, to 4.3% in December 2018 (Source: Bloomberg). Greece's sovereign bond yields decreased in Q1:2019, capitalizing on improving macroeconomic and fiscal conditions, which have been reaffirmed by the first two reports published by the European Commission under the "Enhanced Surveillance Procedure". This improvement has been supported by lowered uncertainty regarding Italy and more dovish statements by major central banks over the same period.

2018 Stress Test

Between February and April 2018, the ECB conducted a Stress Test Exercise on the four Greek Systemic Banks. The exercise was performed following the same approach of European Banking Authority ("EBA") exercise in terms of methodology, templates, scenarios and quality assurance of the results. The 2018 Stress Test results were published on 5 May 2018 and ECB has not requested parent Bank to submit a capital plan.

Going concern conclusion

Management of the parent Bank concluded that a going concern issue does not exist after considering (a) the low ECB funding and the current access to the Eurosystem facilities with significant collateral buffer, (b) the parent Bank's and the Group's CET1 ratio of 31 March 2019 which exceeded Supervisory Review and Evaluation Process "SREP" requirements even after the adoption of IFRS 9, (c) the results of the recent Stress Test exercise, based on which no capital plan was deemed necessary (d) the recent developments regarding the Greek economy and the latest estimates regarding macroeconomic indicators.

Due to the fact that the parent Bank prepares its financial statements with the going concern assumption, management of the Company believes that is well positioned to adequately support its business plan over the coming year (2019) and for this reason prepared its own financial statements on a going concern basis.

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Transition to International Financial Reporting Standard 9 (“IFRS 9”) as of 1 January 2018

As of 1 January 2018, IFRS 9 “Financial Instruments” replaced International Accounting Standard (IAS) 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces new requirements for a) the classification and measurement of financial instruments, and b) impairment of financial assets.

The Company in order to comply with the requirements of the new Standard, adopted parent Bank IFRS 9 implementation program (“the IFRS 9-Program”) to ensure a timely and high quality implementation, in accordance with the standard and additional regulatory guidance. Parent Bank IFRS 9-Program involves Finance, Risk Control and Architecture Division (“GRCAD”), Management Information and IT Divisions and is overseen by a Project Steering Committee. This Committee comprises of the parent Bank CEO (Chair), Chief Financial Officer (“CFO”), Chief Risk Officer (“CRO”), Chief Operating Officer (“COO”), Treasurer and the General Managers of Retail, Corporate Banking, Corporate Special Assets and International Activities Divisions of the Bank. A full-time Project Management Office (“PMO”) was setup and a Project Manager assigned. Subject matter experts were also appointed to assist in model development of IFRS 9 compliant credit risk parameters. The parent Bank Board Risk Committee, Audit Committee and Board of Directors were regularly updated by parent Bank Executive Management on the status of the IFRS 9-Program.

The adoption of IFRS 9 on 1 January 2018, had a negative impact on the Company’s shareholders’ equity by €1,654.1 thousand. This impact is due to new requirements, classification and measurement of loss allowances and is calculated at €2,329.7 thousand. The negative impact on the Company’s shareholders’ equity reduced at €675.6 thousand as a deferred tax asset was recognized.

By applying the regulatory transitional arrangements for 2018, the Company’s capital adequacy ratio as at 31 December 2017, are estimated to decrease by approximately 81bps at 25.28%.

The above IFRS 9 impact estimates are based on Company’s accounting policies, assumptions and judgments, which are based on corresponding policies, assumptions and judgments of the parent Bank and are included in Notes 2 and 3 to the annual Financial Statements of the Company’s for the year ended 31 December 2018. For more details, please also refer to Note 31.

Management actions during 2018 and for the first five months of 2019

As stated above, during the tenth financial year the actions of the management were focused mainly on broadening portfolio clientele basis, empowering strategic partnerships while maintaining the extremely low NPL’s rate and synergies with parent Bank, as well as to reinforce liquidity to customers with more efficient management of their capital needs.

The Company’s course of business is mainly developed through Recourse Factoring services aiming to provide customers liquidity while maintaining credit risk in acceptable low levels. In addition, regarding the support of export companies, Company’s turnover related to international factoring amounted to €496,878.3 thousand against €286,741.5 thousand of 2017 recording a significant increase of 73.3%. Moreover, an amount of €431,108.1 thousand (2017: €224,951.7 thousand) relates to direct export factoring and €65,770.2 thousand (2017: €61,789.8 thousand) relates to factoring was executed via the two-factor system. Finally, out of total Company’s turnover, reverse factoring turnover amounted to €126,316.2 thousand against €112,257.7 thousand of 2017 resulting an increase of 12.5%.

In first months of 2015, Company also applied a detailed pricing model for corporate customers while processing on further optimization.

During 2018 the NBG Group Internal Audit Division performed internal audit concerning the procedures on Finance and Corporate Governance. The reports of the aforementioned audits and the progress on findings’ settlement are periodically communicated to Board of Directors.

Since November 2009 the Company is, an inaugural member of Hellenic Factors Association represented in its Board of Directors. Furthermore, the Company is a full member of international factoring association “Factors Chain International” “FCI”, since 2009, which counts more than 400 members in 90 different countries.

Factoring market evolution

According to Hellenic Factoring Association “HFA”, during 2018 factoring turnover in Greece amounted to €14.6 billion against €13.1 billion of 2017 resulting a significant increase of 11.5%. Furthermore, according to “EU Federation for the Factoring and Commercial Finance Industry” “EUF” factoring turnover in Greece reached to 7.7% of GDP slightly increased by 0.3% compared to 2017. The stabilization of factoring turnover reflects the strong demand for factoring as financial instrument providing continuous liquidity and exploitation of total assets. Lastly, for 2018 Ethniki’s Factors market share stood to 18.5% (2017: 17.0%).

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For 2018 the global market according to "FCI" managed an increase of 5.0% against 2017 in factoring turnover amounted to €2.7 trillion, whereas according to "EUF" European market reached to €1.7 trillion increased by 6.2% year-over-year ("y-o-y"). However, an important factor is the average penetration rate of Factoring turnover in European GDP that stands at 10.9%, against 10.5% of 2017, reflecting the increasing trend and positive prospects for Greek factoring market.

Events after the reporting period

According to Article 63 of law 4807/2019 the contribution of Article 1 of law 128/1975 is imposed to all credit facilities of financial institutions. The aforementioned amendment is effective from 1 May 2019 onwards.

Risk Management

The Company adopts the Risk Management Policies of the NBG Group. National Bank of Greece Group operates in a fast growing and changing environment and acknowledges its exposure to banking risks as well as the need for effective risk management. Efficient risk management and control reflect NBG Group commitment to achieve high returns for its shareholders.

Credit Risk

Credit risk arises from an obligor's (or group of obligors) failure to meet the terms of any contract established with the Company. Ethniki Factors faces a concentration of credit risk as far as cash and cash equivalents and loans and advances to customers arising from factoring contracts. This is the most important risk for the Company. Credit risk processes are conducted in cooperation with parent Bank under the framework of the contractual management of this risk. The credit risk procedures established for the Company are coordinated by the Group Risk Control & Architecture Division. The Group's credit granting processes include:

- Credit-granting criteria based on the particular target market, the borrower or counterparty, as well as the purpose and structure of the credit and its source of repayment.
- Credit limits that aggregate in a comparable and meaningful manner different types of exposure, at various levels.
- Clearly established procedures for approving new credits as well as the amendment, renewal and re-financing of existing credits.

The Group maintains on-going credit administration, measurement and monitoring processes, including in particular:

- Documented credit risk policies.
- Internal risk rating systems.
- Information systems and analytical techniques that enable measurement of credit risk inherent in all relevant activities.

The Group's internal controls that are implemented for the credit risk related processes include:

- Proper management of the credit-granting functions.
- Periodical and timely remedial actions on deteriorating credits.
- Independent, ongoing assessment of the credit risk management processes by Internal Audit, covering in particular the credit risk systems/models employed by the Group

Operational risk

Operational risk is defined as the current or future risk on the Company's earnings and capital arising from inadequate or ineffective internal procedures, from insufficient management of Human Resources or from external factors.

The Company, acknowledging the importance of operational risk, has established and maintained a firm wide and effective, high quality framework for its management.

The Company has outsourced to its parent Bank responsibilities related to operational risk management. Since 2010, the Company has developed an Operational Risk Management Framework (ORMF) considering qualitative and quantitative criteria of Standardised Approach.

During 2018 the annual cycle of ORMF was implemented using the "Open Pages" application developed by IBM Corp.

Especially, in the context of ORMF implementation conducted the following procedures:

- The identification, assessment and monitoring of operational risks (Risk Control Self-Assessment "RCSA")
- The determination of Action Plans for their mitigation
- The collection of operational risk loss events

Liquidity risk

Liquidity risk is defined as the current or prospective risk to earnings and capital arising from the institution's inability to meet its liabilities when they come due without incurring unacceptable losses.

It reflects the potential mismatch between incoming and outgoing payments, taking into account unexpected delays in repayments (term liquidity risk) or unexpectedly high outflows (withdrawal/call risk). Liquidity risk involves both the risk of unexpected increases in the cost of funding of the portfolio of assets at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner and on reasonable terms.

The Company's principal sources of liquidity are from subordinated bond loans agreements and overdraft accounts with its parent Bank.

2019 Perspectives

Economic activity in Greece accelerated in 2018, on the back of increasing net exports and strengthened private consumption. Real Gross Domestic Product ("GDP") grew by 1.9% y-o-y in 2018, recording the strongest pace in 11 years, and official sector estimates (average of European Commission and IMF forecasts) envisage a further acceleration of GDP growth to 2.3% y-o-y in 2019 and 2.2% y-o-y in 2020, despite a slowing in the euro area economy during the same period. Latest data on forward-looking and coincident indicators suggest that this momentum is maintained in the first four months of 2019.

The successful completion of the Third Program, the release of the first two evaluation reports of the country's progress under the European Commission's Enhanced Surveillance Framework, along with the accumulation of a sizeable cash buffer by the Greek State covering more than 4 years of sovereign financing needs, contributed to a further improvement in economic sentiment. On the fiscal front, Greece overperformed its fiscal targets, for a third consecutive year, in 2018, with the primary surplus in General Government budget reaching 4.3% of GDP or 0.8% higher than the 3.5% of GDP target. It should be noted that the aforementioned overperformance is 0.3% of GDP above the value of the expansionary measures applied in 2019 (0.5% of GDP). This small fiscal loosening, along with positive economic sentiment, are expected to support domestic demand and the turnover of Greek firms in the domestic market in 2019.

However, the pace of improvement of the liquidity conditions and the strengthening of the private sector balance sheets remain very weak, as does investment spending (-12.0% y-o-y in 2018), which continues to show a high dependency on public investment. Moreover, despite the significant improvements, Greece's economic performance and financial asset valuations – which rallied in 4M:2019 – remain sensitive to a slowing of the euro area economy and increased volatility in the international financial markets. Furthermore, the second report of the European Commission under the Enhanced Surveillance Framework and the respective first report published by the IMF in the post-program monitoring period identify some risks for medium-term fiscal stability and competitiveness and recommend a faster resolution of the non-performing exposures, with a view to support Greece's economic viability and recovery in the following years.

In the belief that the required stability in the economic environment will continue for 2019, factoring activities is expected to maintain and strengthen the positive sign recorded in 2018 (+11.5%). The gradual development of the Greek economy will also contribute positively to factoring expansion. Factoring will continue to be a popular financial instrument as an alternative and boosting liquidity solution. Domestic factoring market is expected to expand resulting the adoption of Factoring by large business groups in combination with the policy for credit expansion of Systemic Banks with highly secured collateralized assets. Based on the positive estimates for the Greek economy and considering the European average penetration rate of Factoring as a percentage of GDP, we predict that Greek Factoring market will be further increased to approximately 7.0% - 9.0%.

Among the strategic goals of the Company for the financial year 2019 are the following:

1. To maintain the extremely low NPL's rate.
2. To enhance targeted clientele basis in cooperation with the parent Bank.
3. To increase robust profitability and enhance market share.
4. To improve the cost to income ratio (C/I).
5. To develop international and selective reverse factoring activities.
6. To maintain and improve the high quality services tailored to the specific needs of client.
7. To improve financial risk management practices and minimize financial and operating risks.
8. To invest in modernize IT platforms and processes in order to minimize costs and operational risk.
9. To focus on employees development and training.

Board of Directors Annual Report

Dividend Policy

The Management will propose to the Annual General Assembly of the shareholders to approve the appropriation of amount €484.6 thousand as a statutory reserve according to provisions of Law 4548/2018 and the distribution of dividend of €6,700 thousand from current and past year's profits. This decision is subject to the approval from the Annual General Assembly of the Shareholders.

Athens, 4 June 2019

The Chairman of the Board of Directors
Theofanis Panagiotopoulos

Independent Auditor's Report

To the Shareholders of "ETHNIKI FACTORS S.A."

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of "Ethniki Factors SA" (the "Company") which comprise the statement of financial position as of 31 December 2018, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at 31 December 2018, its financial performance and its cash flows for the year then ended in accordance with Greek Accounting Standards and comply with the statutory requirements of Codified Law 2190/1920.

Basis for opinion

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

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

Independence

During our audit we remained independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that has been transposed into Greek Law, and the ethical requirements of Law 4449/2017, that are relevant to the audit of the financial statements in Greece. We have fulfilled our other ethical responsibilities in accordance with Law 4449/2017, and the requirements of the IESBA Code.

Other Information

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

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

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

With respect to Board of Directors Report, we considered whether the Board of Directors Report includes the disclosures required by Codified Law 2190/1920.

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

- The information given in the the Board of Directors' Report for the year ended at 31 December 2018 is consistent with the financial statements,
- The Board of Directors' Report has been prepared in accordance with the legal requirements of article 43a of the Codified Law 2190/1920.

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

With respect to the Board of Directors Report, the procedures we performed are described in the "Other Information" section of our report.

Independent Auditor's Report

Athens, 5 June 2019

The Certified Auditor

PricewaterhouseCoopers S.A.
Certified Auditors
268 Kifissias Avenue
152 32 Halandri
Soel Reg. No 113

Marios Psaltis
Soel Reg. No 38081

Statement of Total Comprehensive Income
For the period ended 31 December 2018

Amounts in €	Note	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Interest and similar income	4	17,885,838	13,727,686
Interest expense and similar charges	4	(6,929,624)	(4,013,088)
Net Interest Income		**10,956,214**	**9,714,598**
Fee and commission income	5	7,561,062	6,858,339
Commission expense	5	(2,916,179)	(2,763,374)
Net fee and commission income		**4,644,883**	**4,094,965**
Net trading income		(10,668)	(895)
Net Operating Income		**15,590,429**	**13,808,668**
Personnel expenses	6	(973,472)	(969,398)
General, administrative and other operating expenses	7	(1,168,947)	(1,028,250)
Amortization of intangible assets	12	(39,957)	(39,957)
Depreciation of property and equipment	13	(5,872)	(993)
Credit provisions	8	(616,785)	(94,071)
Total Expenses		**(2,805,033)**	**(2,132,669)**
Profit before tax		**12,785,396**	**11,675,999**
Tax expense	9	(3,092,718)	(3,398,103)
Profit for the period		**9,692,678**	**8,277,896**
Other comprehensive income, net of tax:			
Items that will not be reclassified subsequently to profit or loss:			
Employee benefits		4,244	(1,783)
Other comprehensive income for the period, net of tax:		**4,244**	**(1,783)**
Total comprehensive income for the period		**9,696,922**	**8,276,113**

Athens, 4 June 2019

THE CHAIRMAN	THE CHIEF EXECUTIVE OFFICER	THE HEAD OF FINANCIAL SERVICES
THEOFANIS PANAGIOTOPOULOS No of Passport ID AE3595802	ALEXANDROS KONTOPOULOS No of Pol. Identity X 549459	PANAGIOTIS MAVRAGANIS No of Pol. Identity X 010495

The notes on pages 13 to 53 form an integral part of these financial statements

Statement of Financial Position
as at 31 December 2018

Amounts in €	Note	31.12.2018	31.12.2017
ASSETS			
Cash and balances with banks	10	20,872,098	6,450,789
Loans and advances to customers	11	428,459,080	332,434,484
Software and other intangible assets	12	386,161	299,064
Property and equipment	13	5,540	4,522
Current income tax asset	9	-	159,566
Other assets	15	38,388	38,383
Total assets		**449,761,267**	**339,386,808**
LIABILITIES			
Due to banks	16	13,051,318	27,306,781
Debt securities in issue	17	346,302,724	230,030,900
Due to customers	18	11,696,765	5,060,437
Deferred tax liabilities	14	3,832,520	4,287,749
Retirement benefit obligations	19	118,056	111,551
Current income tax liabilities	9	222,064	-
Other liabilities	20	2,576,593	2,171,016
Total liabilities		**377,800,040**	**268,968,434**
SHAREHOLDERS' EQUITY			
Share capital	21	20,000,000	20,000,000
Share premium	21	30,000,000	30,000,000
Reserves	22	3,112,673	2,694,534
Retained earnings	23	18,848,554	17,723,840
Total Shareholders' Equity		**71,961,227**	**70,418,374**
Total Liabilities and Equity		**449,761,267**	**339,386,808**

Athens, 4 June 2019

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Statement of Changes in Equity
For the period ended 31 December 2018

Amounts in €	Share Capital	Share Premium	Defined benefit plans	Statutory Reserve	Retained earnings	Total
Balance at 1 January 2017	**20,000,000**	**30,000,000**	**(21,869)**	**2,143,936**	**20,020,194**	**72,142,261**
Other comprehensive income	-	-	(1,783)	-	-	(1,783)
Profit for the period	-	-	-	-	8,277,896	8,277,896
Dividends paid	-	-	-	-	(10,000,000)	(10,000,000)
Statutory reserve	-	-	-	574,250	(574,250)	-
Balance at 31 December 2017 & at 1 January 2018	**20,000,000**	**30,000,000**	**(23,652)**	**2,718,186**	**17,723,840**	**70,418,374**
Impact of IFRS9					(1,654,069)	(1,654,069)
Balance at 1 January 2018 adjusted for IFRS9 impact	**20,000,000**	**30,000,000**	**(23,652)**	**2,718,186**	**16,069,771**	**68,764,305**
Other comprehensive income	-	-	4,244	-	-	4,244
Profit for the period	-	-	-	-	9,692,678	9,692,678
Dividends paid	-	-	-	-	(6,500,000)	(6,500,000)
Statutory reserve	-	-	-	413,895	(413,895)	-
Balance at 31 December 2018	**20,000,000**	**30,000,000**	**(19,408)**	**3,132,081**	**18,848,554**	**71,961,227**

Athens, 4 June 2019

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Cash Flow Statement
For the period ended 31 December 2018

Amounts in €	Note	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Cash Flows from operating activities			
Profit before tax		**12,785,396**	**11,675,999**
Non cash items included in statement of total comprehensive income and other adjustments:		**7,606,178**	**4,161,054**
Depreciation of property and equipment	13	5,872	993
Amortization of intangible assets	12	39,957	39,957
Credit provisions	8	616,785	94,071
Provision for employee benefits	19	13,940	12,945
Interest expense and similar charges	4	6,929,624	4,013,088
Net (increase)/decrease in operating assets :		**(92,334,732)**	**(40,931,648)**
Due from / to customers		(92,334,727)	(40,916,115)
Other assets		(5)	(15,533)
Net increase/(decrease) in operating liabilities:		**(2,088,326)**	**(2,203,129)**
Other Liabilities		405,577	539,280
Income tax paid		(2,493,903)	(2,742,409)
Net Cash flows from / (for)operating activities		**(74,031,484)**	**(27,297,724)**
Cash flows from investing activities:			
Purchase of software and other intangibles	12	(127,054)	-
Purchase of property and equipment	13	(6,890)	(1,353)
Net Cash flows from/(for) investing activities		**(133,944)**	**(1,353)**
Cash flows from financing activities:			
Proceeds from debt securities		358,589,480	230,000,000
Repayment of debt securities		(242,242,578)	(185,000,000)
Debt securities issue costs	17	(80,000)	(33,600)
Due to banks	16	(14,375,417)	(1,998,276)
Repayment of debt securities interest expenses		(6,138,203)	(3,350,042)
Interest paid		(666,545)	(101,544)
Dividends paid		(6,500,000)	(10,000,000)
Net cash flows from / (for) financing activities		**88,586,737**	**29,516,538**
Net increase / (decrease) in cash and cash equivalents		**14,421,309**	**2,217,461**
Cash and balances with the banks at beginning of period		**6,450,789**	**4,233,328**
Cash and balances with the banks at end of period		**20,872,098**	**6,450,789**

Athens, 4 June 2019

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The notes on pages 13 to 53 form an integral part of these financial statements

Notes to the Financial Statements

NOTE 1: General information

The Company was founded on 19 May 2009 and operates under the name "ETHNIKI FACTORS S.A." (hereinafter the "Company"). The Company's headquarters are located at 128-132 Athinon Av. & Ifigeneias Str. Athens, Greece, (Reg. 68123/01/B/09/166) and register number G.E.MH. 008805601000. Company's duration has been set to be fifty (50) years and can be extended with resolution of its Shareholders' General Assembly. Company's purpose is to provide all types of factoring services according to the provisions of law 1905/1990.

The Company is a subsidiary of National Bank of Greece S.A., which owns 100% of the Company's share capital. The Company's financial statements are consolidated in the financial statements of National Bank of Greece S.A. under the full consolidation method.

The Board of Directors, whose term expires at 30 June 2019 according to the art. 13 of the Company's Article of Association, consists of the following members:

Theofanis Th. Panagiotopoulos	The Non-Executive Chairman of the Board of Directors
Alexandros V. Kontopoulos	Chief Executive Officer and Executive Member
Panagiotis – Ioannis A. Dasmanoglou	Non – Executive Member
Georgios I. Aggelidis	Non – Executive Member
Georgios G. Koutsoudakis	Non – Executive Member
Eleni A. Kappatou	Non – Executive Member
Vasileios N. Karamouzis	Non – Executive Member
Dimitrios G. Katsikavelis	Independent Member

These annual financial statements have been approved for issue by the Company's Board of Directors on 4 June 2019.

The financial statements are subject to approval by the Company's Annual General Assembly of the Shareholders.

NOTE 2: Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Company for the year ended 31 December 2018 (the "financial statements") have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") as endorsed by the E.U. The amounts are stated in Euro rounded to the nearest thousand, (unless otherwise stated for ease presentation).

The financial statements have been prepared under the historical cost convention. The preparation of the financial statements in conformity with the IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Use of the available information and application of judgment is inherent in the formation of estimates in the following areas: retirement benefits obligation, impairment of loans and receivables, liabilities from unaudited tax years and contingencies from litigation. Actual results in the future may differ from those reported.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Going Concern

The Company as a 100.0% subsidiary of the National Bank of Greece maintains significant synergies both with its parent Bank and also with the other companies of the NBG Group. Those synergies mainly relate to a) Company's funding for new factoring financing, b) business development and client credit assessment and c) various operational issues. As a result the Company highly correlates its operations to its parent Bank strategy.

As at 31 March 2019, funding to parent Bank from European Central Bank ("ECB") amounted to €2.25 billion, and remained unchanged related to 31 December 2018, after the significant reduction in 2017 of the parent Bank exposure to Eurosystem funding (collectively, ECB and Emergency Liquidity Assistance ("ELA")), with the fully elimination of parent Bank dependence from the ELA. Furthermore, as of 31 March 2019 the parent Bank had entered into repurchase bond agreements with foreign financial institutions (repos) of €2.2 billion, while the parent Bank's Eurosystem liquidity buffer from financial assets stood at €10.1 billion (cash value).

Macroeconomic developments

Economic activity gathered additional strength in 2018 with GDP increasing by 1.9% y-o-y – the strongest pace in 11 years – following a pick-up in GDP growth in 2017, when GDP rose by 1.4% y-o-y for the first time since 2014. The main driver of GDP growth in 2018 was a strong increase in total exports (8.8% y-o-y in constant price terms), which outweighed the increase in total imports of 2.9% y-o-y, with net exports contributing 1.8 pps to annual GDP, growth. A broadly steady expansion in private consumption – of 1.0% y-o-y in 2018 from 0.9% y-o-y in 2017 – was the second pillar of growth (Source: EL.STAT., Quarterly National Accounts Press Release, 4th Quarter 2018, March 2019). However, investment spending recorded a sharp and largely unanticipated decline of 12.0% in FY:2018, following a healthy average growth of 7.0%, per annum, in 2016-2017). This contraction in investment that reached 27.2% y-o-y in Q4:2018 has been amplified by the shrinkage in non-residential construction (-36.5% y-o-y in Q4:2018) which reflected a carry in Q4:2018 of an abnormally negative base effect in Q3:2018 GDP, resulting from a reclassification related to the inclusion in investment expenditure in H2:2017 for non-residential construction of completed projects carried out by means of concession agreements, which – prior to completion – were recorded under inventories (Source: EL.STAT., Quarterly Gross fixed capital formation by Asset, Chain-linked volumes, reference year 2010, Fourth Quarter 2018, March 2019).

Looking forward, the notable improvement in coincident and forward-looking indicators of business activity in H2:2018 and early 2019 (mentioned below), compounded by a positive base effect related to the above described investment shrinkage and a positive carry of public investment activity from 2018, are estimated to support an investment growth in 2019. The above factors are expected to counteract the negative impact on goods exports and tourism from a prospective slowdown in the euro area economy and the typical sluggishness in investment decisions during an election year.

GDP deflator increased by 0.6% y-o-y in 2018 (by a marginally higher pace than in 2017, Source: EL.STAT., Quarterly National Accounts Press Release, fourth Quarter 2018, March 2019) indicating a subdued response of the domestic price level to the strengthening in economic activity. On the same note, the consumer price index increased by 0.6%, y-o-y in FY:2018, despite the significant increase in oil prices (25.4% y-o-y, in the same period), whereas core inflation (which excludes the impact of energy and unprocessed fruit and vegetable prices) stabilized in 2018 (0.1% y-o-y), exemplifying, inter alia, a sustainable cost containment by Greek firms and the still limited pricing power in the domestic market. Similar trends for CPI and core inflation are observed in in January-February 2019 (increases of 0.5% y-o-y and 0.1% y-o-y, respectively, Sources: Bank of Greece, Bulletin of Conjunctural Indicators, January-February 2019, EL.STAT., Press Release, Consumer Price Index, February 2019 and Federal Reverse Bank Of St. Louis Economic data).

A joint improvement in a significant number of coincident and economic confidence indicators in H2:2018 and in 4M:2019 suggests that economic activity is going to gain additional traction in the first semester of 2019. In this regard, the Purchasing Managers' Index ("PMI") remained clearly above 50 for a 21st consecutive month and stood at 54.2in February 2019 from 54.1, on average, in 2018, whereasthe capacity utilization rate in Greek industry reached 71.5 in December 2018 and 70.2 in 2M:2019, being broadly in line with its 25-year average following protracted period of very low use of productive capital (Sources: Bank of Greece, Bulletin of Conjunctural Indicators, January-February 2019 and Markit Economics, Press Releases, January 2018-February 2019). In addition, consumer confidence remained on an upward trend during 2018 and in 2M:2019 – reaching a 9-year high in January 2019 – and presaging a further strengthening in domestic demand in H1:2019. In fact, the assessment by households of the general economic situation and their willingness to proceed with major purchases over the course of 2019 showed a notable improvement in Q4:2018, with the relevant subcomponent of the consumer survey index, increasing at pre-crisis levels (Source: European Commission, Business and Consumer Surveys, February 2019). The above trends are expected to be buoyed: i) by the supportive impact on disposable income from the continuing recovery of the Greek labor market and a pick-up in hourly compensation, through the legislated increase in the national minimum wage (+11% since February 2019) and the conclusion of new collective agreements in specific sectors; and ii) declining country risk, reflected in the gradual improvement in sovereign debt valuations, on the basis of increased fiscal credibility and the implementation of new debt relief measures.

Against this backdrop, real GDP growth is expected to reach 2.3%, y-o-y, on average, in 2019, according to the latest estimates of the International Monetary Fund ("IMF") and the European Commission (Sources: IMF, Country Report No 19/73 - Greece, First Post-Program Monitoring Discussions, March 2019 and European Commission, Enhanced Surveillance Report - Greece, February 2019). However, the recovery remains susceptible to downside risks related, inter alia, to the consistently high fiscal effort to meet the medium-term fiscal targets, a gradual improvement in domestic liquidity conditions and the still vulnerable financial position of a significant number of business entities and households, following the multiyear crisis. Adverse external factors affecting export demand or a tightening in financial and monetary conditions internationally could weigh on Greece's economic performance.).

According to the latest DSA estimates by the European Commission of 27 February 2019, which incorporate the estimated impact of the medium-term measures (Source: European Commission, Enhanced Surveillance Report - Greece, February 2019) – the long-term debt-to-GDP ratio is projected to be substantially improved by the implementation of the above described measures, agreed in the Eurogroup of 21 June 2018. Gross general government debt is expected to decline to 112.4% of GDP in 2040 and to 87.6% in 2060 (or about 40.0% of GDP lower than the respective estimate without the implementation of the medium-term measures by 2060), whereas GFNs will be maintained below the agreed thresholds of 15.0% and 20.0% of GDP in the medium and the long term, respectively. However, the developments in GFNs in the long run (beyond 2032) remain sensitive to the macroeconomic assumptions, especially, as regards nominal GDP growth. To this end, the Eurogroup of 21 June 2018 stated that the official lenders are committed to reassess Greece's debt sustainability in the future and implement debt relief measures, if needed (Sources: Eurogroup Statement, 22 June 2018 and European Commission, Compliance Report, ESM Stability Support Programme for Greece, Fourth Review, June 2018, & Enhanced Surveillance Report - Greece, February 2019). Moreover, for the long run, the Eurogroup recalled the agreement that had been reached in the Eurogroup of May 2016, on a contingency mechanism on debt that could be activated in the case of an unexpectedly more adverse macroeconomic scenario, adjusting debt servicing costs to more sustainable levels, if required and decided by the Eurogroup (Source: Eurogroup Statement, 22 June 2018).

The updated Debt Sustainability Analysis included in the first IMF's report under "post-program discussions", also confirms the sustainability of debt refinancing terms until, at least, 2028 which is the terminal point in the respective analysis. The Public debt-to-GDP ratio is projected to remain on a downward trajectory declining to 153.8% in 2022 and to 135.4% in 2028, with GFNs remaining below the medium term threshold of 15% of GDP over the forecasting horizon (2019-2028). Medium-term debt sustainability is estimated by the IMF to remain robust under "standard macro-fiscal stress tests", with temporary shocks to GDP growth, the primary balance, and interest rates not significantly endangering Greece's debt servicing capacity over the projection horizon (Source: IMF, Country Report No. 19/73 – Greece, First Post-Program Monitoring Discussions, March 2019).

Against this backdrop and taking into consideration the decision on the set of the implementation of medium-term debt relief measures, the capacity of the Hellenic Republic to access the markets for financing its maturing debt on a sustainable basis is a critical step for the return of the country to economic normalcy. Towards this direction, there was further progress in 2018 and, especially, in Q1:2019 with the Hellenic Republic proceeding in new government bond issuance. More specifically, on 8 February 2018, the Hellenic Republic issued, through syndication, a new 7-year benchmark bond, raising €3.0 billion at a re-offer yield of 3.5% (Source: Athens Exchange (the "ATHEX"), Press Release "Hellenic Republic – Press points for 7-year new GGB", 8 February 2018). On 29 January 2019, the Hellenic Republic issued a new 5-year benchmark bond, raising €2.5 billion at 3.6%, with coupon at 3.45%, which is the first issuance following the completion of the Third Program (Source: Public Debt Management Agency, Announcement on the issuance of 5-year bond, 1 February 2019). Moreover, on 5 March 2019, the Hellenic Republic issued a new 10-year benchmark bond – the first 10-year bond issuance since 2010 – raising €2.5 billion at 3.9%, with coupon at 3.875% (Source: Public Debt Management Agency, Announcement on the issuance of 10-year bond, 5 March 2019).

The swift progress towards the completion of the Third Program and its successful conclusion in August 2018, in conjunction with the decision by the Eurogroup of 21 June 2018 regarding the implementation of additional measures to ensure debt sustainability, have been accompanied by an improvement in Greece's sovereign debt valuations which, however, remained slow until end-2018, mainly, due to the increasing turbulence in the emerging markets (especially Turkey) and Italy in H2:2018. In this respect, the yield of the 10-year Greek bond declined to 3.9% in July 2018 from 4.4% in December 2017, increased, however, to 4.3% in December 2018 (Source: Bloomberg). Greece's sovereign bond yields decreased in Q1:2019, capitalizing on improving macroeconomic and fiscal conditions, which have been reaffirmed by the first two reports published by the European Commission under the "Enhanced Surveillance Procedure". This improvement has been supported by lowered uncertainty regarding Italy and more dovish statements by major central banks over the same period.

2018 Stress Test

Between February and April 2018, the ECB conducted a Stress Test Exercise on the four Greek Systemic Banks. The exercise was performed following the same approach of European Banking Authority ("EBA") exercise in terms of methodology, templates, scenarios and quality assurance of the results. The 2018 Stress Test results were published on 5 May 2018 and ECB has not requested parent Bank to submit a capital plan.

Going concern conclusion

Management of the parent Bank concluded that a going concern issue does not exist after considering (a) the low ECB funding and the current access to the Eurosystem facilities with significant collateral buffer, (b) the parent Bank's and the Group's CET1 ratio of 31 March 2019 which exceeded Supervisory Review and Evaluation Process "SREP" requirements even after the adoption of IFRS 9, (c) the results of the recent Stress Test exercise, based on which no capital plan was deemed necessary (d) the recent developments regarding the Greek economy and the latest estimates regarding macroeconomic indicators.

Due to the fact that the parent Bank prepares its financial statements with the going concern assumption, management of the Company believes that is well positioned to adequately support its business plan over the coming year (2019) and for this reason prepared its own financial statements on a going concern basis.

Notes to the Financial Statements

2.3 Adoption of International Financial Reporting Standards (IFRS)

2.3.1 New standards, amendments and interpretations to existing standards effective from 1 January 2018

-IFRS 9 Financial Instruments On 1 January 2018, the Company adopted IFRS 9 *Financial Instruments*, which replaces IAS 39 *Financial Instruments: Recognition and Measurement* and changes the requirements for classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

The Company applied IFRS 9 retrospectively, but elected not to restate prior periods, in accordance with the transitional provisions of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018.

The adoption of IFRS 9 on 1 January 2018, decreased the Company's shareholders' equity by €1,654.1 thousand net of deferred taxes. Further information on the impact of IFRS 9 upon adoption, is included in Note 31. The accounting policies and critical judgments applied by the Company in order to comply with the requirements of IFRS 9 are based entirely on parent Bank accounting policies and critical judgments, and are included in Notes 2.6 and 3, respectively.

-IFRS 7 Financial Instruments: Disclosures The Standard was updated in line with IFRS 9 *Financial Instruments*. The Company adopted the revised standard on 1 January 2018.

-IFRS 15 Revenue from Contracts with Customers IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 replaced the revenue recognition guidance included in IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a five-step approach to revenue recognition:

- Identify the contract with the customer
- Identify the performance obligations in the contracts
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. There was no impact from the adoption of IFRS 15 on the Company's financial statements.

Amendments and interpretations

-IFRS 15 (Amendment) Clarifications to IFRS 15 Revenue from Contracts with Customers The amendment clarifies three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provides some transition relief for modified contracts and completed contracts. The amendment did not have an impact on the Company's financial statements.

-IFRIC 22 Foreign Currency Transactions and Advance Consideration The interpretation provides guidance on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation did not have a material impact on the Company's financial statements.

-Amendments to IAS 1 Presentation of Financial Statements In line with amendments to IAS 1, the Company presents interest income and interest expense, calculated using the effective interest method, on financial instruments measured at amortised cost and financial assets measured at fair value through other comprehensive income separately from interest income and expense on financial instruments measured at fair value through profit or loss, in the notes. The amendment did not have an impact on the Company's financial statements.

New standards, amendments and interpretations to existing standards effective after 2018

-IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019). IFRS 16 supersedes relevant lease guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an agreement contains a lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal From of a Lease*, and establishes principles for the recognition, measurement, presentation and disclosure of lease agreements, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

IFRS 16 introduces a single on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use (RoU) asset, representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The lease liability is initially measured at the present value of the future lease payments, discounted using the rate implicit in the lease or, if this rate cannot be readily determined, the lessee's incremental borrowing rate (IBR). The RoU asset is initially measured at the amount of the lease liability.

Subsequently, the RoU asset is amortised over the length of the lease, and the financial liability is measured at amortised cost. The operating lease expense for the leases accounted for under IAS 17 is replaced by a depreciation charge for the RoU asset and an interest expense from the unwinding of the discount on the lease liability. The change in presentation of operating lease expenses will result in an improvement in cash flows from operating activities and a corresponding decline in cash flows from financing activities.

There are optional recognition exemptions for short-term leases and leases of low-value items, for which lease payments are recognized as operating expenses on a straight-line basis over the lease term.

Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases, using the same classification criteria with IAS 17.

Leases in which the Company is a Lessee

The Company shall apply the modified retrospective approach, where the RoU asset is set equal to the amount of the lease liability upon adoption, and will not restate the comparative information. The Company plans to apply the practical expedient to grandfather the lease definition on transition to IFRS 16 and not reassess whether a contract is or contains a lease. Therefore, at transition date (i.e. 1 January 2019), the Company shall apply IFRS 16 solely on contracts that were previously identified as leases based on IAS 17 and IFRIC 4. In addition, the Company has decided to make use of the relief options provided for leases of low value assets and short-term leases.

The most significant estimate used in the measurement of the lease liability relates to the interest rate used for discounting the lease payments to their present value as of the date of initial application. The Company shall use IBR as of 1 January 2019, which was estimated with a built-up approach, using market observable information relating to the parent Bank Covered Bond maturing in 2020 and the European Financial Institutions yield curve for the equivalent credit rating. The determination of an IBR term structure inherently involves significant judgments and uncertainties. A small change in the IBR used would change the value of the lease liabilities and corresponding RoU assets materially, hence the IBR is considered to be a critical accounting estimate.

As at 31 December 2018, the Company have non-cancellable operating lease commitments of €536.0 thousand. IFRS 16 is expected to increase the assets and liabilities of the Company by €517.3 thousand respectively, with an immaterial impact on retained earnings.

In relation to the estimated impact on regulatory capital, as at 31 December 2018 the Company's CET1 ratio is expected to decrease by approximately 2 bps.

-**IFRS 17 Insurance Contracts** (effective for annual periods beginning on or after 1 January 2021, as issued by the IASB). IFRS 17 has been issued in May 2017 and supersedes IFRS 4. On 14 November 2018, the IASB tentatively decided to defer the effective date of IFRS 17 by one year to reporting periods beginning on or after 1 January 2022. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard and its objective is to ensure that an entity provides relevant information that faithfully represents those contracts. The new standard solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for using current values instead of historical cost. The standard has not yet been endorsed by the EU. The implementation of the standard is not expected to have an impact on the Company's financial statements.

2.3.2 Amendments to standards and interpretations effective after 2018

-IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2021, as issued by the IASB). The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

Consensus: The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The interpretation has been endorsed by the EU.

-IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods on or after 1 January 2019, as issued by the IASB). The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. IFRIC 23 applies to all aspects of income tax accounting where there is such uncertainty, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The interpretation has been endorsed by the EU.

-**IAS 19 (Amendment) Plan Amendment, Curtailment or Settlement** (effective for annual periods beginning on or after 1 January 2019, as issued by the IASB). The amendments specify how companies determine pension expenses when changes to a defined benefit pension plan occur. The amendment has been endorsed by the EU.

-**Annual Improvements to IFRS Standards 2015–2017 Cycle** (effective for annual periods beginning on or after 1 January 2019, as issued by the IASB).The amendments, which have been endorsed by the EU, impact the following standards:

IFRS 3 - amended to clarify that a company remeasures its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 - amended to clarify that a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business

IAS 12 - clarified to state that a company accounts for all income tax consequences of dividend payments in the same way

IAS 23 - clarified to provide that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

-IFRS 9 (Amendment) Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019, as issued by the IASB). The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met, instead of at fair value through profit or loss. The interpretation has been endorsed by the EU.

-IAS 28 (Amendment) Long-Term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019, as issued by the IASB). The amendments clarify that companies account for long-term interests in an associate or joint venture—to which the equity method is not applied—using IFRS 9. The amendments has been endorsed by the EU.

-Definition of a Business - Amendments to IFRS 3, which becomes effective for annual periods beginning on or after 1 January 2020, as issued by the IASB. The IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements or processes and continuing to produce outputs, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. The amendments have not yet been endorsed by the EU.

-Definition of Materiality - Amendments to IAS 1 and IAS 8 (effective for the Company on 1 January 2020). In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are applied prospectively. The amendments have not yet been endorsed by the EU.

Conceptual Framework

In March 2018, the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the "Framework"), which becomes effective in annual periods beginning on 1 January 2020. The Framework sets out the fundamental concepts of financial reporting that guide the IASB in developing IFRS Standards. The Framework underpins existing IFRS Standards but does not override them. Preparers of financial statements use the Framework as a point of reference to develop accounting policies in rare instances where a particular business transaction is not covered by existing IFRS Standards. The IASB and the IFRS Interpretations Committee will begin to use the new Framework immediately in developing new, or amending existing, financial reporting standards and interpretations. The Company is currently assessing the effect of the amended Framework on its accounting policies. The amendments have not yet been endorsed by the EU.

The Company have not adopted these amendments and interpretations, however they are not expected to have a material impact on the financial statements.

2.4 Foreign currency transactions

Items included in the financial statements of the Company are measured and presented in Euro (€), which is the functional currency of the Company.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of total comprehensive income.

When preparing the financial statements, monetary items are translated at the exchange rates prevailing at the reporting date. Foreign exchange gains and losses resulting from the translation of monetary items at the preparation of financial statements are recognised in the statement of total comprehensive income.

2.5 Financial assets and liabilities

This category includes cash and cash equivalents, customer receivables, other assets and liabilities and finally debt securities issued and other bank borrowings.

Financial instruments are presented as assets, liabilities or equity in accordance with the substance of the contractual arrangements from which they derive. Interests, dividends, gains or losses derive from financial instruments characterized as assets or liabilities are recognized as income or expenses respectively. Dividends' distribution is recognized directly in Equity. The Company does not enter into derivative financial instruments used for hedging and trading.

2.6 Classification and Measurement of financial instruments under IFRS 9

On 1 January 2018, the Company adopted IFRS 9 Financial Instruments, which replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The Company applied IFRS 9 retrospectively, but elected not to restate prior periods, in accordance with the transitional provisions of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018.

The adoption of IFRS 9 on 1 January 2018 decreased the Company's shareholders' equity by €1,654.1 thousand, after the subtraction of deferred tax asset, due to changes in impairment requirements. Further information on the impact of IFRS 9 upon adoption, is included in Note 31. The accounting policies applied by the Company in order to comply with the requirements of IFRS 9 are based entirely on parent Bank similar accounting policies and critical judgments are discussed below:

2.6.1 Classification of financial assets

The Company uses the measurement category "Debt instruments at amortised cost" for its financial assets on the basis of:

a) the Company's business model for managing the financial asset and

b) the contractual cash flow characteristics of the financial asset.

Business model assessment

The business models reflect how the Company manages its debt financial assets in order to generate cash flows. This assessment is performed on the basis of scenarios that the Company reasonably expects to occur. The assessment is based on all relevant and objective information that is available at the time of the business model assessment. The Company has identified the business model "**Held to collect contractual cash flows ("HTC")"** for debt its financial assets. The Company's objective is to hold the financial assets and collect the contractual cash flows. All the assets in this business model give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Debt instruments classified in this business model are measured at amortised cost. Loans within this category may be sold to manage the concentration of the Company's credit risk to a particular obligor, country or industrial sector, without an increase in the asset's credit risk. Such sales are consistent with the business model objective if they are infrequent (even if significant in value) or insignificant in value both individually and in the aggregate (even if frequent).

Contractual cash flow characteristics

The Company assesses the characteristics of its financial assets' contractual cash flows at initial recognition in order to determine whether they are SPPI. This is referred to as the "SPPI test". Interest amount within a basic lending arrangement, is typically the consideration for the time value of money and the credit risk. Interest may also include consideration for other basic lending risks such as liquidity and costs (e.g. administration associated with holding the financial asset for a particular period of time), as well as a profit margin. Interest may also be negative if the Company decides to effectively pay a fee for the safekeeping of its money for a particular period of time. The Company considers that an originated or a purchased financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form and irrespective if it was purchased at a deep discount.

Non-recourse loans

When a financial instrument's contractual cash flows are specifically derived from specified assets of the borrower (seller), the Company assesses whether the cash flows arising from the debt instrument are SPPI. In order to conclude whether the loan represents a basic factoring agreement and its return does not vary based on the performance of the underlying asset or project, the Company assesses whether there is an adequate buffer to absorb credit losses.

2.6.2 Measurement of financial assets

Financial assets measured at amortised cost

A debt financial asset is measured at amortised cost if it is held in a business model that has an objective to hold financial assets to collect contractual cash flows and the contractual terms of the financial asset result in cash flows that pass the SPPI test.

The financial assets classified within this category, mainly include the following asset classes:

- Sight and time deposits with banks
- Loans and advances to customers
- Other receivables included in line item "other assets"

Subsequent to initial recognition, the debt financial asset is measured at amortised cost using the effective interest rate ("EIR") method for the allocation and recognition of interest revenue in line item "interest and similar income" of the income statement over the relevant period. The amortised cost is the amount at which the financial asset is measured at initial recognition minus any principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount is the amortised cost of a financial asset before adjusting for any loss allowance. Interest income on debt financial assets is calculated on the gross carrying amount if the asset is classified in stage 1 or 2. When a debt financial asset becomes credit-impaired (classified in stage 3), interest income is calculated on the amortised cost (i.e. the gross carrying amount adjusted for the impairment allowance).

The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's gross carrying amount. When calculating the EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (e.g. prepayment, extension, call and similar options). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the EIR, transaction costs, and all other premiums or discounts. Fees that are an integral part of the EIR of a financial instrument are treated as an adjustment to the EIR.

Except for purchased or originated financial assets that are credit-impaired ("POCI") on initial recognition, expected credit losses ("ECL") are not considered in the calculation of the EIR. For a POCI financial asset, the credit-adjusted EIR is applied when calculating the interest revenue and it is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to the asset's amortised cost. The Company includes the initial ECL in the estimated cash flows when calculating the credit-adjusted EIR for such assets.

2.6.3 Impairment - Expected Credit Losses

ECL are recognised for all financial assets measured at amortised cost, debt financial assets measured at FVTOCI, lease receivables, financial guarantees and certain loan commitments. ECL represent the difference between contractual cash flows and those that the Company expects to receive, discounted at the EIR. For loan commitments and other credit facilities in scope of ECL, the expected cash shortfalls are determined by considering expected future draw downs.

Recognition of expected credit losses

At initial recognition, an impairment allowance is required for ECL resulting from default events that are possible within the next 12 months (12-month ECL), weighted by the risk of a default occurring. Instruments in this category are referred to as instruments in Stage 1. For instruments with a remaining maturity of less than 12 months, ECL are determined for this shorter period.

In the event of a significant increase in credit risk ("SICR"), an ECL allowance is required, reflecting lifetime cash shortfalls that would result from all possible default events over the expected life of the financial instrument ("lifetime ECL"), weighted by the risk of a default occurring. Instruments in this category are referred to as instruments in Stage 2.

Lifetime ECL are always recognised on financial assets for which there is objective evidence of impairment, that is they are considered to be in default or otherwise credit-impaired. Such instruments are referred to as instruments in Stage 3.

POCIs are classified as credit impaired. An instrument is POCI if it has been purchased with a material discount to its par value that reflects the incurred credit losses or is originated with a defaulted counterparty.

For POCI financial assets, the Company recognises adverse changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in the income statement. POCI are initially recognised at fair value with interest income subsequently being recognised based on a credit-adjusted EIR. POCI may also include financial instruments that are newly recognised following a substantial modification and remain a separate category until maturity. Any favourable changes for POCI assets are impairment gain even if the resulting expected cash flows exceed the estimated cash flows on initial recognition.

The Company does not apply the practical expedient that allows a lifetime ECL for lease receivables to be recognised irrespective of whether a SICR has occurred. Instead, all such receivables are incorporated into the standard ECL calculation.

ECL are recognised in the income statement with a corresponding ECL allowance reported as a decrease in the carrying value of financial assets measured at amortised cost on the statement of financial position. For financial assets measured at FVTOCI, the carrying value is not reduced, but the ECL allowance is recognised in OCI. For off-balance sheet financial instruments, the ECL allowance is reported as a provision in "other liabilities". ECL are recognised within the income statement in "credit provisions and other impairment charges".,

Write-off

A write-off is made when the Company does not have a reasonable expectation to recover all or part of a financial asset. Write-offs reduce the principal amount of a claim and are charged against previously established allowances for credit losses. Recoveries, in part or in full, of amounts previously written off are generally credited to "credit provisions and other impairment charges". Write-offs and partial write-offs represent derecognition or partial derecognition events.

Definition of default

The Company has aligned the definition of default for financial reporting purposes, with the non performing exposures (NPE) definition used for regulatory purposes, as per EBA Implementing Technical Standards on Supervisory reporting on forbearance and non-performing exposures, as adopted by the Commission Implementing Regulation (EU) 2015/227 of 9 January 2015 amending Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council ("EBA ITS"). The definition of default for financial reporting purposes is consistent with the one used for internal credit risk management purposes.

Measurement of expected credit losses

The Company assesses on a forward-looking basis the ECL associated with all financial assets subject to impairment under IFRS 9. The Company recognises an ECL allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The Company uses three macroeconomic scenarios and estimates the ECL that would arise under each scenario. A weighting is allocated to each scenario, such that the weighted probabilities of all three scenarios are equal to one. The distribution of possible ECL may be non-linear, hence three distinct calculations are performed, where the associated ECLs are multiplied by the weighting allocated to the respective scenario. The sum of the three weighted ECL calculations represents the probability-weighted ECL.

- The time value of money.

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For the purposes of measuring ECL, the estimate of expected cash shortfalls reflects the cash proceeds expected from collateral liquidation (if any) and other credit enhancements that are part of the contractual terms and are not recognised separately by the Company. The estimate of expected cash shortfalls on a collateralized loan exposure reflects the assumptions used regarding the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, irrespective of whether the foreclosure is probable.

The ECL calculations are based on the following factors:

- **Exposure at Default ("EAD"):** This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

- **Credit Conversion Factor ("CCF"):** The CCF converts the amount of a credit line and other off-balance sheet amounts to an EAD amount.

- **Probability of Default ("PD"):** Represents the likelihood of a borrower/issuer defaulting on its financial obligation, assessed on the prevailing economic conditions at the reporting date, adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default either over the next 12 months for Stage 1 financial assets, or over the remaining lifetime, for Stage 2 and 3 financial assets.

- **Loss given default ("LGD"):** Represents the Company's expectation of the extent of loss on a defaulted exposure. The LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. The determination of LGD takes into account expected future cash flows from collateral and other credit enhancements, or expected payouts from bankruptcy proceedings for unsecured claims and, where applicable, time to realization of collateral and the seniority of claims. LGD is expressed as a percentage loss per unit of EAD.

- **Discount Rate:** The implied discount factor based on the original EIR of the financial asset or an approximation thereof.

The PD and LGD are determined for three different scenarios whereas EAD projections are treated as scenario independent.

The ECL is determined by projecting the PD, LGD and EAD for each time step between future cash flow dates and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival, if appropriate. This effectively calculates an ECL for each future period, which is then discounted back to the reporting date and summed.

Forward looking economic inputs

Forward looking information (FLI) is incorporated in the ECL measurement of collectively assessed loans and debt securities through the PD and LGD models. The expected recoveries (cash flow recoveries or liquidation of collateral) used in the ECL calculation of corporate lending exposures individually assessed, takes into account FLI based on the Company's forecasts of the relevant macroeconomic factors.

The Company applies three scenarios, i.e. baseline, optimistic, pessimistic, developed by the parent Bank Economic Research and Analysis Division. The macroeconomic scenarios used for measuring ECL are the same with the ones used for evaluating SICR.

The main macroeconomic variable utilized by the Company, affecting the level of ECL is GDP growth rate.

Significant increase of credit risk

A financial asset is considered as non-credit impaired, when the definition for Stage 3 classification is not met. The exposure is classified as Stage 2 if it has suffered a SICR, otherwise it is classified as Stage 1.

At each reporting date, the Company performs the SICR assessment comparing the risk of a default occurring over the remaining expected lifetime of the exposure with the expected risk of a default as estimated at origination.

The Company's process to assess SICR has three main components:

- a quantitative element, i.e. reflecting a quantitative comparison of PD or credit rating at the reporting date versus the respective metric at initial recognition (see below);

- a qualitative element, i.e. all Forborne Performing Exposures (FPE), in accordance with EBA ITS, internal watch list for corporate obligors; and

- "backstop" indicators. The Company applies on all lending exposures the IFRS 9 presumption that a SICR has occurred when the financial asset is more than 30 days past due.

The Company in cooperation with parent Bank assesses SICR based on changes in the obligor's internal credit rating since origination.

Notes to the Financial Statements

2.7 Classification and Measurement of financial instruments under IAS 39

The following is applicable to the periods prior to 1 January 2018, for financial instruments accounted for under IAS 39.

2.7.1 Loans and advances to customers

Loans and advances to customers include financing to customers. Loans and advances to customers are recognised when cash is advanced to customers. Loans and advances to customers are initially recorded at fair value, which is usually the net amount disbursed at inception including directly attributable origination costs and are subsequently measured at amortised cost using the effective interest rate method.

Interest income is recorded to interest and similar income on an accrual basis.

Allowance for Impairment on loans and advances to customers

An allowance for impairment on loans and advances to customers is established if there is objective evidence that the Company will be unable to collect all amounts due according to the original contractual terms. The term “receivables” includes discounting receivables from corporate customers and approved credit limits to customers.

The amount of impairment loss is deducted from “Loans and advances to Customers” in the statement of financial position. Provisions regarding off balance sheet items, such as a contractual obligation, are recorded as “Other liabilities”. The Company assesses whether objective evidence of impairment exists individually for loans and advances to customers that are considered individually significant and collectively for receivables that are not considered individually significant..

If there is objective evidence that an impairment loss on loans and advances to customers has been incurred, the amount of the loss is measured as the difference between the loans and advances to customers carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at a) the loans and advances to customers original effective interest rate, if the loans and advances to customers bears a fixed interest rate, or b) current effective interest rate, if the loans and advances to customers bears a variable interest rate.

For the purposes of a collective evaluation of impairment, loans and advances to customers are grouped on the basis of similar credit risk characteristics. Corporate loans are grouped based on days in arrears, product type, economic sector, size of business, collateral type and other relevant credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for pools of loans and advances to customers by being indicative of the customers’ ability to pay all amounts due and together with historical loss experience for loans and advances to customers with credit risk characteristics similar to those in the pool form the foundation of the loss allowance computation. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects and conditions in the historical period that do not currently exist.

The Company reviews regularly the impaired loans and advances to customers and reassesses the existing estimations at least once a year. Any changes occurred to the expected future cash flows in relation to the previous estimations are considered for the evaluation of impairments on loans and advances to customers and debited or credited to account “Allowance for impairment on loans and advances to customers”. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Loans and advances to customers which is are deemed to be uncollectible or forgiven, are written off against the related provision for customer receivables impairment. Subsequent recoveries are credited to “Credit provisions” in the statement of total comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment has been recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of total comprehensive income as part of impairment losses on loans and advances to customers.

2.8 Derecognition

2.8.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through’ arrangement; or

- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2.8.2. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of total comprehensive income.

2.9 Offsetting

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

2.10 Interest income and expense

Interest income and expense are recognised in the statement of total comprehensive income for all interest bearing instruments using the effective interest rate method. Interest income mainly includes interest earned from loans and advances to customers and secondly interests earned from banks.

Fees and direct costs relating to financing clients or to receivable commitments are deferred and amortised to interest income over the life of the instrument using the effective interest rate method. 28

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

2.11 Fees and commisions

Fees and commissions are recognised on an accrual basis over the period the factoring services are provided.

2.12 Property & Equipment

Property and equipment include mainly equipment, held by the Company for operating purposes. Property and equipment are initially recorded at cost, which includes all costs that are required to bring an asset into operating condition.

Subsequent to initial recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs incurred subsequent to the acquisition of an asset, which is classified as property and equipment are capitalised, only when it is probable that they will result in future economic benefits to the Company beyond those originally anticipated for the asset, otherwise they are expensed as incurred.

Depreciation of an item of property and equipment begins when it is available for use and ceases only when the asset is derecognised. Therefore, the depreciation of an item of property and equipment that is retired from active use does not cease unless it is fully depreciated, but its useful life is reassessed. Property and equipment are depreciated on a straight-line basis over their estimated useful life (not exceeding a period of 10 years), however if the acquisition cost of the equipment is less than €600, is fully depreciated within the financial year.

At each reporting date the Company assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.,

2.13 Software and other intangible assets

Software includes costs that are directly associated with identifiable and unique software products controlled by the Company that are anticipated to generate future economic benefits exceeding costs beyond one year. Expenditure, which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Software is amortized using the straight-line method over the useful life, not exceeding a period of 12 years.

Expenditure on starting up an operation or branch, training personnel, advertising and promotion is recognised as an expense when it is incurred.

2.14 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

2.14.1 The Company is the lessee

Finance lease: Leases where the Company has substantially all the risks and rewards of ownership of the asset are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other liabilities. The interest element of the finance cost is charged to the statement of total comprehensive income over the lease period. All assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating lease: Leases where a significant portion of the risks and rewards of ownership of the asset are retained by the lessor, are classified as operating leases. The total payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of total comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.15 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, and amounts due from other banks with original maturities of less than three months from the date of acquisition, which are subject to insignificant risk of changes to fair value and are used by the Company in the management of its short-term commitments.

2.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.17 Employee Benefits

A defined benefit plan is a post-employment benefit plan that defines an amount of benefit to be provided, determined using a number of financial and demographic assumptions. The most significant assumptions include age, years of service or compensation salary, life expectancy, the discount rate, expected salary increases and pension rates. For defined benefit plans, the liability is the present value of the defined benefit obligation as at the reporting date minus the fair value of the plan assets.

The defined benefit obligation and the related costs are calculated by independent actuaries on an annual basis at the end of each annual reporting period, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds or government bonds that are denominated in the currency in which the benefits will be paid and, which have terms to maturity approximating the terms of the related liability, or estimates of rates which take into account the risk and maturity of the related liabilities where a deep market in such bonds does not exist.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined liability/(asset). Service cost (current service cost, past service cost (including the effect of curtailments) and gains or losses on settlements) and net interest on the net defined benefit liability/(asset) are charged to Statement of total comprehensive income and are included in personnel expenses. The defined benefit obligation net of plan assets is recorded on the statement of financial position, with changes resulting from remeasurements (comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan asset (excluding interest)) recognized immediately in OCI, with no subsequent recycling to profit or loss, in order to fully reflect the full value of the plan deficit or surplus.,

2.18 Income taxes

Income tax payable on profits, based on the applicable tax law, is recognised as an expense in the period in which profits arise. Deferred tax is accounted for using the balance sheet liability method. The temporary differences arise between the carrying amounts of assets and liabilities in the statement of financial position and their amounts as measured for tax purposes. Deferred tax assets relating to the unused tax losses carried forward are recognised to the extent that it is probable that sufficient taxable profits will be available in the future against which these losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted or substantially enacted at the reporting date. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax advances against current income tax liabilities and when they relate to income taxes levied by the same taxation authority and the management intends to settle its current tax assets and liabilities on a net basis. Deferred income tax, related to fair value changes, which are charged or credited to other comprehensive income, is also credited or charged to other comprehensive income where applicable and is subsequently recognized in the statement of total comprehensive income together with the deferred gain or loss.

2.19 Debt securities in issue and other borrowed funds

Debt securities issued and other borrowed funds are initially recognized at fair value net of transaction costs incurred. Subsequent measurement is at amortized cost and any difference between net proceeds and the redemption value of debt securities issued and other borrowed funds is recognized in the statement of total comprehensive income over the period of borrowings using the effective interest rate method. Interest expenses are recognized on an accrual basis.

The mid-long term borrowed funds of the Company consists of bond loan issued according to law N.3156/2003 and overdraft accounts.

2.20 Share capital

Share issue costs: Incremental external costs directly attributable to the issue of shares are deducted from equity net of any related income tax benefit.

Dividends on ordinary shares: Dividends on ordinary shares are recognised as a liability in the period in which they are approved by the Company’s Shareholders at the Annual General Assembly.

2.21 Related party transactions

Related parties include entities of National Bank of Greece (NBG) Group. Furthermore, related parties include directors, their close relatives, companies owned or controlled by them and companies over which they can influence the financial and operating policies. All related party transactions are made on substantially the same terms, including interest rates and collateral, as with those prevailing at the same time for comparable transactions with non-related parties and do not involve inherent risk.

NOTE 3: Critical judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amount of assets, liabilities, income and expense in the Company’s financial statements and accompanying notes. The Company believes that the judgments, estimates and assumptions used in the preparation of the financial statements are appropriate given the factual circumstances as of 31 December 2018. The most significant areas, for which judgments, estimates and assumptions are required in applying the Company’s accounting policies, are the following:

Measurement uncertainty in determination of ECL estimates

The calculation of ECL requires management to apply significant judgment and make estimates and assumptions that involve significant uncertainty at the time they are determined. Changes to these estimates and assumptions can result in significant changes to the amount and timing of ECL to be recognised. The most significant sources of measurement uncertainty relate to the following ECL factors:

Determination of a significant increase of credit risk

The Company assesses whether a SICR has occurred since initial recognition based on qualitative and quantitative criteria that include significant management judgment. Refer to Note 2.6 for further information on the criteria applied. More stringent criteria could significantly increase the number of instruments being classified into Stage 2. All staging criteria and thresholds determined based on FLI are subject to validation by the parent Bank Model Validation Unit (“MVU”). Changes in the staging criteria are approved by the parent Bank Executive Committee and Board Risk Committee.

Model risk inherent in the IFRS 9 models

Compliance with the IFRS 9 impairment model requires the use of a variety of models. The complexity of the models as well as dependency to other model-based inputs is high therefore any changes in inputs and data (e.g. internal credit ratings, behavioural scores etc.), as well as new or revised models, may significantly affect ECL. The models are validated by the parent Bank MVU, in accordance with the parent Bank Model Validation Framework.

Forward looking information

FLI is incorporated in the ECL measurement of collectively assessed loans and debt securities through the PD and LGD models. Management selects forward-looking scenarios and judges the suitability of respective weights to be applied. Each of the scenarios is based on Management's assumptions around future economic conditions in the form of macroeconomic, market and other factors**.** The Company applies three forward-looking macroeconomic scenarios, i.e. baseline, optimistic and pessimistic, with a probability weighting of 55%, 20% and 25%, respectively, developed by the parent Bank Economic Research and Analysis Division on a quarterly basis The macroeconomic scenarios and weighting of probabilities are approved by the parent Bank Financial Assets Impairment Provision and Write-off Committee and validated by the MVU at least on annual basis.

The macroeconomic variables utilised by the parent Bank, relate to Greek economic factors and the ECL allowance is mainly driven by the change in gross domestic product (GDP), The annual average 2019-2023 forecasts for each key variable and macroeconomic scenario are the following:

	Baseline	Optimistic	Pessimistic
GDP growth rate	1,6%	2,7%	0,5%

If the assigned probability weighting of the pessimistic scenario was increased from 25% to 50%, with a corresponding decrease of the baseline scenario from 55% to 30%, the ECL allowance would increase by €80.3 thousand. If the assigned probability weighting of the optimistic scenario was increased from 20% to 40%, with a corresponding decrease of the baseline scenario from 55% to 35%, the ECL allowance would decrease by €29.5 thousand.

Allowance for impairment on loans and advances to customers

The amount of the allowance set aside for losses on loans and advances to customers is based upon management's ongoing assessments of the probable estimated losses. Assessments are conducted by members of the management responsible for various types of customers financing employing a specific methodology and guidelines, which are continually monitored and improved. This methodology has two primary components: specific allowances and collective allowances and is described in Note 2.8.

Applying this methodology requires management to make estimates regarding the present value of future cash flows. In estimating these cash flows, management makes estimates about the counterparty's financial condition and any received guarantees. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently reviewed.

In assessing the need for collective impairment allowance for loans and advances to customers, management considers factors such as credit quality, portfolio size, concentrations, and other economic factors. In order to estimate the required allowance, assumptions are made both to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on model assumptions and parameters used in determining collective allowances. While this necessarily involves judgment, management believes that allowance for impairment on loans and advances to customers recognised, are reasonable and supportable.

Pension benefits - Defined benefit obligation

The present value of defined benefit obligation is determined on an actuarial basis, using a number of assumptions such as discount rates, salary changes and benefits. These assumptions are ultimately determined based on the Company's salary increases each year.

Notes to the Financial Statements

NOTE 4: Net interest income

The net interest income is analyzed as follows:

Amounts in €	31.12.2018	31.12.2017
Interest earned on		
Amounts due from banks	1,581	836
Amounts due from customers	17,884,257	13,726,850
Total	**17,885,838**	**13,727,686**
Interest payable on		
Amounts due to banks	(786,499)	(616,019)
Debt securities in issue	(6,143,125)	(3,397,069)
Total	**(6,929,624)**	**(4,013,088)**
Net interest income	**10,956,214**	**9,714,598**

NOTE 5: Net fee and commission income

Net fee and commission income is exclusively derived from factoring services.

Amounts in €	31.12.2018	31.12.2017
Commission income		
Business loans	7,561,062	6,858,339
Total	**7,561,062**	**6,858,339**
Commission expense		
Business loans	(20,721)	(163,276)
Other	(2,895,458)	(2,600,098)
Total	**(2,916,179)**	**(2,763,374)**
Net fee and commission income	**4,644,883**	**4,094,965**

Other commission expense of €2,895,458, includes a fee of €2,836,750 to the parent company National Bank of Greece S.A. for client recommendation services (2017: €2,548,405).

NOTE 6: Personnel expenses

The personnel expenses are analyzed as follows:

Amounts in €	31.12.2018	31.12.2017
Salaries	(726,499)	(723,464)
Social security costs	(193,235)	(192,303)
Defined benefit plans (Note 19)	(13,940)	(12,945)
Other staff related benefits	(39,798)	(40,686)
Total	**(973,472)**	**(969,398)**

Notes to the Financial Statements

NOTE 7: General, administrative & other operating expenses

General, administrative and other operating expenses are analyzed as follows:

Amounts in €	31.12.2018	31.12.2017
Rentals & software expenses	(73,994)	(69,971)
Duties and taxes	(1,994)	(1,824)
Promotion & advertising expenses	(104,657)	(113,186)
Insurance costs	(297,791)	(178,934)
Third party fees	(590,160)	(490,314)
Legal expenses	(58)	(87,441)
Travel expenses	(40,132)	(38,182)
Other operating expenses	(60,161)	(48,398)
Total	**(1,168,947)**	**(1,028,250)**

NOTE 8: Credit provisions

Amounts in €	31.12.2018	31.12.2017
From loans and advances to customers (Note 11)	(616,785)	(94,071)
Total	**(616,785)**	**(94,071)**

NOTE 9: Tax expense

The tax expense is analyzed as follows:

Amounts in €	31.12.2018	31.12.2017
Current tax	2,874,494	2,706,254
Occupational tax	1,000	1,000
Adjustment in respect of income tax of previous years	39	-
Deferred taxes (Note 14)	217,185	690,849
Total	**3,092,718**	**3,398,103**

The reconciliation between current and effective tax rate is as follows:

Amounts in €	31.12.2018	31.12.2017
Profit before tax	**12,785,396**	**11,675,999**
Tax calculated based on the current tax rate of 29%	3,707,765	3,386,040
Increase/(Decrease) arising from:		
Expenses not deductible for tax purposes	(5,081)	11,063
Adjustment in respect of income tax of previous years	39	-
Effect of changes in tax rates	(611,005)	-
Occupational tax	1,000	1,000
Income tax expense	**3,092,718**	**3,398,103**
Effective tax rate for the period	**24.2%**	**29.1%**

The current income tax liability as of 31 December 2018 and 2017 is analyzed as follows:

Amounts in €	31.12.2018	31.12.2017
Current income tax liability	2,874,494	2,706,254
Increase/(Decrease) arising from:		
Income tax prepayment for the year	(2,652,430)	(2,865,820)
Total income tax liability	**222,064**	**(159,566)**

The nominal corporation tax rate for the Company for 2018 and 2017 is 29% following law 4334/2015 effective from 1 January 2015 onwards. Furthermore, according to the provisions of law 4387/2016 upon profit distribution to Board of Directors or personnel, a 15% withholding tax is imposed on distributed profits, Moreover, following the law 4603/2019, the withholding tax on dividends to the same persons distributed from 1 January 2019 onwards is decreased from 15% to 10%, Profit distributions to parent company National Bank of Greece S.A. are not surcharged to additional withholding tax (article 82 of Law 4172/2013).

Based on Law 4579/2018 effective from 2019, the corporate income tax rate for legal entities other than credit institutions will be gradually reduced as follows:

- - 28% for income earned in 2019;
- - 27% for income earned in 2020;
- - 26% for income earned in 2021; and
- - 25% for income earned as from 2022.

The unaudited tax year of the Company is 2018 and is currently being audited by the audit firm “PricewaterhouseCoopers S.A.” that, also conducts the statutory audit of the Company’s financial statements. During the future tax audits from the tax authorities, additional tax liabilities may arise, but it is not expected that they will have material effect on the Company’s financial statements The years 2011-2016 were audited by the independent auditors of the Company, the “Deloitte Certified Public Accountants S.A.”, in accordance with article 82 of Law 2238/1994 and subsequently with article 65A of Law 4174/2013 and the related tax audit certificates, were unqualified and issued on 19 July 2012, 24 September 2013, 8 July 2014, 25 September 2015, 20 September 2016, 23 October 2017 and 9 October 2018 respectively. The right of the Greek tax authority to issue an income tax statement until the fiscal year of 2012 was time-barred as at 31.12.2018. Moreover, for tax year of 2013 for which the Company, as mentioned above, received a tax audit certificate without comments, according to Ministerial Decision 1159/2011 becomes tax-settled due to the expiration of the 18 months period from the date of the issue of tax certificate. However, following the recent decision No. 1680/2018 of the Greek State Legal Council, which has been accepted by the Head of the Independent Greek Revenue Authority, tax year of 2013 should not be considered as tax settled, until the resolution of the matter by the Council of State. From tax years from 2014 onwards, according to Ministerial Decision 1006/2016 there is no exception from tax audit by the tax authorities to those entities that have been tax audited by the independent auditor and its tax audit certificate was unqualified. Therefore, the tax authorities may re-audit the tax books of the Company for previous years for which a tax audit certificate has been issued by the independent auditor. Although, during the future tax audits from the tax authorities, additional tax liabilities may arise, but it is not expected that they will have material effect on the Company’s financial statements.

NOTE 10: Cash and balances with banks

Cash and balances with banks are analyzed as follows:

Amounts in €	31.12.2018	31.12.2017
Cash in hand	433	250
Sight deposits	20,871,665	6,450,539
Total	**20,872,098**	**6,450,789**

NOTE 11: Loans and advances to customers

Loans and advances to customers are analyzed as follows:

Amounts in €	31.12.2018	31.12.2017
Domestic Factoring with recourse	213,560,862	186,598,624
Domestic Factoring without recourse	119,912,233	86,161,466
Invoices discounting	38,193,775	40,863,385
International Factoring	62,199,651	21,271,990
Total	**433,866,520**	**334,895,465**
Less: Allowance for impairment on loans and advances to customers	(5,407,440)	(2,460,981)
Total loans and advances to customers	**428,459,080**	**332,434,484**

Loans and advances to customers at amortised cost

Amounts in €	Stage 3	Stage 3	Stage 3 Impaired		Total
			Individually assessed	Collectively assessed	
Large corporate					
Gross carrying amount	218,370,414	41,205,496	896,172	24,511,242	284,983,324
ECL allowance	(362,785)	(396,642)	(891,000)	(1,567,720)	(3,218,147)
Net carrying amount	**218,007,629**	**40,808,854**	**5,172**	**22,943,522**	**281,765,177**
SME's					
Gross carrying amount	131,019,984	7,725,412	1,336,972	2,954,179	143,036,547
ECL allowance	(182,919)	(591,847)	(1,295,832)	280,507	(1,790,091)
Net carrying amount	**130,837,065**	**7,133,565**	**41,140**	**3,234,686**	**141,246,456**
Small Business Lending					
Gross carrying amount	5,485,766	-	360,883	-	5,846,649
ECL allowance	(38,603)	-	(360,599)	-	(399,202)
Net carrying amount	**5,447,163**	**-**	**284**	**-**	**5,447,447**
Total loans and advances to customers					
Gross carrying amount	354,876,164	48,930,908	2,594,027	27,465,421	433,866,520
ECL allowance	(584,307)	(988,489)	(2,547,431)	(1,287,213)	(5,407,440)
Net carrying amount	**354,291,857**	**47,942,419**	**46,596**	**26,178,208**	**428,459,080**

As at 31 December 2018 the Company retained collaterals secured the credit risk exposure of loans and advances to customers derives from factoring contracts. The aforementioned collaterals mainly consists of clients invoices and receivable cheques and secondarily of Greek State government bonds. More information about the nominal value of collaterals are stated to Note 27.2.

Notes to the Financial Statements

Movement in the ECL allowance on loans and advances to customers

Amounts in €	Stage 3	Stage 3	Stage 3 Impaired	Σύνολο
Balance 31.12.2017	**-**	**-**	**2,460,981**	**2,460,981**
IFRS 9 impact	451,732	936,729	941,213	2,329,674
Balance 1.1.2018	**451,732**	**936,729**	**3,402,194**	**4,790,655**
Transfer to stage 1 (from 2 or 3)	114,896	(114,896)	-	-
Transfer to stage 2 (from 1 or 3)	(88,097)	88,097	-	-
Transfer to stage 3 (from 1 or 2)	(50,500)	-	50,500	-
Net remeasurement of loss allowance (a)	(25,024)	(101,872)	330,440	203,544
Impairment losses on new assets (b)	181,300	180,431	51,510	413,241
Impairment losses on loans (a+b)	**156,276**	**78,559**	**381,950**	**616,785**
Balance 31.12.2018	**584,307**	**988,489**	**3,834,644**	**5,407,440**

Movement in the allowance for impairment on loans and advances to customers credit risk

Ποσά σε €	2017
Balance at 1 January	**2,366,910**
Provisions charged during the year	94,071
Balance at 31 December	**2,460,981**

NOTE 12: Software and other intangible assets

Software and other intangible assets are analyzed as follows:

Amounts in €	Software	Total
Cost at 1 January 2017	**479,488**	**479,488**
Additions	-	-
Cost at 31 December 2017	**479,488**	**479,488**
Accumulated depreciation at 1 January 2017	(140,467)	(140,467)
Depreciation	(39,957)	(39,957)
Accumulated depreciation at 31 December 2017	**(180,424)**	**(180,424)**
Net book amount at 31 December 2017	**299,064**	**299,064**
Cost at 1 January 2018	**479,488**	**479,488**
Additions	127,054	127,054
Cost at 31 December 2018	**606,542**	**606,542**
Accumulated depreciation at 1 January 2018	(180,424)	(180,424)
Depreciation expense for the period	(39,957)	(39,957)
Accumulated depreciation at 31 December 2018	**(220,381)**	**(220,381)**
Net book amount at 31 December 31.12.2018	**386,161**	**386,161**

The additions relate to the procurement of new software which is expected to be in production environment in 2019.

Notes to the Financial Statements

NOTE 13: Property and equipment

Property and equipment is analyzed as follows:

Amounts in €	Equipment	Total
Cost at 1 January 2017	**50,534**	**50,534**
Additions	1,353	1,353
Cost at 31 December 2017	**51,887**	**51,887**
Accumulated depreciation at 1 January 2017	(46,372)	(46,372)
Depreciation	(993)	(993)
Accumulated depreciation at 31 December 2017	**(47,365)**	**(47,365)**
Net book amount at 31 December 2017	**4,522**	**4,522**
Cost at 1 January 2018	51,887	51,887
Additions	6,890	6,890
Cost at 31 December 2018	**58,777**	**58,777**
Accumulated depreciation at 1 January 2018	(47,365)	(47,365)
Depreciation expense for the period	(5,872)	(5,872)
Accumulated depreciation at 31 December 2018	**(53,237)**	**(53,237)**
Net book amount at 31 December 31.12.2018	**5,540**	**5,540**

NOTE 14: Deferred tax assets and liabilities

Deferred tax assets and liabilities are analyzed as follows:

Amounts in €	Balance 31/12/2016	Recognition in Total Comprehensive Income	Recognition in Other Comprehensive Income	Balance 31/12/2017
Deferred tax assets:				
Share Capital issue costs	26,252	(4,785)	-	21,467
Retirement benefit obligations	27,868	3,754	729	32,351
Total deferred tax assets	**54,120**	**(1,031)**	**729**	**53,818**
Deferred tax liabilities:				
Loans and advances to customers	(3,596,236)	(677,191)	-	(4,273,427)
Long term amortization expenses	(59,416)	(11,583)	-	(70,999)
Debt securities issue costs	3,903	(1,044)	-	2,859
Total deferred tax liabilities	**(3,651,749)**	**(689,818)**	**-**	**(4,341,567)**
Net deferred tax liability	**(3,597,629)**	**(690,849)**	**729**	**(4,287,749)**

Amounts in €	Balance 31/12/2017	Recognition in Total Comprehensive Income	Recognition in Other Comprehensive Income	Recognition in Equity	Balance 31/12/2018
Deferred tax assets:					
Share Capital issue costs	21,467	(6,437)	-	-	15,030
Retirement benefit obligations	32,351	354	(3,191)	-	29,514
Total deferred tax assets	**53,818**	**(6,083)**	**(3,191)**	**-**	**44,544**
Deferred tax liabilities:					
Loans and advances to customers	(4,273,427)	(198,499)	-	675,605	(3,796,321)
Long term amortization expenses	(70,999)	4,620	-	-	(66,379)
Debt securities issue costs	2,859	(17,223)	-	-	(14,364)
Total deferred tax liabilities	**(4,341,567)**	**(211,102)**	**-**	**675,605**	**(3,877,064)**
Net deferred tax liability	**(4,287,749)**	**(217,185)**	**(3,191)**	**675,605**	**(3,832,520)**

The Company has offset the deferred tax assets and deferred tax liabilities based on the legally enforceable right to set off current tax assets against current tax liabilities, resulting from main income tax expense.

NOTE 15: Other assets

Other assets are analyzed as follows:

Amounts in €	31.12.2018	31.12.2017
Prepaid expenses	29,408	29,403
Vendors' prepayments	8,980	8,980
Total	**38,388**	**38,383**

Other assets consist of prepaid expenses for subscriptions, fees for IT services and vendors' prepayments.

NOTE 16: Due to banks (or financial institutions)

Due to banks are analyzed as follows:

Amounts in €	31.12.2018	31.12.2017
Due to banks	13,051,318	27,306,781
Total	**13,051,318**	**27,306,781**

Due to banks consists of a loan facility (overdraft account) between the Company and its Parent Company (National Bank of Greece S.A.).

Movement of due to banks (or financial institutions)

Amounts in €	2018	2017
Balance at 1 January	**27,306,781**	**28,790,583**
Additions within the period	54,097,831	50,598,632
Redemptions within the period	(68,473,248)	(52,596,908)
Accrued interest	119,954	514,474
Balance at 31 December	**13,051,318**	**27,306,781**

NOTE 17: Debt securities in issue

Bond Loans

On 9 July 2018 the Company entered into a bond loan agreement with its parent company National Bank of Greece S.A., matured at 9 July 2021 in accordance with the provisions of Laws 3156/2003 and 4548/2018. Under this agreement the Company has the right to issue a bond loan amounting to €300,000,000, divided into 300 million bonds with nominal amount of €1 per bond. Interest rate is calculated with the OVERNIGHT rate or the one-month, two-month, three-month or six month Euribor at the discretion of the issuer, plus margin.

On 31 December 2018 the Company issued the bond loan amounted to €300,000,000 according to the referred agreement. The fair value of the aforementioned bond loan was calculated to €288,438,548 at 31 December 2018, according to Level 3 valuation, based on a cash flow discounting model, with reference to market rates for financial instruments of a similar maturity.

On 9 July 2018 the Company entered into a bond loan agreement with its parent company National Bank of Greece S.A., matured at 9 July 2021 in accordance with the provisions of Laws 3156/2003 and 4548/2018. Under this agreement the Company has the right to issue a bond loan amounting to $120,000,000, divided into 120 million bonds with nominal amount of $1 per bond. Interest rate is calculated with the OVERNIGHT rate or the one-month, two-month, three-month or six month Libor at the discretion of the issuer, plus margin.

On 31 December 2018 the Company issued the bond loan amounted to $53,000,000 according to the referred agreement. The fair value of the aforementioned bond loan was calculated to $51,757,811 at 31 December 2018, according to Level 3 valuation, based on a cash flow discounting model, with reference to market rates for financial instruments of a similar maturity.

On 10 July 2018 the Company fully repaid the capital amounted to €230,000,000 and the respective accrued interests of preexisting bond loan agreement which was issued at 28 September 2017.

Movement of debt securities in issue

Amounts in €	2018	2017
Balance at 1 January	**230,030,900**	**185,017,472**
Additions within the period	358,589,480	230,000,000
Redemptions within the period	(242,277,078)	(185,017,472)
Accrued interest	22,489	34,500
Debt securities issue costs	(63,067)	(3,600)
Balance at 31 December	**346,302,724**	**230,030,900**

The bond loans are fully payable at the maturity date (10 July 2021). The issuer has the right to redeem the bond loans during the contract period provided that will repay the capital and the respective accrued interests. The accrued interest at 31 December 2018 for the bond loan amounted to €22,489.

NOTE 18: Due to customers

Due to customers account balance consists of the credit amounts of current and other due from customer management accounts which have not been reimbursed to them at the reporting date. Due to customers account balances as of 31 December 2018 and 2017 are analyzed as follows:

Amounts in €	31.12.2018	31.12.2017
Overdraft accounts	2,924,760	650,173
Collection-only accounts	8,772,005	4,410,264
Total	**11,696,765**	**5,060,437**

NOTE 19: Retirement benefit obligations

In accordance with Law 2112/1920 employees are entitled to a lump sum payment in case of redundancy or retirement. The lump sum benefit is based on each employee's final salary and the years of service upon the retirement date. If the employee remains to the company until the expected retirement date the retirement compensation is calculated at 40% of the total compensation if the employee was redundant at the same date. The Company recognizes the valuation of retirement benefit obligations in accordance with provisions of the revised IAS19. The specific retirement benefit of Company is an unfunded defined benefit plan.

Pension costs – defined benefit plans

	31.12.2018	31.12.2017
Service cost	12,155	11,407
Net interest expense on the net defined benefit liability/(asset)	1,785	1,538
Regular charge in the Total Comprehensive Income	**13,940**	**12,945**

Reconciliation of defined benefit obligation

	31.12.2018	31.12.2017
Defined benefit obligation at the beginning of the period	111,551	96,095
Service cost	12,155	11,407
Interest cost	1,785	1,538
- Loss/(Gain) - financial assumptions	(4,782)	-
- Loss/(Gain) – experience adjustments	(2,653)	2,511
Defined benefit obligation recognized at SOFP	**118,056**	**111,551**

Movement in net liability

	31.12.2018	31.12.2017
Net liability at the beginning of the period	111,551	96,095
Total expense recognized in the statement of total comprehensive income	13,940	12,945
Amount recognized in the OCI	(7,435)	2,511
Net liability at the end of the period	**118,056**	**111,551**

Remeasurements on the net liability

	31.12.2018	31.12.2017
Liability (gain)/loss due to changes in assumptions	4,782	-
Liability experience (gain)/loss arising during the year	2,653	(2,511)
Total amount recognized in OCI	**7,435**	**(2,511)**

The actuarial report was developed by the accredited company “AON Hewitt” after the year end of 2018. The key assumptions used for the calculation of the pension costs of the defined benefits plans for 2018 and 2017 are the following:

Weighted average assumptions	2018	2017
Discount rate	1.75%	1,60%
Price inflation	1.50%	1,50%
Rate of compensation increase	0.50% for years 2019-2022 1,50% from 2023	0.00% for 2018 0.50% for years 2019-2020 1.00% for years 2021-2022 1.50% from 2023
Plan duration	21.07 years	22.23 years

No compensation costs are expected to occur in 2019.

NOTE 20: Other liabilities

Other liabilities are analyzed as follows:

Amounts in €	31.12.2018	31.12.2017
Taxes payable – (other than income taxes)	198,723	100,094
Social security funds	44,882	45,190
Creditors	2,328,507	2,022,173
Payroll related accruals	4,481	3,559
Total	**2,576,593**	**2,171,016**

Creditors amounted €2,328,507, includes a liability of €1,828,045 (2017: €1.613,152) to the parent company National Bank of Greece S.A. for client recommendation services. This liability was fully repaid on 28 January 2019.

NOTE 21: Share capital and share premium

The share capital of the Company as at 31 December 2018 amounted to €20,000,000 divided into 4,000,000 ordinary shares with a nominal value of €5,0 per share. The remaining amount of €30,000,000 was credited to share premium.

The Company did not hold any own shares.

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NOTE 22: Reserves

Statutory reserve

Reserves include statutory reserve which is formed in accordance with article 5 of Company's Articles of Association and article 44 of Greek Law 2190/1920 (from 1 January 2019 according to article 158 of law 4548/2018) under which the company is required to withhold from its profits 5% per year for statutory reserve. The aforementioned obligation ceases until this reserve equals to at least one-third of the Company's share capital. According to article 44 of Greek Law 2190/1920 this reserve is used exclusively to cover cumulative debit balance of account "Retained earnings" and cannot be distributed throughout the entire life of the Company.

At 29 June 2018 the annual General Assembly of Shareholders decided to form statutory reserve of €413,895, derived from the profits of financial year 2017.

The total statutory reserve for the period ended at 31 December 2017 amounted to €3,132,081.

NOTE 23: Retained earnings

Retained earnings at 31 December 2018 and 2017 amounted to €18,848,554 and €17,723,840 respectively.

Retained earnings as of 31 December 2018 are analyzed as follows ς:

Amounts in €	
Retained earnings	19,012,454
Capital issue costs, net of tax	(163,900)
Total	**18,848,554**

The capital issue costs were realized at fiscal year of 2009 and 2013 accordingly.

For the financial year ended at 31 December 2018, the Board of Directors will propose to the Annual General Assembly of Shareholders the formation of statutory reserve amounting to €484,634 and dividend distribution amounting to €6,700,000, derived from the retained earnings of the financial year of 2018 and prior years'.

NOTE 24: Tax effects relating to other comprehensive income / (expense) for the period

Amounts in €	From 1.1 until 31.12.2018			From 1.1 until 31.12.2017		
	Gross	Tax	Net	Gross	Tax	Net
Items that will not be reclassified subsequently to profit or loss:						
Remeasurement of the net defined benefit liability/ asset	7,435	(3,191)	4,244	(2,512)	729	(1,783)
Total of items that will not be reclassified subsequently to profit or loss	**7,435**	**(3,191)**	**4,244**	**(2,512)**	**729**	**(1,783)**
Other comprehensive income / (expense) for the period	**7,435**	**(3,191)**	**4,244**	**(2,512)**	**729**	**(1,783)**

NOTE 25: Fair value of financial instruments

According to IFRS the companies should disclose the fair value of their reported financial assets and financial liabilities.

Management considers that the carrying amount of financial assets and financial liabilities, as presented in the financial statements are not materially different from their fair values, as either their maturity is less than one year or they bear floating interest rate.

NOTE 26: Contingent liabilities and commitments

a) Legal proceedings

In the opinion of the management, after consultation with its legal consultant there are not pending litigations cases that are expected to have a material adverse effect on the financial position of the Company.

b) Pending Tax audits

The unaudited tax year of the Company is 2018 and is currently being audited by the audit firm “PricewaterhouseCoopers S.A.” that, also conducts the statutory audit of the Company’s financial statements. During the future tax audits from the tax authorities, additional tax liabilities may arise, but it is not expected that they will have material effect on the Company’s financial statements The years 2011-2016 were audited by the independent auditors of the Company, the “Deloitte Certified Public Accountants S.A.”, in accordance with article 82 of Law 2238/1994 and subsequently with article 65A of Law 4174/2013 and the related tax audit certificates, were unqualified and issued on 19 July 2012, 24 September 2013, 8 July 2014, 25 September 2015, 20 September 2016, 23 October 2017 and 9 October 2018 respectively. The right of the Greek tax authority to issue an income tax statement until the fiscal year of 2012 was time-barred as at 31.12.2018. Moreover, for tax year of 2013 for which the Company, as mentioned above, received a tax audit certificate without comments, according to Ministerial Decision 1159/2011 becomes tax-settled due to the expiration of the 18 months period from the date of the issue of tax certificate. However, following the recent decision No. 1680/2018 of the Greek State Legal Council, which has been accepted by the Head of the Independent Greek Revenue Authority, tax year of 2013 should not be considered as tax settled, until the resolution of the matter by the Council of State. From tax years from 2014 onwards, according to Ministerial Decision 1006/2016 there is no exception from tax audit by the tax authorities to those entities that have been tax audited by the independent auditor and its tax audit certificate was unqualified. Therefore, the tax authorities may re-audit the tax books of the Company for previous years for which a tax audit certificate has been issued by the independent auditor. Although, during the future tax audits from the tax authorities, additional tax liabilities may arise, but it is not expected that they will have material effect on the Company’s financial statements.

c) Unutilized credit limits and credit coverage limits

Contingent liabilities of the Company from unutilized credit limits and credit coverage limits as at 31 December 2018 amounted to €928,484,386 (2017: €890,433,193).

d) Operating Lease commitments

The operating lease commitments of the Company relate to the operating lease rentals of buildings and vehicles.

The minimum future lease payments are as follows:

Amounts in €	31.12.2018	31.12.2017
No later than 1 year	76,886	67,226
Later than 1 year and no later than 5 years	283,547	263,005
Later than 5 years	175,539	235,586
Total	**535,972**	**565,817**

Lease of buildings has duration of 12 years starting from 2015 and could be renewed with new lease.

NOTE 27: Risk management

Risk management is assigned to the specific risk management department of the Parent Company (National Bank of Greece S.A.), according to the relevant outsourcing contract signed between the two parties.

27.1 Credit risk

Credit risk is defined as current or future risk to earnings and capital, relating to the failure of a borrower to honour its contractual factoring obligations with the Company.

According to the referred contractual agreement, the credit risk valuation for debtors and sellers is coordinated by the relevant departments and the related approval authorities of National Bank of Greece S.A. Furthermore, the management of customer receivables which are past due is in line with the principles of management of non-performing loans followed by the Parent Company National Bank of Greece S.A.

The segregation of offered factoring products (Domestic Factoring with recourse, Domestic Factoring without recourse, Invoices discounting, International Factoring) relates to the different credit risk exposure for each of them. The separation of factoring products by credit risk exposure mainly relates to Factoring with recourse, where the credit risk derives from debtors, and Factoring without recourse where credit risk derives from sellers, In each case the valuation models of credit risk are adjusted (debtor or seller) accordingly).

The Company's credit policy adheres to the Credit Policy for Corporate Portfolio of National Bank of Greece S.A., as provided by the internal manuals, circulars and regulations.

The Company's customers credit risk rating system, which adheres to the corresponding system of the parent Company (National Bank of Greece S.A.), refers to methodologies, processes, controls, IT and database systems supporting the assessment of credit risk and obligors and classification of obligors and credit facilities in risk categories or in groups with similar risk characteristics, as well as the quantification of risk parameters, i.e., default and loss for each obligor and risk rating.

The following tables represent the scenario of Company's credit risk exposure as at 31 December 2018 and 2017, taking account the accumulated provisions for impairment losses on loans and advances to customers, before any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out below are based on net carrying amounts as reported in the statement of financial position.

Maximum exposure to credit risk as at 31.12.2018 before collateral and other credit enhancements

Amounts in €	Portfolio Credit exposures (w/o impairments)	Impairments	Portfolio net Credit exposures
Cash and balances with banks	20,872,098	-	20,872,098
Loans and advances to customers	433,866,520	(5,407,440)	428,459,080
Total	**454,738,618**	**(5,407,440)**	**449,331,178**

Maximum exposure to credit risk as at 31.12.2017 before collateral and other credit enhancements

Amounts in €	Portfolio Credit exposures (w/o impairments)	Impairments	Portfolio net Credit exposures
Cash and balances with banks	6,450,789	-	6,450,789
Loans and advances to customers	334,895,465	(2,460,981)	332,434,484
Total	**341,346,254**	**(2,460,981)**	**338,885,273**

Notes to the Financial Statements

Credit quality of loans and advances to customers

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A breakdown of the portfolio by range of probability of default is summarized as follows:

Amounts in €	Stage 3	Stage 3	Stage 3 Impaired	Total
Large corporate				
0,01%-2,00%	111,921,708	-	-	111,921,708
2,01%-10,00%	106,448,706	19,889,830	-	126,338,536
10,01%-20,00%	-	21,315,666	-	21,315,666
20,01% and above	-	-	25,407,414	25,407,414
Total Gross carrying amount	**218,370,414**	**41,205,496**	**25,407,414**	**284,983,324**
SME's				
0,01%-2,00%	84,077,013	-	-	84,077,013
2,01%-10,00%	46,542,021	2,148,980	-	48,691,001
10,01%-20,00%	400,950	3,822,309	-	4,223,259
20,01% and above	-	1,754,123	4,291,151	6,045,274
Total Gross carrying amount	**131,019,984**	**7,725,412**	**4,291,151**	**143,036,547**
Small Business Lending				
0,01%-2,00%	-	-	-	-
2,01%-10,00%	5,485,766	-	-	5,485,766
10,01%-20,00%	-	-	-	-
20,01% and above	-	-	360,883	360,883
Total Gross carrying amount	**5,485,766**	-	**360,883**	**5,846,649**
Total loans and advances to customers				
0,01%-2,00%	195,998,721	-	-	195,998,721
2,01%-10,00%	158,476,493	22,038,810	-	180,515,303
10,01%-20,00%	400,950	25,137,975	-	25,538,925
20,01% and above	-	1,754,123	30,059,448	31,813,571
Total Gross carrying amount	**354,876,164**	**48,930,908**	**30,059,448**	**433,866,520**

Ageing analysis of loans and advances to customers

Amounts in €	Stage 3	Stage 3	Stage 3 Impaired	Total
Large corporate				
Current	218,370,414	41,205,496	23,929,151	283,505,061
91-180 days	-	-	116,892	116,892
Past due over 180 days	-	-	1,361,371	1,361,371
Gross Balance 31.12.2018	**218,370,414**	**41,205,496**	**25,407,414**	**284,983,324**
ECL allowance	(362,785)	(396,642)	(2,458,720)	(3,218,147)
Net carrying amount as at 31.12.2018	**218,007,629**	**40,808,854**	**22,948,694**	**281,765,177**
SME's				
Current	131,019,984	7,725,412	1,680,079	140,425,475
91-180 days	-	-	405,013	405,013
Past due over 180 days	-	-	2,206,059	2,206,059
Gross Balance 31.12.2018	**131,019,984**	**7,725,412**	**4,291,151**	**143,036,547**
ECL allowance	(182,919)	(591,847)	(1,015,325)	(1,790,091)
Net carrying amount as at 31.12.2018	**130,837,065**	**7,133,565**	**3,275,826**	**141,246,456**
Small Business Lending				
Current	5,485,766	-	39,868	5,525,634
91-180 days	-	-	11,495	11,495
Past due over 180 days	-	-	309,520	309,520
Gross Balance 31.12.2018	**5,485,766**	**-**	**360,883**	**5,846,649**
ECL allowance	(38,603)	-	(360,599)	(399,202)
Net carrying amount as at 31.12.2018	**5,447,163**	**-**	**284**	**5,447,447**
Total loans and advances to customers				
Current	354,876,164	48,930,908	25,649,098	429,456,170
91-180 days	-	-	533,400	533,400
Past due over 180 days	-	-	3,876,950	3,876,950
Gross Balance 31.12.2018	**354,876,164**	**48,930,908**	**30,059,448**	**433,866,520**
ECL allowance	(584,307)	(988,489)	(3,834,644)	(5,407,440)
Net carrying amount as at 31.12.2018	**354,291,857**	**47,942,419**	**26,224,804**	**428,459,080**

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Credit quality of loans and advances to customers as at 31.12.2017

Amounts in €	Small business lending	Corporate lending	Total customer receivables
Performing nor impaired	5,768,068	325,655,795	331,423,863
Past due but not impaired	-	1,010,089	1,010,089
Impaired	360,701	2,100,812	2,461,513
Total before allowance for impairment	**6,128,769**	**328,766,696**	**334,895,465**
Allowance for impairment to customers credit risk	(360,599)	(2,100,382)	(2,460,981)
Total	**5,768,170**	**326,666,314**	**332,434,484**

Credit quality of loans and advances to customers

Amounts in €	Small business lending	Corporate lending	Total customer receivables
Satisfactory Risk	3,931,802	231,752,424	235,684,226
Watch list or substandard	1,836,368	94,913,890	96,750,258
Total	**5,768,170**	**326,666,314**	**332,434,484**

Credit exposures analysis of loans and advances to customers per industry sector

Amounts in €	31.12.2018	31.12.2017
Industry & mining	182,575,203	60,174,618
Small scale industry	2,849,706	6,999,443
Trade and services (excl. tourism)	236,479,913	256,304,112
Construction and real estate development	8,990,254	8,401,615
Transportation and telecommunications (excl. shipping)	2,971,444	3,015,677
Less: Credit provisions and other impairment charges	(5,407,440)	(2,460,981)
Total	**428,459,080**	**332,434,484**

As at 31 December 2018 the collaterals secured the credit risk exposure of loans and advances to customers mainly consists of clients invoices and receivable cheques and secondarily of Greek State government bonds. The fair value of the above mentioned collaterals amounted to €573,765,670 (2017: €413,540,143). These collaterals do not include customer receivables for factoring loans without recourse and credit balance as at 31 December 2018.

27.2 Market risk

27.2.1 Currency risk

The Company's exposure to foreign exchange risk, is presented in the following table. The net exposure to each foreign currency is maintained at low levels and within the pre-approved limits. Hence, as at 31 December 2017, there were no significant transactions to exchange rate fluctuations.

Foreign exchange risk concentration (amounts in €)	EURO	USD	GBP	Total
Assets				
Cash and balances with banks	19,949,513	845,644	76,941	20,872,098
Loans and advances to customers	382,132,175	46,326,905	-	428,459,080
Software and other intangible assets	386,161	-	-	386,161
Property and equipment	5,540	-	-	5,540
Other assets	38,388	-	-	38,388
Total assets	**402,511,777**	**47,172,549**	**76,941**	**449,761,267**
Liabilities				
Due to banks	12,979,276	72,042	-	13,051,318
Debt securities in issue	299,950,000	46,352,724	-	346,302,724
Due to customers	11,696,765	-	-	11,696,765
Deferred tax liabilities	3,832,520	-	-	3,832,520
Retirement benefit obligations	118,056	-	-	118,056
Current income tax liabilities	222,064	-	-	222,064
Other liabilities	2,576,593	-	-	2,576,593
Total liabilities	**331,375,274**	**46,424,766**	**-**	**377,800,040**
Net on balance sheet position	**71,136,503**	**747,783**	**76,941**	**71,961,227**

27.2.2 Interest rate risk

The Company monitors the gap in maturities between assets and liabilities (Gap Analysis). Assets and liabilities are classified in time buckets based on next re-pricing date. For floating rate financial instruments, next re-pricing date is the date of the preparation of financial statements while for fixed rate financial instruments is the maturity date. In order to provide a hedge for the interest rate risk, the Company determines, in a monthly basis, the rates of financial assets and liabilities (excluding their spreads). According to the aforementioned hedge any possible change of rates risk will not have an impact on the Company's statement of total comprehensive income.

The Company's interest rate risk relating to assets and liabilities based on next re-pricing date is summarized as follows:

Interest rate risk (Gap Analysis) as at 31.12.2018

Amounts in €	Up to 1 month	1 to 3 months	3 to 12 months	Non Interest bearing	Total
ASSETS					
Cash & balances with banks	-	-	20,765,322	106,776	20,872,098
Loans and advances to customers	428,459,080	-	-	-	428,459,080
Other assets	-	-	-	38,388	38,388
Total assets	**428,459,080**	**-**	**20,765,322**	**145,164**	**449,369,566**
LIABILITIES					
Debt securities in issue	(346,280,235)	-	-	(22,489)	(346,302,724)
Due to customers	-	-	-	(11,696,765)	(11,696,765)
Other liabilities	-	-	-	(2,328,507)	(2,328,507)
Due to banks	-	-	(13,051,318)	-	(13,051,318)
Total Liabilities	**(346,280,235)**	**-**	**(13,051,318)**	**(14,047,761)**	**(373,379,314)**
Total interest gap of assets & liabilities	**82,178,845**	**-**	**7,714,004**	**(13,902,597)**	**75,990,252**

Interest rate risk (Gap Analysis) as at 31.12.2017

Amounts in €	Έως 1 μήνα	1 έως 3 μήνες	3 έως 12 μήνες	Μη τοκοφόρες απαιτήσεις	Σύνολο
ASSETS					
Cash & balances with banks	-	-	6,244,620	206,169	6,450,789
Loans and advances to customers	332,434,484	-	-	-	332,434,484
Other assets	-	-	-	38,383	38,383
Total assets	**332,434,484**	**-**	**6,244,620**	**244,552**	**338,923,656**
LIABILITIES					
Debt securities in issue	(229,996,400)	-	-	(34,500)	(230,030,900)
Due to customers	-	-	-	(5,060,437)	(5,060,437)
Other liabilities	-	-	-	(2,022,173)	(2,022,173)
Due to banks	-	-	(27,306,781)	-	(27,306,781)
Total Liabilities	**(229,996,400)**	**-**	**(27,306,781)**	**(7,117,110)**	**(264,420,291)**
Total interest gap of assets & liabilities	**102,438,084**	**-**	**(21,062,161)**	**(6,872,558)**	**74,503,365**

27.2.3 Pricing risk

Due to the subject of its business the Company is not exposed to pricing risk. The Company does not hold financial assets traded in stock markets.

Notes to the Financial Statements

27.3 Liquidity risk

The monitoring of Liquidity risk is focused in the Company's ability to retain sufficient liquidity to meet its liabilities with the support of parent Bank. In order to cover its liquidity needs the Company performs Liquidity Gap Analysis).

The management assesses the cash flows arising from all assets and liabilities and classifies them in time buckets, based on their expected maturities. In the following table is presented the liquidity gap analysis.

The following tables represent the contractual non discounted cash flows from financial liabilities, through which the Company monitors liquidity risk. Since the amount of contractual non discounted cash flows is highly related to floating rate rather than fixed rate, the amount presented is determined by reference to the conditions prevailing at the reporting date, ie the determination of non - discounted cash flows using the actual interest rates that were in effect at 31 December 2018 and 2017, respectively.

Contractual non discounted cash flows from financial liabilities are analyzed as follows:

Amounts in €	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
31.12.2018					
Debt securities in issue	697,312	551,241	4,140,000	308,355,000	313,743,553
Due to customers	11,696,765	-	-	-	11,696,765
Other liabilities	2,328,507	-	-	-	2,328,507
Due to banks	13,051,318	-	-	-	13,051,318
Total	**27,773,902**	**551,241**	**4,140,000**	**308,355,000**	**340,820,143**
31.12.2017					
Debt securities in issue	379,500	655,500	3,174,000	234,174,500	238,383,500
Due to customers	5,060,437	-	-	-	5,060,437
Other liabilities	2,022,173	-	-	-	2,022,173
Due to banks	27,306,781	-	-	-	27,306,781
Total	**34,768,891**	**655,500**	**3,174,000**	**234,174,500**	**272,772,891**

Liquidity risk analysis as at 31.12.2018

Amounts in €	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
ASSETS					
Cash & balances with banks	20,872,098	-	-	-	20,872,098
Loans and advances to customers	161,683,974	161,504,466	104,531,869	738,771	428,459,080
Other assets	-	-	38,388		38,388
Total	**182,556,072**	**161,504,466**	**104,570,257**	**738,771**	**449,369,566**
LIABILITIES					
Debt securities in issue	-	-	-	(346,302,724)	(346,302,724)
Due to customers	(11,696,765)	-	-	-	(11,696,765)
Other liabilities	(2,328,507)	-	-	-	(2,328,507)
Due to banks	(13,051,318)	-	-	-	(13,051,318)
Total	**(27,076,590)**	**-**	**-**	**(346,302,724)**	**(373,379,314)**
Liquidity gap	**155,479,482**	**161,504,466**	**104,570,257**	**(345,563,953)**	**75,990,252**

Liquidity risk analysis as at 31.12.2017

Amounts in €	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
ASSETS					
Cash & balances with banks	6,450,789	-	-	-	6,450,789
Loans and advances to customers	132,542,029	111,929,264	87,308,643	654,548	332,434,484
Other assets	-	-	38,383	-	38,383
Total	**138,992,818**	**111,929,264**	**87,347,026**	**654,548**	**338,923,656**
LIABILITIES					
Debt securities in issue	-	-	-	(230,030,900)	(230,030,900)
Due to customers	(5,060,437)	-	-	-	(5,060,437)
Other liabilities	(2,022,173)	-	-	-	(2,022,173)
Due to banks	(27,306,781)	-	-	-	(27,306,781)
Total	**(34,389,391)**	**-**	**-**	**(230,030,900)**	**(264,420,291)**
Liquidity gap	**104,603,427**	**111,929,264**	**87,347,026**	**(229,376,352)**	**74,503,365**

Debt securities in issue are presented above based on the agreed contractual terms. However, the Company retains the right to redeem them (partially or totally) during the contract period on condition that will repay the capital and the respective accrued interests.

27.4 Operational Risk

Operational risk is defined as the current or future risk on the Company's earnings and capital arising from inadequate or failed internal processes, from insufficient management of Human Resources or from external events.

The Company, acknowledging the importance of operational risk, has established and maintained a firm wide and effective, high quality framework for its management.

The Company has outsourced to its parent Bank responsibilities related to operational risk management. Since 2010, the Company has developed an Operational Risk Management Framework (ORMF) considering qualitative and quantitative criteria of Standardised Approach.

During 2018, the annual cycle of ORMF was implemented using the Open Pages application developed by IBM Corp. Especially, in the context of ORMF implementation, the following procedures were concluded:

- The identification, assessment and monitoring of operational risks (Risk Control Self-Assessment)
- The determination of Action Plans for their mitigation
- The collection of operational risk loss events

27.5 Capital adequacy

The Company manages actively its capital base, in cooperation with its parent Company National Bank of Greece S.A., with the objective to maintain its capital adequacy ratios well above the minimum regulatory levels and at the same time to improve the weighted average cost of capital, In this framework, both the calculation of the capital requirements and the dynamic management of the capital base are embedded in the business plan and the annual budgeting processes, in accordance with the capital adequacy targets that have been set in the Group's Risk Strategy.

Capital adequacy at 31 December 2018 and 2017 was calculated as follows:

Amounts in € '000	31.12.2018	31.12.2017
Basic and total regulatory capital	56,079	53,520
Total risk weighted assets	272,767	205,167
Total ratio	**20.56%**	**26.09%**

NOTE 28: Independent auditor's fees

On 29 June 2018 the Annual General Assembly Meeting of the shareholders appointed the audit firm "PricewaterhouseCoopers S.A." as a principal independent public accountant for the year ended 31 December 2018. The following table presents the aggregate fees for professional audit and audit-related services for the years ended at 31 December 2018 and at 31 December 2017 rendered by the Company's principal accounting firm 'PricewaterhouseCoopers S.A.":

Amounts in €	31.12.2018	31.12.2017
Audit fees	23,000	23,000
Audit related fees	18,000	18,000
Total	**41,000**	**41,000**

NOTE 29: Related party transactions

The Company, as a subsidiary of the NBG Group, entered into significant transactions with National Bank of Greece and other companies of NBG Group, at arm's length.

The terms of cooperation do not substantially differ from the usual terms of course of business, at market rates. These transactions are approved by the appropriate level of management.

A. The outstanding balances of transactions with members of the Board of Directors and management are as follows:

Amounts in €	31.12.2018	31.12.2017
Expenses	277,744	216,747
Board of Directors and management fees	**277,744**	**216,747**

B. The outstanding balances with National Bank of Greece S.A. and other companies of NBG Group are as follows:

Amounts in €	31 December 2018	31 December 2017
ASSETS		
a) Balances with banks		
National Bank of Greece S.A.	20,780,422	6,399,163
b) Loans to customers		
National Bank of Greece S.A.	7,477,295	6,704,644
Total	**28,257,717**	**13,103,807**
LIABILITIES		
a) Due to banks		
National Bank of Greece S.A.	13,051,318	27,306,781
b) Debt securities in issue		
National Bank of Greece S.A.	346,369,391	230,034,500
c) Other Liabilities		
National Bank of Greece S.A.	2,118,507	1,819,623
Ethniki Leasing S.A.	698	561
Ethniki Hellenic General Insurance S.A.	2,306	-
Total	**361,542,220**	**259,161,465**

Amounts in €	31 December 2018	31 December 2017
STATEMENT OF TOTAL COMPREHENSIVE INCOME		
INCOME		
a)) Interest income		
National Bank of Greece S.A.	264,073	311,597
Total	**264,073**	**311,597**
EXPENSES		
a) Fee & commission expenses		
National Bank of Greece S.A.	6,929,625	3,846,460
National Bank Malta Ltd	-	166,628
b) Commission expense		
National Bank of Greece S.A.	2,895,458	2,600,098
c) Personnel expenses		
Ethniki Hellenic General Insurance S.A.	27,273	35,783
d) General, administrative and other operating expenses		
National Bank of Greece S.A.	491,647	433,761
Ethniki Leasing S.A.	23,578	19,217
Total	**10,367,581**	**7,101,947**
OFF BALANCE SHEET ACCOUNTS		
a) Received guarantees		
National Bank of Greece S.A.	296,000,000	296,000,000
b) Operating lease commitments		
National Bank of Greece S.A.	427,188	487,235
Ethniki Leasing S.A.	108,784	78,582
c) Approved unused credit limits		
National Bank of Greece S.A.	120,601,780	222,693,219
Total	**437,137,752**	**519,259,036**

Note 30: Events after the reporting period

According to Article 63 of law 4807/2019 the contribution of Article 1 of law 128/1975 is imposed to all credit facilities of financial institutions. The aforementioned amendment is effective from 1 May 2019 onwards.

NOTE 31: Transition to IFRS 9 as of 1 January 2018

The Company in order to comply with the requirements of the new Standard, adopted parent Bank IFRS 9 implementation program ("the IFRS 9-Program") to ensure a timely and high quality implementation, in accordance with the standard and additional regulatory guidance.

Parent Bank IFRS 9-Program involves Finance, Risk Control and Architecture Division ("GRCAD"), Management Information and IT Divisions and is overseen by a Project Steering Committee. This Committee comprises of the parent Bank CEO (Chair), Chief Financial Officer ("CFO"), Chief Risk Officer ("CRO"), Chief Operating Officer ("COO"), Treasurer and the General Managers of Retail, Corporate Banking, Corporate Special Assets and International Activities Divisions of the Bank. A full-time Project Management Office ("PMO") was setup and a Project Manager assigned. Subject matter experts were also appointed to assist in model development of IFRS 9 compliant credit risk parameters. The parent Bank Board Risk Committee, Audit Committee and Board of Directors were regularly updated by parent Bank Executive Management on the status of the IFRS 9-Program.

31.1 Impact upon transition to IFRS 9

The adoption of IFRS 9 on 1 January 2018, had a negative impact on the Company's shareholders' equity by €1,654,069, due to new requirements, classification and measurement of credit provisions. This impact to loss allowances is calculated to €2,329,674. The negative impact on the Company's shareholders' equity reduced at €675,605 as a deferred tax asset was recognized. The accounting policies and critical judgments applied by the Company in order to comply with the requirements of IFRS 9 upon transition, are included in Notes 2 and 3 respectively.

By applying the regulatory transitional arrangements for 2018, the Company's capital adequacy ratio as at 31 December 2017, are estimated to decrease by approximately 81bps at 25.28%.

The following table provides a reconciliation overview of allowances and provisions on adoption of IFRS 9 at 1 January 2018:

	31.12.2017	01.01.2018	
Amounts in €	Loss Allowances (IAS 39)	ECL Adjustment (IFRS 9)	Final ECL (IFRS 9)
Small business lending	360,599	3,753	364,352
SME's	1,267,402	512,704	1,780,106
Large corporate	832,980	1,813,217	2,646,197
Total	**2,460,981**	**2,329,674**	**4,790,655**

Athens, 4 June 2019

THE CHAIRMAN	THE CHIEF EXECUTIVE OFFICER	THE HEAD OF FINANCIAL SERVICES
THEOFANIS PANAGIOTOPOULOS No of Passport ID AE3595802	ALEXANDROS KONTOPOULOS No of Pol. Identity X 549459	PANAGIOTIS MAVRAGANIS No of Pol. Identity X 010495