ASTROBANK GROUP

Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

Contents

Board of Directors and Independent Auditors
as at 30 September 2019

Board of Directors AstroBank Group	Shadi Karam Independent Non-Executive Chairman
	Maurice Sehnaoui Non-Executive Vice Chairman
	Constantinos St. Loizides Non-Executive Director *(until 28 February 2019)* Chairman of the Executive Committee & Managing Director *(appointed on 1 March 2019)*
	George Appios Executive Director & Deputy Managing Director
	Marios A. Savvides Executive Director
	Bassam Diab Non-Executive Director
	Maria Dionyssiades Independent Non-Executive Director
	George Kourris Senior Independent Director
	George Liakopoulos Non-Executive Director
	Elena Orfanidou Independent Non-Executive Director *(appointed on 24 July 2018 and resigned 30 April 2019)*
	Costas Partassides Independent Non-Executive Director
	Socrates Solomides Independent Non-Executive Director
	Andreas Vassiliou Independent Non-Executive Director
	Hikmat Abou Zeid Non-Executive Director *(appointed on 16 September 2019)*
Executive Committee	Constantinos St. Loizides Chairman *(appointed on 1 March 2019)*
	George Appios
	Marios A. Savvides
	Neoclis Neocleous
	Andreas Theodorides
Secretary	Elli Photiadou
Independent Auditors	Ernst and Young Cyprus Ltd Jean Nouvel Tower 6 Stasinou Avenue 1060 Nicosia Cyprus
Headquarters/Registered office	1, Spyrou Kyprianou Street CY-1065 Nicosia P O Box 25700 CY-1393 Nicosia Cyprus

Management Report

The interim condensed consolidated financial statements for the nine-month period ended 30 September 2019 relate to AstroBank Limited ("the Bank") together with its subsidiaries ("the Group"). The Bank was the holding company of the Group for the nine-month period and as at 30 September 2019.

1 Principal activities

The principal activity of the Bank, which is unchanged from 31 December 2018, is the provision of banking and financial services.

The principal activities of the property subsidiaries, which are unchanged from 31 December 2018 are the holding and administration of property acquired by the Bank in debt satisfaction. A separate subsidiary operates as an insurance broker.

2 Change in shareholding & capital injection

On 17 January 2019, as part of the acquisition of USB Holdings Plc. (formerly USB Bank Plc.) ("USB Bank") business, there was an increase in the Bank's ordinary share capital by €44m (5.648.267 shares €7,79 each) and an issue of preference shares eligible as Tier 1 capital of €10m (1.250.000 shares €8 each).

3 Changes in group structure

Following the completion of the acquisition of USB Bank's business, the following shareholders held more than 10% of the issued ordinary share capital of the parent Bank:

	30 September 2019		17 January 2019		31 December 2018	
Shareholders	**# of ordinary shares**	**% held**	**# of ordinary shares**	**% held**	**# of ordinary shares**	**% held**
Holding M. Sehnaoui S.A.L.	4.519.194	22,9%	4.680.484	23,7%	2.499.798	17,7%
Piraeus Bank S.A.	2.490.000	12,6%	2.490.000	12,6%	2.490.000	17,6%
Bassam Najib Diab	2.292.694	11,6%	2.292.694	11,6%	1.499.879	10,6%
WG Cyprus (Holding) SAL	2.263.337	11,5%	2.263.337	11,5%	1.749.858	12,4%

4 Future developments/ prospects

The Group's strategy is focused towards long term growth (organic and by acquisition), speed of decision-making and client service. This is to be achieved through strengthening the sales and support teams, improvement in marketing, product development and response times and aided by the improving macroeconomic fundamentals. At the same time, in the short to medium term, priority remains the reduction of non-performing loans through customer restructuring, consensual settlement arrangements, debt for asset swaps, foreclosures and effective capital management.

In addition to the recent acquisition (completed on 18 January 2019) of the USB Bank's business, the Bank aims to increase its footprint in the lending market through the utilisation of its excess liquidity. With this acquisition, the Bank strengthens significantly its position in the Cyprus market by leveraging the synergies it creates. The Group's strategic targets include the reduction of operating expenses as a proportion of income and substantial synergistic cost savings following the acquisition of USB Bank's business.

On 26 November 2019 the Bank and National Bank of Greece S.A ('NBG') signed an agreement under which the Bank will acquire the whole of the share capital of NBG (Cyprus) (post carve-out of problematic loans) for a cash consideration of €38m (as to be adjusted depending on the audited financial statements net asset value). The agreement is expected to be completed by mid-2020 subject to the satisfaction of conditions precedent relating to regulatory approvals, delivery of certain information (including externally audited financial statements as at the closing month following conditions precedent satisfaction) by the seller and successful completion of a €40m capital raise on the part of the Bank.

Management Report (continued)

5 **Financial results**

Consolidated Income Statement

The Consolidated Income Statement for the nine month period ended 30 September 2019 is not comparable to the Consolidated Income Statement for the nine month period ended 30 September 2018 as the 2019 Consolidated Income Statement includes the results of the acquired USB Bank's business.

	Nine-month period ended 30 September 2019 €	**Nine-month period ended 30 September 2018 €**
Net interest income	36.276.352	16.603.028
Net fee and commission income	9.997.970	8.139.901
Other income	1.376.122	862.124
Net gains on financial instrument transactions	6.389.570	1.194.737
Gains arising from the derecognition of financial assets measured at amortised cost	17.049.168	7.726.994
Operating income	**71.089.182**	**34.526.784**
Impairment of stock of property/ leasehold improvements	(1.730.754)	(691.281)
Reversal of previous recognised impairment on own used properties	1.830.439	-
Staff expenses	(25.716.419)	(16.189.244)
Depreciation and amortization expense	(2.503.616)	(950.131)
Other operating expenses	(12.555.590)	(8.926.283)
Profit before provisions	**30.413.242**	**7.769.845**
(Provision for) / reversal of expected credit loss to cover credit risk on loans and advances to customers	(9.676.582)	123.418
Provision for expected credit loss on contractual commitments and guarantees	(285.272)	(778.595)
(Provision for)/ reversal of expected credit loss on other financial instruments	(640.282)	261.914
Profit before tax	**19.811.106**	**7.376.582**
Income tax charge	(343.090)	(580.728)
Profit after tax	**19.468.016**	**6.795.854**

	Three-month period ended 30 September 2019 €	**Three-month period ended 30 September 2018 €**
Net interest income	13.397.054	6.533.392
Net fee and commission income	2.671.365	2.889.876
Other income	331.897	(16.126)
Net gains on financial instrument transactions	1.492.427	621.262
Gains arising from the derecognition of financial assets measured at amortised cost	11.476.532	-
Operating income	**29.369.275**	**10.028.404**
Impairment of stock of property/ leasehold improvements	(142.957)	(207.316)
Staff expenses	(10.253.954)	(4.609.108)
Depreciation and amortization expense	(919.961)	(332.676)
Other operating expenses	(4.702.546)	(3.476.948)
Profit before provisions	**13.349.857**	**1.402.356**
(Provision for) / reversal of expected credit loss to cover credit risk on loans and advances to customers	(1.935.326)	83.950
Provision for expected credit loss on contractual commitments and guarantees	193.168	(325.746)
Provision for of expected credit loss on other financial instruments	(305.925)	(74.656)
Profit before tax	**11.301.774**	**1.085.904**
Income tax charge	102.200	(124)

Management Report (continued)

5 **Financial results (continued)**

Consolidated Income Statement (continued)

	Three-month period ended 30 September 2019 €	Three-month period ended 30 September 2018 €
Profit after tax	**11.403.974**	**1.085.780**

Consolidated Statement of Financial Position

	30 September 2019 €	31 December 2018 €
Assets		
Cash and balances with Central Banks	405.776.456	200.763.030
Placements with other banks	98.031.286	107.672.594
Derivative financial instruments	551.706	63.173
Financial assets at fair value through profit or loss	38.259.013	22.909.165
Financial assets at fair value through other comprehensive income	6.984.054	6.990.945
Financial assets at amortised cost	653.509.416	371.357.596
Loans and advances to customers	985.711.842	578.632.744
Other assets	7.453.859	1.777.592
Investment properties	-	75.827.500
Stock of property	138.798.753	-
Property and equipment	27.420.036	24.487.944
Right of use assets	8.266.830	-
Intangible assets	4.400.366	1.125.231
Deferred tax asset	6.011.754	5.857.226
Total assets	**2.381.175.371**	**1.397.464.740**
Liabilities		
Amounts due to other banks and deposits from banks	33.143.966	15.140.202
Derivative financial instruments	679.955	807.898
Deposits and other customer accounts	2.122.718.261	1.220.425.492
Current tax liability	113.151	107.887
Lease liabilities	5.718.323	-
Other liabilities	32.033.488	48.554.765
Deferred tax liability	1.117.870	635.795
Total liabilities	**2.195.525.014**	**1.285.672.039**
Total equity	**185.650.357**	**111.792.701**
Total equity and liabilities	**2.381.175.371**	**1.397.464.740**

Management Report (continued)

5 **Financial results (continued)**

Key Performance Indicators		**30 September 2019**	**31 December 2018**
Asset quality[1]	NPE Ratio	38,9%	42,6%
	Provision Coverage on credit impaired loans	42,9%	54,0%
Capital	CET 1 and Total Capital (Transitional)	14,12%	14,3%
Balance Sheet	Total Assets	€2.381m	€1.397m
	Total Gross Loans	€1.194m	€760m
	Accumulated expected credit losses on loans and advances to customers	€208m	€181m
	Total Deposits	€2.123m	€1.220m
Liquidity	Liquid assets / Deposits	55,5%	56,3%
	Net Loans/Deposits	46,4%	47,4%
	Liquidity Coverage Ratio	343,0%	552,9%

Key Performance Indicators		**30 September 2019**	**30 September 2018**
Efficiency	Net interest margin (annualised)	2,4%	1,8%
	Fee and commission income/ Total income	14,1%	23,6%
	Cost/ Income	57,4%	75,5%
	Cost to income ratio excluding special levy	54,2%	71,7%
Profitability	Return on Average Assets (annualised)	1,2%	0,7%
	Return on Average Equity (annualised)	14,8%	8,1%

[1] On 18 January 2019 with the acquisition of USB Bank business, loans with gross contractual balance of €454,5m of which NPEs with gross contractual balance of €275,7m and accumulated provisions of €144,5m were added to the loan portfolio at their provisional fair value of €310,6m. The above has resulted in a decrease in the NPE Ratio and NPE Provision Coverage ratio by 0,1% and 15,6% respectively on 18 January 2019.

Management Report (continued)

6 **Financial performance overview**

Income statement analysis

The financial performance of the Group for the nine-month period ended 30 September 2019 is set out on pages 11 and 13.

Net interest income (NII) for the nine-month period ended 30 September 2019 totaled €36.276.352 (nine-month period ended 30 September 2018: €16.603.028) and net interest margin (NIM) for the period was 2,4% (nine-month period ended 30 September 2018: 1,8%). The NII increase reflects increased interest income on loans and advances due to increase in gross loans mainly because of the acquisition of USB Bank business, decreased interest expense on deposits due to decrease of the local deposit rate and increased interest income from debt securities following the diversification of the excess liquidity into higher yielding instruments.

Non-interest income for the nine-month period ended 30 September 2019 amounted to €34.812.830 (nine-month period ended 30 September 2018: €17.923.756). Non-interest income mainly comprised net fee and commission income of €9.997.970 (nine-month period ended 30 September 2018: €8.139.901) and net gains on financial instrument transactions €23.438.738 (nine-month period ended 30 September 2018: €8.921.731).

Operating profit before impairment charges and other provisions for the nine-month period ended 30 September 2019 amounted to €30.413.242 compared to €7.769.845 in the nine-month period ended 30 September 2018. Expected credit loss expense on loans and advances to customer exposures (both on and off balance sheet) amounted to €9.961.854 compared to credit loss expense of €655.177 in the nine-month period ended 30 September 2018. Increase in expected credit loss expense on loans and advances to customer exposures is mainly due to the increased portfolio of loans following the acquisition of the USB Bank business.

Profit after tax totaled €19.468.016 compared to a profit of €6.795.854 in the nine-month period ended 30 September 2018.

Statement of financial position analysis

The Group's total assets amounted to €2.381.175.371 as at 30 September 2019 (31 December 2018: €1.397.464.740), increased by 70,4%. The total assets increase reflects the acquisition of the USB Bank business.

Deposits

Customer deposits totaled €2.122.718.261 at 30 September 2019 (31 December 2018: €1.220.425.492), increased by 73,9%, mainly due to the acquisition of the USB Bank business. They comprised of €1.715.271.425 deposits in Euro and €407.446.836 deposits in foreign currencies, mostly US Dollars and British pounds.

Deposits by type	30 September 2019	% of total deposits	31 December 2018	% of total deposits
Current accounts	€1.025,7m	48,3%	€652,8m	53,5%
Savings accounts	€333,9m	15,7%	€114,6m	9,4%
Term deposits	€763,1	36,0%	€453,0m	37,1%
Total deposits	**€2.122,7m**	**100,0%**	**€1.220,4m**	**100,0%**

Customers deposits to total assets ratio stood at 89,1% as at 30 September 2019 (31 December 2018: 87,3%).

Management Report (continued)

6 **Financial performance overview (continued)**

Statement of financial position analysis (continued)

Loans and advances to customers

Gross loans totaled €1.193.561.637 at 30 September 2019 compared to €759.741.111 at 31 December 2018. On 30 September 2019, the Group net loans and advances to customers totaled €985.711.842 (compared to €578.632.744 at 31 December 2018). Increase in gross and net loans relates mainly to the acquisition of USB Bank business.

The net loans to deposits ratio stood at 46,4% as at 30 September 2019 (31 December 2018: 47,4%).

Gross loans balance by type:

	30 September 2019	31 December 2018	Growth %
Consumer	€138,2m	€85,8m	61,1%
Housing	€176,0m	€125,7m	40,0%
Credit cards	€10,8m	€7,9m	36,0%
Corporate	€868,6m	€540,3m	60,8%
Gross loans	**€1.193,6m**	**€759,7m**	**57,1%**

Loan Portfolio Quality

Improving the Group's loan portfolio quality remains high priority for Management. The Group continues to make steady progress across all asset quality metrics and the loan restructuring activity continues.

Non-Performing Exposures (NPEs) as defined by EBA amounted to €464.031.013 as at 30 September 2019 representing 38,9% of gross loans.

Accumulated impairment losses amounted to €207.849.947 as at 30 September 2019 (31 December 2018: €181.108.367) and represented 17,4% of the total gross loans (31 December 2018: 23,8%). Increase in credit loss expense on loans and advances to customer exposures is mainly due to the increased portfolio of loans following the acquisition of USB Bank business.

Further details on the loan portfolio of the Group are disclosed in Notes 15 and 28 to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2019.

Debt for asset swaps implemented during the nine-month period ended 30 September 2019

During the nine-month period ended 30 September 2019, the Group on-boarded €2.826.000 (31 December 2018: €7.917.195) of assets via the execution of debt for asset swaps and completed disposals of €1.317.120 (31 December 2018: €9.025.125). Additional €63.045.190 assets were acquired via the acquisition of USB Bank business.

As at 30 September 2019, assets held by the Group had a carrying value of €138.798.753.

	30 September 2019	31 December 2018
Repossessed assets held by the Group	**€**	**€**
Opening balance	75.827.500	64.730.039
Transfer from financial assets at fair value through profit or loss	-	12.225.044
Acquired via the acquisition of USB Bank	63.045.190	-
On boarded during the period	2.826.000	7.917.195
Disposals	(1.317.120)	(9.025.125)
Impairment	(1.582.817)	-
Other movements	-	(19.653)
Closing balance	**138.798.753**	**75.827.500**

Management Report (continued)

7 Capital base

The primary objective of the Bank's capital management is to ensure compliance with the relevant regulatory capital requirements and maintenance of healthy capital adequacy ratios in order to support its growth and maximise the value for its shareholders. As at 30 September 2019 the Bank's capital adequacy ratio stood at 14,12% and was in compliance with the regulatory minimum Overall Capital Requirement ('OCR') of 13,35% and the OCR including Pillar II Guidance ('P2G').

The Group has elected to apply the EU transitional arrangements for regulatory capital purposes (EU Regulation 2017/2395). The amount subject to transitional provisions which will be added back to the CET1 capital will be derived from the following:

- Increased credit loss provisions from the implementation of the IFRS 9 on 1 January 2018 compared to the credit loss provisions under IAS39 net of any tax impact. The impact on the impairment amount from the initial application of IFRS 9 on the capital ratios will be phased-in gradually.
- Additional credit loss provisions incurred after IFRS 9 implementation which rise unexpectedly due to a worsening macroeconomic outlook from non-credit impaired financial assets.

8 Liquidity risk

As at and during the nine-month period ended 30 September 2019, the Bank was in compliance with the required prudential liquidity indicator of the European Central Bank. The liquidity coverage ratio stood at 343,0% (31 December 2018: 552,9%) compared to a minimum requirement of 100%.

The Net Stable Funding Ratio ("NSFR") has not yet been introduced. It will become a regulatory indicator when Capital Requirement Regulation 2 (CRR2) is enforced, currently expected in 2021, with the limit set at 100%. At 30 September 2019, the Group's NSFR stood at 176,8% (compared to 164,0% at 31 December 2018).

Details of the liquidity risk management are disclosed in Note 28 to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2019.

9 Going concern

The Board of Directors and Management have made an assessment of the Group's ability to continue as a going concern for a period of 12 months from the date of approval of these interim condensed consolidated financial statements. The Board of Directors and Management believe that the Group is taking all necessary measures to maintain its viability and the development of its business in the current economic environment. They have also concluded that there are no material uncertainties that could cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the interim condensed consolidated financial statements.

The Board of Directors and Management, in making their assessment, have given particular attention to the regulatory requirements relating to capital and liquidity as follows:

Capital

In April 2019 the Group developed a capital plan which has been approved by the Board of Directors and submitted to Central Bank of Cyprus. One of the most important objectives of the capital plan was to ensure that the Group has sufficient resources and capital in order to meet its capital requirements and to fund the future expansion of the Group, while at the same time continues to internally resolve non-performing loans.

As at 30 September 2019 the Bank's capital adequacy ratio stood at 14,12% which is above the minimum Overall Capital Requirement ('OCR') of 13,35% and the OCR including Pillar II Guidance ('P2G'). During the period the Bank has been advised by the Central Bank of Cyprus for its designation as an "Other Systemically Important Institution" ('O-SII') and the requirement for an increase in its OCR with the introduction of the O-SII buffer of 0,5%. The O-SII buffer is introduced within a phasing-in period (0,25% from 1st January 2020, 0,375% from 1 January 2021 and 0,5% from 1 January 2022). As a result, the OCR of the Bank as of 1 January 2020 will be 13,60%. During September 2019, Management took certain targeted actions as well as proceeded with enhancements of its capital monitoring and control procedures to increase its capital adequacy ratio and ensure that the Bank will be in compliance with the regulatory Capital requirements throughout the assessment period of 12 months from the date of approval of these financial statements.

Management Report (continued)

9 Going concern (continued)

Capital (continued)

The Board of Directors and the Management considering the Bank's Capital adequacy ratio together with the capital plan ("The Plan"), believe that the Group will maintain sufficient capital to meet the minimum regulatory capital requirements and fund the Group's growth strategy throughout the period of the assessment. The Group remains focused to implement the actions contemplated in the Plan.

Liquidity

The Bank maintains healthy liquidity levels, with a Liquidity Coverage Ratio and Net Stable Funding Ratio as at 30 September 2019 of 343,0% and 176,8% respectively, well in excess of the regulatory minima of 100%. Based on the projections of management of the Group, it is expected that the Group will maintain compliance with these liquidity requirements for the period of the going concern assessment.

10 Principal risks and uncertainties

Like any banking group, the Group is exposed to a variety of risks, the most significant of which are credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and price risk). The Group monitors and manages these risks through various control mechanisms.

The Group activities are mainly in Cyprus therefore it's performance is impacted by changes in the Cyprus operating environment.

Additionally, the Group is exposed to the risk of changes in the fair value of property which is held either for own use or as stock of property. Stock of property is acquired in exchange of debt and is intended to be disposed in line with the Group's strategy.

The Group is also exposed to litigation risk, arising from claims on other matters. Further information is disclosed in Note 25 to these interim condensed consolidated financial statements for the nine-month period ended 30 September 2019.

As explained in Note 28 to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2019 and Note 34 of the Annual Report for the year ended 31 December 2018, the Group's risk management program focuses on the unpredictability of the economic environment in which it operates and seeks to minimise potential adverse effects on the Group's financial performance. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, to monitor risks and to ensure adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors is assisted in this task by the Risk Committee and the Audit Committee which assess the adequacy of the risk management framework and the system of internal controls of the Group respectively.

11 Events after the reporting date

The events after the reporting date are disclosed in Note 34 of the interim condensed consolidated financial statements for the nine-month period ended 30 September 2019.

By Order of the Board,

Constantinos Loizides
Chairman of the Executive Committee and Managing Director
13 December 2019

Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

Interim Consolidated Income Statement for the nine month period ended 30 September 2019

	Note	Nine-month period ended 30 September 2019 €	Nine-month period ended 30 September 2018 €
Interest income		38.950.552	20.782.685
Income similar to interest income		1.769.528	1.017.055
Interest expense		(4.443.728)	(5.196.712)
Net interest income	5	**36.276.352**	**16.603.028**
Fee and commission income		12.151.532	9.715.452
Fee and commission expense		(2.153.562)	(1.575.551)
Net fee and commission income	6	**9.997.970**	**8.139.901**
Other income	7	1.376.122	862.124
Net gains on financial instrument transactions	8	6.389.570	1.194.737
Gains arising from the derecognition of financial assets measured at amortised cost	14	17.049.168	7.726.994
		71.089.182	**34.526.784**
Reversal of previous recognised impairment on own used properties		1.830.439	-
Impairment of stock of property and leasehold improvements		(1.730.754)	(691.281)
Staff expenses	9	(25.716.419)	(16.189.244)
Depreciation and amortization expenses		(2.503.616)	(950.131)
Operating expenses	9	(12.555.590)	(8.926.283)
Profit before provisions		**30.413.242**	**7.769.845**
(Provision for) / reversal of expected credit loss to cover credit risk on loans and advances to customers	10	(9.676.582)	123.418
Provision for expected credit loss to cover credit risk on contractual commitments and guarantees	10	(285.272)	(778.595)
(Provision for) / reversal of expected credit loss to cover credit risk on other financial instruments	10	(640.282)	261.914
Profit before tax		**19.811.106**	**7.376.582**
Income tax charge	11	(343.090)	(580.728)
Profit for the period		**19.468.016**	**6.795.854**

Interim Consolidated Income Statement for the three-month period ended 30 September 2019

	Three-month period ended 30 September 2019 €	Three-month period ended 30 September 2018 €
Interest income	14.067.036	8.130.632
Income similar to interest income	692.235	299.505
Interest expense	(1.362.217)	(1.896.745)
Net interest income	**13.397.054**	**6.533.392**
Fee and commission income	3.434.304	3.438.130
Fee and commission expense	(762.939)	(548.254)
Net fee commission income	**2.671.365**	**2.889.876**
Other income/ (expense)	331.897	(16.126)
Net gains on financial instrument transactions	1.492.427	621.262
Gains arising from the derecognition of financial assets measured at amortised cost	11.476.532	-
	29.369.275	**10.028.404**
Impairment of stock of property and leasehold improvements	(142.957)	(207.316)
Staff expenses	(10.253.954)	(4.609.108)
Depreciation and amortisation	(919.961)	(332.676)
Operating expenses	(4.702.546)	(3.476.948)
Profit before provisions	**13.349.857**	**1.402.356**
(Provision for) / reversal of expected credit loss to cover credit risk on loans and advances to customers	(1.935.326)	83.950
Reversal of/ (provision for) expected credit loss to cover credit risk on contractual commitments and guarantees	193.168	(325.746)
Provision for expected credit loss to cover credit risk on other financial instruments	(305.925)	(74.656)
Profit before tax	**11.301.774**	**1.085.904**
Income tax credit/ (charge)	102.200	(124)
Profit for the period	**11.403.974**	**1.085.780**

Interim Consolidated Statement of Comprehensive Income for the nine-month period ended 30 September 2019

	Nine-month period ended 30 September 2019 €	Nine-month period ended 30 September 2018 €
Profit for the period after tax	**19.468.016**	**6.795.854**
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Revaluation gain on own use properties	396.532	-
Equity investments at fair value through other comprehensive income (FVOCI) – net change in fair value	(6.891)	677.705
	389.641	677.705
Items that are or may be reclassified subsequently to profit or loss:		
Debt instruments at fair value through other comprehensive income:		
Net losses on investments in debt instruments measured at FVOCI	-	(425.299)
Changes in allowance for expected credit losses	-	(337.643)
Reclassification to consolidated income statement upon disposal	-	(8.052.913)
	-	**(8.815.855)**
Other comprehensive income / (loss) for the period after tax	**389.641**	**(8.138.150)**
Total comprehensive income / (loss) for the period	**19.857.657**	**(1.342.296)**

Interim Consolidated Statement of Comprehensive Income for the three-month period ended 30 September 2019

	Three-month period ended 30 September 2019 €	Three-month period ended 30 September 2018 €
Profit for the period after tax	**11.403.974**	**1.085.780**
Other comprehensive income for the period after tax	**-**	**-**
Total comprehensive income for the period	**11.403.974**	**1.085.780**

Interim Consolidated Statement of Financial Position as at 30 September 2019

	Note	30 September 2019 €	31 December 2018 €
Assets			
Cash and balances with Central Banks	12	405.776.456	200.763.030
Placements with other banks	13	98.031.286	107.672.594
Derivative financial instruments	26	551.706	63.173
Financial assets at fair value through profit or loss	17	38.259.013	22.909.165
Financial assets at fair value through other comprehensive income	16	6.984.054	6.990.945
Financial assets at amortised cost	14	653.509.416	371.357.596
Loans and advances to customers	15	985.711.842	578.632.744
Other assets	20	7.453.859	1.777.592
Investment property	18	-	75.827.500
Stock of property	19	138.798.753	-
Property and equipment		27.420.036	24.487.944
Right of use assets	2	8.266.830	-
Intangible assets		4.400.366	1.125.231
Deferred tax asset		6.011.754	5.857.226
Total assets		**2.381.175.371**	**1.397.464.740**
Liabilities			
Amounts due to other banks and deposits from banks	21	33.143.966	15.140.202
Derivative financial instruments	26	679.955	807.898
Deposits and other customer accounts	22	2.122.718.261	1.220.425.492
Current tax liability		113.151	107.887
Lease liabilities	2	5.718.323	-
Other liabilities	23	32.033.488	48.554.765
Deferred tax liability		1.117.870	635.795
Total liabilities		**2.195.525.014**	**1.285.672.039**
Equity			
Share capital	24	19.761.754	14.113.487
Share premium	24	126.906.436	88.554.704
Preference shares	24	10.000.000	-
Revaluation and other reserves		1.106.475	716.834
Retained earnings		27.875.692	8.407.676
Total equity attributable to the owners of the Bank		**185.650.357**	**111.792.701**
Total equity		**185.650.357**	**111.792.701**
Total equity and liabilities		**2.381.175.371**	**1.397.464.740**

On 13 December 2019 the Board of Directors of AstroBank Limited approved these interim condensed consolidated financial statements for issue.

Constantinos Loizides, Chairman of the Executive Committee and Managing Director

George Appios, Deputy Managing Director

Paola Ioannou, Chief Financial Officer

Interim Consolidated Statement of Changes in Equity for the nine-month period ended 30 September 2019

	Share Capital (Note 24) €	Share Premium (Note 24) €	Preference shares (Note 24) €	Fair value reserve €	Retained earnings €	Total €
Balance at 1st January 2018	14.113.487	88.554.704	-	8.408.033	5.121.259	116.197.483
Impact of adopting IFRS 9 at 1 January 2018	-	-	-	446.951	(6.684.268)	(6.237.317)
Restated balance at 1 January 2018	**14.113.487**	**88.554.704**	-	**8.854.984**	**(1.563.009)**	**109.960.166**
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6.795.854	6.795.854
Other comprehensive loss for the period	-	-	-	(8.138.150)	-	(8.138.150)
Total comprehensive loss for the period	-	-	-	(8.138.150)	6.795.854	(1.342.296)
Balance as at 30 September 2018	**14.113.487**	**88.554.704**	-	**716.834**	**5.232.845**	**108.617.870**
Balance at 1st January 2019	14.113.487	88.554.704	-	716.834	8.407.676	111.792.701
Total comprehensive income for the period						
Profit for the period	-	-	-	-	19.468.016	19.468.016
Other comprehensive profit for the period	-	-	-	389.641	-	389.641
Total comprehensive income for the period	-	-	-	389.641	19.648.016	19.857.657
Issue of ordinary shares (Note 24)	5.648.267	38.351.732	-	-	-	43.999.999
Issue of preference shares (Note 24)	-	-	10.000.000	-	-	10.000.000
Balance as at 30 September 2019	**19.761.754**	**126.906.436**	**10.000.000**	**1.106.475**	**27.875.692**	**185.650.357**

Interim Consolidated Statement of Cash Flows for the nine-month period ended 30 September 2019

	Nine-month period ended 30 September 2019 €	Nine-month period ended 30 September 2018 €
Cash flows from operating activities		
Profit for the period before tax	19.811.106	7.376.582
Adjustments for:		
Depreciation of property and equipment, depreciation of right of use assets and amortisation of intangible assets	2.503.616	950.131
Fair value gain on financial assets at fair value through profit or loss	(5.362.710)	(8.940.480)
Reversal of previous recognised impairment on own used properties	(1.830.439)	-
Impairment on stock of property	1.589.171	-
Finance lease interest	76.988	-
Impairment of investment property	-	28.424
Impairment of property and equipment and leasehold improvements	141.582	691.281
Foreign exchange difference on debt securities at amortised cost	(4.590.206)	(3.283.489)
Amortisation of debt securities	1.162.417	261.914
Provision for/ (reversal of) expected credit losses on debt securities	640.282	81.179
	14.141.807	**(2.717.406)**
Changes in:		
Loans and advances to customers (note 1 below)	(100.447.615)	(12.456.306)
Deposits from and amounts due to other banks and customer accounts	268.891.771	188.651.503
Increase in mandatory deposits with the Central Bank of Cyprus	(21.659.317)	(2.148.110)
Other assets	(2.188.549)	(120.310)
Net position in derivative financial instruments	(616.476)	(473.638)
Other liabilities	(23.418.638)	13.864.356
Cash generated from operations	**134.702.983**	**184.600.089**
Tax Paid	-	-
Net cash generated from operations	**134.702.983**	**184.600.089**

Interim Consolidated Statement of Cash Flows for the nine-month period ended 30 September 2019

	Nine-month period ended 30 September 2019 €	Nine-month period ended 30 September 2018 €
Cash flows used in investing activities		
Purchase of property and equipment	(631.783)	(1.196.132)
Purchase of intangible assets	(446.781)	(633.611)
Additions of financial assets at fair value through profit and loss	(256.619.297)	(49.364.374)
Disposal of financial assets at fair value through profit and loss	248.404.643	49.004.342
Acquisition of debt securities at amortised cost	(620.376.922)	(491.070.768)
Disposal of debt securities at amortised cost	451.526.330	316.493.960
Disposal of investment properties	-	8.367.309
Disposal of stock of property	1.317.120	-
Acquisition of financial assets at fair value through other comprehensive income	-	(65.310)
Acquisition of USB business net of cash acquired (note 2 below)	155.842.185	-
Net cash used in investing activities	**(20.984.505)**	**(168.464.584)**
Cash flows from financing activities		
Issue of share capital	53.999.999	-
Lease payments	(875.346)	-
Net cash generated from financing activities	**53.124.653**	**-**
Net increase in cash and cash equivalents for the period	**166.843.131**	**16.135.505**

	30 September 2019 €	30 September 2018 €
Cash and cash equivalents		
At the beginning of the period	294.697.978	368.465.239
Net increase in cash and cash equivalents	166.843.131	16.135.505
At the end of the period	**461.541.109**	**384.600.744**

(1) Non-cash transactions from operating activities

During the period the Group acquired property for the amount of €3,9m (nine-month period ended 30 September 2018: €3,0m) via execution of debt for asset swaps as settlement for loan repayments. These are not included in cash flows from operating activities as they do not constitute cash flow movements.

(2) Acquisition of USB business

The Group discloses in a separate line the total consideration paid and the amount of cash and cash equivalents in the acquired business over which control is obtained during the period.

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

On 13 December 2019 the Board of Directors of the AstroBank Limited authorised for issue the interim condensed consolidated financial statements (the "Financial Statements") for the nine-month period ended 30 September 2019.

1. GENERAL INFORMATION

Country of incorporation

Astrobank Limited (the "Bank") was incorporated in Cyprus as a private limited liability company (Reg. No. HE189515), in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The registered office of the Bank is located at 1, Spyrou Kyprianou Street, CY-1065 Nicosia. AstroBank Group (the "Group") comprises the Bank and its subsidiaries.

The subsidiaries of the Group were incorporated in Cyprus in accordance with the provisions of the Cyprus Companies Law, Cap. 113.

Principal activities

The principal activities of the Bank during the period continued to be the provision of banking and financial services.

The principal activities of the property subsidiaries, which are unchanged from last year are the holding, administration and disposal of property acquired by the Bank in debt satisfaction. A separate subsidiary is used as an insurance broker.

Unaudited financial statements

The financial statements have not been audited by the Group's external auditors.

The Group's external auditors have conducted a review in accordance with the International Standard on Review Engagements 2410 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard (IAS) applicable to financial reporting as adopted by the European Union (EU) (IAS 34), and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2018 ('last annual financial statements') which are available at the Group's website (www.astrobank.com). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

Basis of preparation

The interim condensed conolidated financial statements have been prepared on a historical cost basis, except for properties held for own use and investment properties, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, derivative financial instruments that have been measured at fair value and stock of properties measured at lower of cost and net realisable value.

All acquired assets and liabilities of USB Bank have been recognised at fair value on the acquisition date. (Refer to Note 33 to for further analysis)

The interim condensed consolidated financial statements are presented in Euro (€), which is the functional currency of the Bank. A dot is used to separate thousands and a comma is used to separate decimals.

Basis of consolidation

The interim condensed consolidated financial statements for the nine-month period ended 30 September 2019 comprise the financial statements of the Bank and its subsidiaries as at 30 September 2019.

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparatives

Reclassifications to comparative information were made to conform to current period presentation as follows:

Interest income on placements with other banks amounting to €873.866 was reclassified from 'Interest expense' to 'Interest income' in the comparative information for the nine-month period ended 30 September 2019 and €406.654 for the three-month period ended 30 September 2019.

Changes in significant accounting policies

The accounting policies adopted in the interim condensed consolidated financial statements are consistent with the accounting policies adopted in the financial statements for the year ended 31 December 2018, except for the adoption of new and revised standards, interpretations and amendments to existing standards with effect from 1 January 2019 and onwards.

The changes in accounting policies from the adoption of the new standards and amendments are described below:

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 "Leases"

The standard is effective for annual periods beginning on or after 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model and there is no distinction between operating and finance leases. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

The Group as a lessee

Right-of-use assets

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received. The right of use asset should also be adjusted to reflect the favorable terms of the lease when compared with market terms.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses its incremental borrowing rate (IBR) as the discount rate.

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS 16 "Leases" (continued)

Lease liabilities *(continued)*

The lease liability subsequently increased with the accrual of interest throughout the life of the lease and is reduced when payments are made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The IBR used as of 1 January 2019 was based on the yield of covered bonds issued by comparable European banks and which was adjusted upwards for difference in country risk, the lack of liquidity in the Cypriot market (and hence low marketability of any covered bonds that the Group may issue), the relatively small size of the Bank, as well as the potentially lower credit rating that agencies would assign to the Group's issued debt compared to the credit rating associated with the selected covered bonds. The resulting yield curve was considered to reflect the Group's incremental borrowing rate.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of €222.756 (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group as a lessor

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

Nature of the effect of adoption of IFRS 16

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and applied the following transition options available:

- The cumulative effect of initially applying the standard was recognised at the date of initial application. The implementation of IFRS 16 led to the recognition of the right of use assets at an equal amount as lease liabilities liability with no effect on equity or retained earnings of the Group as at 1 January 2019.
- Election to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application of 1 January 2019
- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).
- Rely on its assessment of whether leases are onerous applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" immediately before the date of initial application as an alternative to performing an impairment review. The Group adjusts the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application.
- Exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Use hindsight such as in determining the lease term if the contract contains options to extend or terminate the lease.
- Exclude from impact of adoption of IFRS 16 leases for which the lease term ends within 12 months of the date of initial application or leases for which the underlying asset is of low value (defined at €5.000 when new).

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS 16 "Leases" (continued)

The Group holds lease contracts mainly for commercial properties (i.e. office buildings, branches) and vehicles.

The quantification of the impact of the adoption of IFRS 16 on Group's financial statements as of 1 January 2019 is as follows:

	1 January 2019 €
Assets	
-Right-of-use assets	**3.410.394**
Immovable Properties	3.192.920
Vehicles	217.474
- Prepayments	108.374
Liabilities	
-Lease liabilities	**3.410.394**

IFRS 9 (Amendments) "Prepayment Features with Negative Compensation"

In October 2017, the IASB issued "Prepayment Features with Negative Compensation (Amendments to IFRS 9)".This amendment allows financial assets with such features to be measured at amortised cost or fair value through other comprehensive income provided that they meet the other relevant requirements of IFRS 9. The adoption of this amendment did not have any impact on the interim condensed consolidated financial statements.

IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies the application of IAS 12 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. The adoption of this interpretation did not have material impact on the interim condensed consolidated financial statements.

IAS 28 (Amendments) "Long-term Interest in Associates and Joint Ventures"

In October 2017, the IASB issued "Long-term interests in Associates and Joint Ventures" (Amendments to IAS 28). The amendments clarify that an entity applies IFRS 9 "Financial Instruments" to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The adoption of this amendment did not have any impact on interim condensed consolidated financial statements.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely, pending the outcome of its research project on the equity method of accounting. The adoption of this amendment did not have any impact on the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. They clarify the definition of material and how it should be applied. 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'. In addition, the explanations accompanying the definition have been improved. The amendments also ensure that the definition of material is consistent across all IFRS Standards. The adoption of this amendment did not have any impact on the interim condensed consolidated financial statements.

IAS 19: Plan Amendment, Curtailment or Settlement (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. They require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. The adoption of this amendment did not have any impact on the interim condensed consolidated financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

In December 2017, the IASB published Annual Improvements to IFRSs 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements". The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest in that business at fair value. The amendments to IFRS 11 clarify that when an entity maintains (or obtains) joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12 "Income Taxes": the amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.

- IAS 23 "Borrowing Costs": the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The adoption of the annual improvements did not have material impact on the interim condensed consolidated financial statements.

Conceptual Framework in IFRS standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020. The Group does not expect this framework to have a material impact on its results and financial position.

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock of property

The Group in its normal course of business acquires properties in debt satisfaction ("REOs"), which are held either directly or by entities set up and controlled by the Group for the sole purpose of managing these properties with an intention to be disposed of. These properties are recognised in the Group's interim condensed consolidated financial statements as stock of property, reflecting the substance of these transactions.

Following the absorption of USB Bank portfolio which has increased its NPEs and its REOs portfolio, the Group has proceeded to the refinement of its NPEs management strategy by introducing a newly formed Debt Servicing Unit ("DSU") with the aim of tackling NPEs in a more focused approach.

The DSU has clear mandates and authorities, a lean, flexible and efficient operating model, with clear focus and dedication, ring-fenced from other banking activities and operations. DSU objective is to monetise the value of the collaterals on-boarded from restructured NPEs. DSU, in its ordinary course of business, holds property for sale with an intention to dispose them as soon as possible and not to make profit in the long-term from capital appreciation or from earning rental yields. The sale of properties by DSU is closely monitored by the Group's Executive Management.

With the set-up of the DSU from early 2019 the Group has commenced deploying its strategy for the management and timely disposal of REOs via active targeted marketing through multiple channels. In effect, as a result of this refined NPEs management strategy, the Group has changed its use of REOs with a clear target of a timely sale.

As a result of the change in use of the properties acquired in debt satisfaction, the Group's Management has reassessed the applicability of the accounting policy on its existing portfolio of repossessed assets and has concluded that for all properties previously classified as investment properties there has been a change in use and has therefore transferred €140.053.690 REOs from investment properties to stock of property representing the fair value at the time of transfer. The effective date of change in use and transfer from investment property to stock of property was 12th April 2019.

The stock of property is measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price, less the estimated costs necessary to make the sale.

If net realisable value is below the cost of the stock of property, impairment is recognised in 'Impairment of non-financial instruments' in the consolidated income statement.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting in accordance with IFRS3. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Business combinations and goodwill (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss as negative goodwill.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

3. GOING CONCERN

The Board of Directors and Management have made an assessment of the Group's ability to continue as a going concern for a period of 12 months from the date of approval of these interim condensed consolidated financial statements. The Board of Directors and Management believe that the Group is taking all necessary measures to maintain its viability and the development of its business in the current economic environment. They have also concluded that there are no material uncertainties that could cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the interim condensed consolidated financial statements.

The Board of Directors and Management, in making their assessment, have given particular attention to the regulatory requirements relating to capital and liquidity as follows:

Capital

In April 2019 the Group developed a capital plan which has been approved by the Board of Directors and submitted to Central Bank of Cyprus. One of the most important objectives of the capital plan was to ensure that the Group has sufficient resources and capital in order to meet its capital requirements and to fund the future expansion of the Group, while at the same time continues to internally resolve non-performing loans.

As at 30 September 2019 the Bank's capital adequacy ratio stood at 14,12% which is above the minimum Overall Capital Requirement ('OCR') of 13,35% and the OCR including Pillar II Guidance ('P2G'). During the period the Bank has been advised by the Central Bank of Cyprus for its designation as an "Other Systemically Important Institution" ('O-SII') and the requirement for an increase in its OCR with the introduction of the O-SII buffer of 0,5%. The O-SII buffer is introduced within a phasing-in period (0,25% from 1st January 2020, 0,375% from 1 January 2021 and 0,5% from 1 January 2022). As a result, the OCR of the Bank as of 1 January 2020 will be 13,60%. During September 2019, Management took certain targeted actions as well as proceeded with enhancements of its capital monitoring and control procedures to increase its capital adequacy ratio and ensure that the Bank will be in compliance with the regulatory Capital requirements throughout the assessment period of 12 months from the date of approval of these interim condensed consolidated financial statements.

The Board of Directors and the Management considering the Bank's Capital adequacy ratio together with the financial and capital plan, believe that the Group will maintain sufficient capital to meet the minimum regulatory capital requirements and fund the Group's growth strategy throughout the period of the assessment. The Group remains focused to implement the actions contemplated in the Plan.

Liquidity

The Bank maintains healthy liquidity levels, with a Liquidity Coverage Ratio and Net Stable Funding Ratio as at 30 September 2019 of 343,0% and 176,8% respectively, well in excess of the regulatory minimums of 100%. Based on the projections of management of the Group, it is expected that the Group will maintain compliance with these liquidity requirements for the period of the going concern assessment.

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim condensed consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent obligations and liabilities at balance sheet date and the reported amounts of income and expenses during the year of reporting. Despite the fact that these assumptions are based on the best possible knowledge of the Group's Management and the Board of Directors regarding current conditions and activities, actual results may eventually differ from those estimates.

Accounting estimates and judgments are reviewed and evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The assessment of these factors determine the basis under which judgement is being applied in connection with accounting principles affecting the value of assets and liabilities which are not immediately apparent from other sources.

a) Classification of loans and advances to customers

The Group exercises judgement upon determining the classification of loans and advances to customers, which relate to business models and future cash flows.

Judgement is also required to determine the appropriate level at which the assessment of business models needs to be performed. Further, the Group exercises judgement in determining the effect of sales of financial instruments on its business model assessment.

The Group also applies judgement upon considering whether contractual features including interest rates could significantly affect future cash flows.

b) Calculation of expected credit losses

The calculation of ECL requires management to apply significant judgement and make estimates and assumptions. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECL to be recognised. The Group's calculations are outputs of models, of underlying assumptions on the choice of variable inputs and their interdependencies. Elements of ECL models that are considered accounting judgements and estimates include:

Significant credit risk increase for loans and advances to customers

The Group assesses whether significant increase in credit risk has occurred since initial recognition using staging criteria and qualitative information in certain cases. The determination of the relevant thresholds to determine whether the significant increase in credit risk has occurred, involves management judgement. The relevant thresholds are set, monitored and updated by the Group's Executive Management.

Scenarios and macroeconomic factors

The Group determines the ECL, which is a probability-weighted amount by evaluating a range of possible outcomes. Management uses forward-looking scenarios and assesses the suitability of weights used. These are based on Management's assumptions taking into account macroeconomic, market and other factors. Changes in these assumptions and in the external factors could significantly impact ECL. Qualitative adjustments or overlays are occasionally made when inputs calculated do not capture all the characteristics of the market. These are reviewed and adjusted if considered necessary by the Bank's Executive Management. No Management overlays were performed during the reporting period.

The Group uses three different economic scenarios. For Stage 3 customers, the calculation of individually assessed provisions is the weighted average of three scenarios; base (50% weight), pessimistic (25% weight) and optimistic (25% weight).

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

b) Calculation of expected credit losses (continued)

Scenarios and macroeconomic factors (continued)

Under the pessimistic scenario operational cash flows are decreased by 25% (2018: decreased by 50%), applied haircuts on real estate collaterals are increased by 10% (2018: 10%) and the timing of recovery of collaterals is increased by 1 year (2018: 1 year). Under the optimistic scenario no increase was applied to operational cash flows (2018: 25% increase), applied haircuts are decreased by 5% (2018: 5%) and the timing of recovery of collaterals is decreased by 1 year (2018: 1 year).

Under all scenarios, selling costs are assumed to be 4% (2018: Base scenario 4%, Optimistic scenario 3%, Pessimistic scenario 5%) of the recoverable amount of real estate collaterals and are additional to the liquidation haircuts applied to collateral values.

For cases that the foreclosure process is assessed to be the most relevant strategy, the applied haircut on real estate collaterals under the baseline scenario is 20% (2018: 25%) irrespective of the type and location of the property. The corresponding haircuts for the pessimistic scenario are increased by 10% (2018: 10%) and for the optimistic scenario are decreased by 5% (2018: 5%).

The open market values of real estate collaterals are indexed from the valuation report date to the impairment test reference date, using the latest available property price indices (by the CBC).

For all real estate collaterals, the following haircuts were applied to the indexed open market values as at 30 September 2019 and 31 December 2018:

30 September 2019	Average haircut for urban locations	Average haircut for rural locations
Residential Real Estate (Completed)	7%	12%
Residential Land	11%	18%
Commercial Real Estate (Completed)	9%	18%
Commercial Land	12%	18%
Other Land, Agriculture & Protection Zone Real Estate	25%	25%
Semi-completed Real Estate (residential & commercial)	13%	18%
Special-use Real Estate (i.e. Hotels, shopping malls)	4%	11%

31 December 2018	Average haircut for urban locations	Average haircut for rural locations
Residential Real Estate (Completed)	6%	11%
Residential Land	10%	17%
Commercial Real Estate (Completed)	9%	18%
Commercial Land	12%	18%
Other Land, Agriculture & Protection Zone Real Estate	25%	25%
Semi-completed Real Estate (residential & commercial)	13%	17%
Special-use Real Estate (i.e. Hotels, shopping malls)	5%	11%

The above average haircuts are applied by reference to the location of each collateral.

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Critical accounting estimates and assumptions (continued)

b) Calculation of expected credit losses (continued)

Scenarios and macroeconomic factors (continued)

The table below indicates the most significant macroeconomic variables as well as the scenario weights used by the Group as at 30 September 2019 and 31 December 2018 respectively.

30 September 2019

Year	Scenario	Weight	Real GDP (% change)	Unemployment rate (% of labour force)	Industrial production (%)	Residential Price Index (average change %)	Commercial Price Index (average change %)
2019	Baseline	50%	3,25%	7,37%	4,71%	2,40%	3,00%
	Optimistic	25%	3,35%	7,31%	4,81%	2,51%	3,11%
	Pessimistic	25%	2.90%	7,62%	4,35%	0,00%	0,00%
2020	Baseline	50%	2,90%	6,60%	3,83%	2,90%	3,00%
	Optimistic	25%	4,45%	6,13%	5,32%	4,29%	4,39%
	Pessimistic	25%	-3,62%	9,68%	-2,43%	-0,68%	-0,58%
2021	Baseline	50%	2,20%	6,07%	3,11%	3,00%	2,00%
	Optimistic	25%	3,34%	5,57%	4,20%	3,93%	2,93%
	Pessimistic	25%	-3,12%	11,35%	-1,93%	-0,53%	-1,53%
2022	Baseline	50%	2,01%	5,86%	2,52%	2,00%	2,00%
	Optimistic	25%	2,31%	5,41%	2,80%	2,00%	2,00%
	Pessimistic	25%	1,85%	11,13%	2,38%	0,00%	0,00%
2023	Baseline	50%	1,85%	5,80%	1,96%	2,00%	2,00%
	Optimistic	25%	1,84%	5,33%	1,96%	2,00%	2,00%
	Pessimistic	25%	4,38%	10,08%	4,38%	0,00%	0,00%

31 December 2018

Year	Scenario	Weight	Real GDP (% change)	Unemployment rate (% of labour force)	Industrial production (%)	Residential Price Index (average change %)	Commercial Price Index (average change %)
2019	Baseline	50%	1,63%	7,72%	3,93%	2,70%	3,00%
	Optimistic	25%	2,85%	7,29%	1,51%	3,80%	4,10%
	Pessimistic	25%	-2,72%	10,00%	-3,63%	-0,26%	0,00%
2020	Baseline	50%	1,33%	7,55%	1,52%	3,50%	3,00%
	Optimistic	25%	2,10%	7,03%	2,25%	4,82%	4,32%
	Pessimistic	25%	-2,49%	12,42%	-2,11%	-0,92%	-1,42%
2021	Baseline	50%	1,14%	7,43%	1,15%	3,50%	2,00%
	Optimistic	25%	1,34%	6,98%	1,35%	4,20%	2,70%
	Pessimistic	25%	1,75%	12,90%	1,71%	0,00%	-0,14%
2022	Baseline	50%	1,20%	7,38%	1,17%	2,00%	2,00%
	Optimistic	25%	1,22%	6,94%	1,19%	2,00%	2,00%
	Pessimistic	25%	2,70%	11,91%	2,59%	0,00%	0,00%

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Critical accounting estimates and assumptions (continued)

b) Calculation of expected credit losses (continued)

Assessment of loss given default

A factor for the estimation of LGD is the timing and net recoverable amount from repossession or realisation of collaterals which mainly comprise real estate assets.

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of collateral, taxes and expenses on the repossession and subsequent sale of the collateral as well as any other applicable haircuts. Indexation has been used to estimate updated market values of properties, while assumptions were made on the basis of a macroeconomic scenario for future changes in property values.

The timing of recovery of real estate collaterals used in the collectively assessed provisions calculation for loans and advances to customers is 6 years (2018: 6 years).

For the calculation of individually assessed provisions, the timing of recovery of collaterals as well as the haircuts used are based on the specific facts and circumstances of each case. Judgement may also be exercised over staging during the individual assessment.

Any changes in these assumptions or difference between assumptions made and actual results could result in significant changes in the amount of required credit losses on loans and advances.

Modelling adjustments

Forward looking models have been developed for ECL parameters (PD and LGD) for all portfolios sharing similar characteristics. Governance of these models lies with the Risk Management Division and the Finance Division.

ECL allowances also include off-balance sheet credit exposures represented by guarantees given and by irrevocable commitments to disburse funds. Off-balance sheet credit exposures of the individually assessed assets require assumptions on the timing and amount of cash outflows. For the collectively assessed off-balance sheet credit exposures, the allowance for provisions is calculated based on the relevant ECL model.

Expected lifetime of revolving facilities

Judgement is exercised on the measurement period of expected lifetime for revolving facilities. Management considers that the expected lifetime of revolving facilities is set at twelve months.

c) Fair value of bonds, shares and other financial instruments

The best evidence of fair value is a quoted price in an actively traded market. The fair value of bonds, shares and other financial instruments that are not traded in an active market is determined by using valuation techniques. The majority of valuation techniques employed by the Group use only observable market data and so the reliability of the fair value measurement is relatively high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant inputs that are not observable. Valuation techniques that rely on non-observable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs (Notes 16 and 17). Changes in these estimates and assumptions could affect the fair value of the relevant financial instruments.

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Critical accounting estimates and assumptions (continued)

d) Deferred tax assets

Deferred tax assets are recognised by the Group in respect of tax losses to the extent that is probable that future taxable profits will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits as supported by the Group's Business plans, together with future tax planning strategies. These variables have been established on the basis of significant management judgement and are subject to uncertainty. It is possible that the actual future events could be different from the assumptions made resulting in a material adjustment to the carrying amount of deferred tax assets.

e) Income taxes

Significant estimates are required in determining the provision for income tax. For specific transactions and calculations the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes may become due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the current tax and deferred tax provisions in the affected period.

Judgment is required to assess the expected value of uncertain tax positions that are incorporated into the estimate of income and deferred tax and the assessment of the related probabilities, including in relation to the interpretation of tax laws and the assessment of the related probabilities. Where the final tax is different from the amounts initially recognised in the consolidated income statement, such differences will impact the income tax expense, the tax liabilities and deferred tax assets or liabilities of the period in which the final tax is agreed with the relevant tax authorities.

f) Fair value of property held for own use and net realisable value of stock of property

Valuations are carried out by independent qualified valuers by applying valuation models recommended by the Royal Institution of Chartered Surveyors and the International Valuation Standards Council. In arriving at their estimates of the fair values of properties, the valuers use their market knowledge and professional judgement and do not rely solely on historical transactional comparables, taking into consideration that there is a greater degree of uncertainty than that which would have existed in a more active market. Depending on the nature of the underlying asset and available market information, the determination of the fair value of property may require the use of estimates such as future cash flows from assets and discount rates applicable to those assets. All these estimates are based on local market conditions existing at the reporting date and require significant amount of judgement.

Stock of property is measured at the lower of cost and net realisable value. The net realisable value is determined through valuation techniques, requiring significant judgement, which take into account all available reference points such as, expert valuation reports, current market conditions, the holding period of the asset applying an appropriate illiquidity discount and any other relevant parameters. Selling expenses are always considered and deducted from the realisable value. Depending on the value of the underlying asset and available market information, the determination of costs to sell may require professional judgement which involves a large degree of uncertainty due to the relatively low level of market activity.

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

g) Classification of property

The Group determines whether a property should be classified as stock of property, investment property or own use property. The determination of the classification is based on the use of each property and is driven by the business model within such property is being held. Stock of property comprises land and buildings held with an intention to be disposed of. This principally relates to repossessed properties and properties acquired through the acquisition of the USB Bank business.

h) Leases

Determination of the lease term

The Group applies judgement in evaluating whether it is reasonably certain to exercise options to renew. In determining the lease term, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. A re-assessment is performed if a significant event or a significant change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Determination of the incremental borrowing rate

For the initial measurement of the lease liabilities, the Group estimates the incremental borrowing rate specific to each leased asset or portfolio of lease assets if the interest rate implicit in the lease is not readily determined.

The incremental borrowing rate is based on the yield of covered bonds issued by comparable European banks and which was adjusted upwards for difference in country risk, the lack of liquidity in the Cypriot market (and hence low marketability of any covered bonds that the Group may issue), the relatively small size of the Bank, as well as the potentially lower credit rating that agencies would assign to the Group’s issued debt, compared to the credit rating associated with the selected covered bonds. The resulting yield curve was considered to reflect the Group’s incremental borrowing rate

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

5. NET INTEREST AND OTHER SIMILAR INCOME

	Nine-month period ended 30 September 2019 €	Nine-month period ended 30 September 2018 €	Three-month period ended 30 September 2019 €	Three-month period ended 30 September 2018 €
Interest income				
Interest on loans advances to customers	31.643.828	17.661.960	11.410.835	6.160.488
Interest on debt securities at amortised cost	5.874.390	2.246.721	2.238.761	1.096.240
Interest on placements with banks	1.432.334	874.004	417.440	406.692
Total interest income	**38.950.552**	**20.782.685**	**14.067.036**	**7.663.420**
Income similar to interest income				
Interest on debt securities at fair value through profit or loss	312.383	118.963	153.744	58.220
Interest on swap transactions	1.457.145	898.092	538.491	241.285
Total income similar to interest income	**1.769.528**	**1.017.055**	**692.235**	**299.505**
Interest expense				
Interest on deposits from customers	(3.894.823)	(4.040.762)	1.179.005	1.104.601
Interest due to other banks	(170.971)	(62.377)	49.389	18.895
Interest on lease liabilities	(76.988)	-	25.662	-
Negative interest on placements with Central Bank and other banks	(300.946)	(1.093.573)	108.161	306.037
Total interest expense	**(4.443.728)**	**(5.196.712)**	**1.362.217**	**1.429.533**
Net interest income	**36.276.352**	**16.603.028**	**13.397.054**	**6.533.392**

6. NET FEE AND COMMISSION INCOME

	Nine-month period ended 30 September 2019 €	Nine-month period ended 30 September 2018 €	Three-month period ended 30 September 2019 €	Three-month period ended 30 September 2018 €
Credit-related fees and commissions	3.870.398	2.579.031	523.012	916.959
Money transfer fees and commissions	4.193.610	4.092.258	1.453.278	1.404.480
Other banking commissions	270.360	132.763	93.305	47.051
Other fees	3.616.042	2.768.177	1.290.879	1.028.277
Private banking asset management fees	201.122	143.223	73.830	41.363
Total fee and commission income	**12.151.532**	**9.715.452**	**3.434.304**	**3.438.130**
Fees and commissions from banking operations	(1.967.996)	(1.477.629)	(693.065)	(512.163)
Private banking asset management fees	(185.566)	(97.922)	(69.874)	(36.091)
Total fee and commission expense	**(2.153.562)**	**(1.575.551)**	**(762.939)**	**(548.254)**
Net fee and commission income	**9.997.970**	**8.139.901**	**2.671.365**	**2.889.876**

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

7. OTHER INCOME

	Nine-month period ended 30 September 2019 €	Nine-month period ended 30 September 2018 €	Three-month period ended 30 September 2019 €	Three-month period ended 30 September 2018 €
Dividend from equity investments	746.781	739.661	4.777	-
Distribution from fund participation	471.164	-	471.164	-
Profit from disposal of investment properties (Note 18)	-	68.597	24.532	(35.120)
Profit from disposal of stock of property (Note 19)	69.686	-	69.686	-
Other income	88.491	53.866	(238.262)	18.994
Total	**1.376.122**	**862.124**	**331.897**	**(16.126)**

8. NET GAINS ON FINANCIAL INSTRUMENT TRANSACTIONS

	Nine-month period ended 30 September 2019 €	Nine-month period ended 30 September 2018 €	Three-month period ended 30 September 2019 €	Three-month period ended 30 September 2018 €
Gain from foreign exchange	1.118.542	980.229	405.161	357.440
Gain from disposal of financial assets at fair value through profit or loss	4.440.841	214.508	1.159.254	263.822
Fair value loss on revaluation of derivative on equity shares (Notes 26)	(6.891)	(677.705)	(6.891)	-
Fair value gain on revaluation of financial assets at fair value through profit or loss (Note 17)	837.078	677.705	(65.097)	-
Total	**6.389.570**	**1.194.737**	**1.492.427**	**621.262**

9. STAFF EXPENSES AND OPERARTING EXPENSES

Staff expenses

	Nine-month period ended 30 September 2019 €	Nine-month period ended 30 September 2018 €	Three-month period ended 30 September 2019 €	Three-month period ended 30 September 2018 €
Salaries	18.801.159	11.714.719	6.432.711	3.982.212
Social insurance and other contributions	2.581.151	1.443.674	1.180.908	291.975
Retirement benefit cost for defined contributions plans	1.426.621	843.245	512.253	279.347
Voluntary redundancy costs	1.963.764	2.053.050	1.793.764	-
Other staff expenses	943.724	134.556	334.318	55.574
Total	**25.716.419**	**16.189.244**	**10.253.954**	**4.609.108**
Average number of employees	*575*	*380*		

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

9. STAFF EXPENSES AND OPERARTING EXPENSES (continued)

Operating expenses

	Nine-month period ended 30 September 2019 €	Nine-month period ended 30 September 2018 €	Three-month period ended 30 September 2019 €	Three-month period ended 30 September 2018 €
Sales and marketing expenses	458.027	487.650	156.494	238.186
Legal expenses and other consultancy fees	2.945.090	2.150.166	1.406.811	905.277
Audit fees of the financial statements of the Group and its subsidiaries	160.390	140.122	29.439	40.638
Buildings and other assets' maintenance cost	2.904.714	1.523.494	1.201.606	480.340
Operating lease rentals	-	586.952	-	177.193
Other expenses relating to properties	222.756	-	76.097	-
Travelling expenses	431.501	259.658	151.528	81.299
Printing and stationery	285.833	277.639	81.963	126.383
Telecommunication expenses	451.214	243.789	155.810	84.845
Special levy	2.212.587	1.302.139	714.154	495.547
Utilities	411.812	230.592	174.555	111.683
Insurance expenses	613.741	368.944	179.890	130.462
Subscriptions	436.277	305.739	(38.540)	97.025
Postal expenses and transportation of cash	179.729	147.256	48.886	(415)
Other operating expenses	841.919	902.143	363.853	508.485
Total	**12.555.590**	**8.926.283**	**4.702.546**	**3.476.948**

"Other expenses relating to properties" include the rental expenses on short term leases for which the IFRS 16 recognition exemption is applied.

10. IMPAIRMENT LOSSES AND PROVISIONS TO COVER CREDIT RISK

	Nine-month period ended 30 September 2019 €	Nine-month period ended 30 September 2018 €	Three-month period ended 30 September 2019 €	Three-month period ended 30 September 2018 €
(Provision for) / reversal of expected credit loss to cover credit risk on loans and advances to customers (Note 15)	(9.650.127)	100.285	(1.909.539)	76.244
Impairment losses on loans and advances to customers due to write offs	(27.904)		(25.787)	-
Recoveries of loans and advances to customers previously written off	1.449	23.133	-	7.706
Provision for expected credit loss to cover credit risk on contractual commitments and guarantees (Note 23)	(285.272)	(778.595)	193.168	(325.746)
(Provision for) / reversal of expected credit losses to cover credit risk on debt securities	(640.282)	261.914	(305.925)	(74.656)
	(10.602.136)	**(393.263)**	**(2.048.083)**	**(316.452)**

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

11. INCOME TAX

	Nine-month period ended 30 September 2019 €	Nine-month period ended 30 September 2018 €	Three-month period ended 30 September 2019 €	Three-month period ended 30 September 2018 €
Current tax	15.543	14.473	796	14.473
Deferred tax	327.547	566.255	(102.996)	(14.349)
	343.090	**580.728**	**(102.200)**	**124**

12. CASH AND BALANCES WITH CENTRAL BANK

	30 September 2019 €	31 December 2018 €
Cash	17.026.670	12.442.661
Mandatory deposits with the Central Bank of Cyprus	42.266.633	13.737.646
Other balances with the Central Bank of Cyprus	341.995.250	170.998.100
Cheques to be cleared	4.487.903	3.584.623
Total	**405.776.456**	**200.763.030**

The following table presents the Mandatory deposits and other balances with Central Bank of Cyprus categorised according to their credit rating as per Moody's, the international credit rating agency as at 30 September 2019 and 31 December 2018.

	30 September 2019 €	31 December 2018 €
Ba2	384.261.883	-
Baa3	-	184.735.746
Total	**384.261.883**	**184.735.746**

The placements with Central Bank of Cyprus are classified as Stage 1.

Cash and cash equivalents comprise:

	30 September 2019 €	31 December 2018 €
Cash	17.026.670	12.442.661
Other non-obligatory balances	341.995.250	170.998.100
Cheques to be cleared	4.487.903	3.584.623
Current accounts (Note 13)	36.494.219	21.648.328
Placements with other banks with an original maturity of less than three months (Note 13)	61.537.067	86.024.266
	461.541.109	**294.697.978**

13. PLACEMENTS WITH OTHER BANKS

	30 September 2019 €	31 December 2018 €
Current accounts	36.494.219	21.648.328
Placements with other banks	61.537.067	86.024.266
Total	**98.031.286**	**107.672.594**

The following table presents the placements with other banks categorised according to their credit rating as per Moody's, the international credit rating agency, apart from (i) and (ii) which were categorised as per Standard and Poor's as at 30 September 2019 and 31 December 2018.

	30 September 2019 €	31 December 2018 €
Credit rating Aa2 (i)	14.447.464	641.640
Credit rating Aa3	19.605.473	13.719.017
Credit rating A1	167.443	4.640.569
Credit rating A3	1.397.070	1.492.668
Credit rating Baa2	-	50.005.042
Credit rating Baa3 (ii)	1.764.083	5.344.323
Credit rating B3	-	999.956
Credit rating Caa1	59.970.153	-
Credit rating Caa2	635.584	825.211
Unrated	44.016	30.004.168
	98.031.286	**107.672.594**

The placements with other Banks are classified at Stage 1.

14. FINANCIAL ASSETS AT AMORTISED COST

	30 September 2019 €	31 December 2018 €
Securities classified at amortised cost		
Listed	654.541.102	371.749.000
12 month expected credit losses	(1.031.686)	(391.404)
	653.509.416	**371.357.596**

On 30 September 2019, the debt securities at amortised cost mainly comprised of Cyprus Government bonds of €194.871.956 (2018: €190.180.178) with short and long term maturity, Greek Government Bonds of €9.703.513, (2018: €NIL) Greek Treasury Bills with maturity of less than 3 months of €216.218.969 (2018: €37.989.773) European sovereign bonds and corporate bonds with short and long term maturity of €195.962.890 (2018: €136.457.648) and non-Eurozone sovereign bonds of €36.752.088 (2018: €6.729.997) with long term maturity.

During the nine-month period ended 30 September 2019, the Group recognised in the interim consolidated income statement a gain of €17.049.168 (nine-month period ended 30 September 2018 : €7.726.994) from disposal of debt securities at amortised cost.

14. FINANCIAL ASSETS AT AMORTISED COST (continued)

An analysis of changes in the gross carrying amount and the corresponding ECLs for the period ended 30 September 2019 is, as follows:

	Stage 1 €	Stage 2 €	Stage 3 €	Total €
Gross carrying amount as at 1 January 2019	371.749.000	-	-	371.749.000
Additions (1)	731.323.670	-	-	731.323.670
Assets derecognised/ matured	(451.526.330)	-	-	(451.526.330)
Accrued interest	5.829.311	-	-	5.829.311
Foreign exchange adjustments	4.157.179	-	-	4.157.179
Interest received	(6.991.728)	-	-	(6.991.728)
Financial assets at amortised cost as at 30 September 2019	**654.541.102**	**-**	**-**	**654.541.102**

(1) New assets purchased include debt securities acquired via the acquisition of USB Bank business amounting to €110.946.748.

	Stage 1 €	Stage 2 €	Stage 3 €	Total €
ECL allowance as at 1 January 2019	391.404	-	-	391.404
Increase in the ECL during the period	646.707	-	-	646.707
Assets derecognised or matured	(6.425)	-	-	(6.425)
ECL allowance as at 30 September 2019	**1.031.686**	**-**	**-**	**1.031.686**

An analysis of changes in the gross carrying amount and the corresponding ECLs for the year ended 31 December 2018 is, as follows:

	Stage 1 €	Stage 2 €	Stage 3 €	Total €
Gross carrying amount as at 1 January 2018	64.910.338	-	-	64.910.338
Additions	575.476.745	-	-	575.476.745
Assets derecognised/ matured	(271.572.733)	-	-	(271.572.733)
Accrued interest	3.464.719	-	-	3.464.719
Foreign exchange adjustments	4.419.383	-	-	4.419.383
Interest received	(4.949.452)	-	-	(4.949.452)
Financial assets at amortised cost as at 31 December 2018	**371.749.000**	**-**	**-**	**371.749.000**

	Stage 1 €	Stage 2 €	Stage 3 €	Total €
ECL allowance as at 1 January 2018	329.290	-	-	329.290
Movement during the period	157.769	-	-	157.769
Assets derecognised or matured	(95.655)	-	-	(95.655)
ECL allowance as at 31 December 2018	**391.404**	**-**	**-**	**391.404**

14. FINANCIAL ASSETS AT AMORTISED COST (continued)

The following table presents investments in bond securities categorised according to their rating as per the international credit rating agency, Moody's, as at 30 September 2019 and 31 December 2018:

	30 September 2019 €	31 December 2018 €
Investments in bond securities classified at amortised cost:		
Credit rating Aaa	66.121.368	52.016.019
Credit rating Aa2	4.668.008	-
Credit rating Aa3	18.578.957	-
Credit rating A1	4.628.808	-
Credit rating A3	5.078.437	-
Credit rating Baa1	17.584.072	-
Credit rating Baa2	15.235.876	-
Credit rating Baa3	65.647.656	256.674.958
Credit rating Ba1	13.091.222	6.729.997
Credit rating Ba2	194.871.956	12.754.782
Credit rating Ba3	17.071.648	-
Credit rating B1	225.922.482	37.989.773
Credit rating Caa2	5.008.926	5.192.067
	653.509.416	**371.357.596**

The following table presents investments in bond securities by country of issuer as at 30 September 2019 and 31 December 2018:

	30 September 2019 €	31 December 2018 €
Investments in bond securities classified at amortised cost:		
Canada	4.668.007	-
Cyprus	199.880.882	195.611.827
Germany	18.393.506	-
Greece	256.597.776	50.744.554
Italy	61.611.406	39.422.249
Japan	4.628.808	-
Lithuania	5.078.437	-
Luxembourg	45.936.278	52.016.018
Portugal	12.187.395	26.832.951
Russian Federation	7.084.731	6.729.997
Spain	17.071.648	-
United States	1.791.585	-
Venezuela	18.578.957	-
	653.509.416	**371.357.596**

The fair value of the investments in bond securities as at 30 September 2019 is €662.054.013 (31 December 2018: €376.752.595).

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

15. LOANS AND ADVANCES TO CUSTOMERS

	30 September 2019 €	31 December 2018 €
Advances to individuals	324.842.446	219.426.978
Advances to corporate entities:		
Large corporate entities and organisations	180.919.649	146.977.775
Small and medium size enterprises (SMEs)	687.799.694	393.336.358
Advances to customers – gross	**1.193.561.789**	**759.741.111**
Allowance for ECL	**(207.849.947)**	**(181.108.367)**
Advances to customers – net	**985.711.842**	**578.632.744**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is presented below:

	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Gross carrying amount as at 1 January 2019	379.553.853	59.376.529	288.268.791	32.541.938	759.741.111
Gross loans acquired via acquisition of USB Bank	179.891.347	-	-	130.646.136	310.537.483
New assets originated or purchased	168.137.991	-	-	9.183.724	177.321.715
Transfer to Stage 1	8.246.483	(8.246.483)	-	-	-
Transfer to Stage 2	(85.035.901)	95.538.148	(10.502.247)	-	-
Transfer to Stage 3	(7.084.952)	(4.689.773)	11.774.725	-	-
Net movement during the period	(23.651.553)	(8.209.563)	8.020.305	13.910.269	(9.930.542)
Gross loans derecognised	(24.818.154)	(738.470)	(13.866.688)	(1.095.245)	(40.518.557)
Write-offs	(3.200)	-	(1.619.628)	(1.966.593)	(3.589.421)
At 30 September 2019	**595.235.914**	**133.030.388**	**282.075.258**	**183.220.229**	**1.193.561.789**

	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Gross carrying amount as at 1 January 2018	209.222.474	107.902.378	381.529.623	24.958.339	723.612.814
New assets originated or purchased	156.961.341	-	-	-	156.961.341
Transfer to Stage 1	79.987.922	(78.414.616)	(1.573.306)	-	-
Transfer to Stage 2	(3.659.499)	46.862.023	(43.202.524)	-	-
Transfer to Stage 3	(5.851.564)	(6.048.057)	11.899.621	-	-
Net movement during the period	(57.090.401)	(10.925.199)	(14.981.802)	13.220.106	(69.777.296)
Write-offs	(16.420)	-	(45.402.821)	(5.636.507)	(51.055.748)
At 31 December 2018	**379.553.853**	**59.376.529**	**288.268.791**	**32.541.938**	**759.741.111**

15. LOANS AND ADVANCES TO CUSTOMERS (continued)

	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
ECL allowance					
1 January 2019	4.338.669	2.181.392	146.778.368	27.809.938	181.108.367
Interest not recognised in the income statement	-	58.217	8.675.054	11.591.650	20.324.921
Write-offs	(4.297)	(6.247)	(1.645.254)	(1.916.453)	(3.572.251)
Derecognition	(363.956)	(1.744.308)	(4.337.672)	(152.338)	(6.598.274)
Transfer to Stage 1	208.351	(208.351)	-	-	-
Transfer to Stage 2	(112.567)	2.277.836	(2.165.269)	-	-
Transfer to Stage 3	(32.563)	(420.129)	452.692	-	-
Change due to change in credit risk	952.018	677.233	1.601.285	13.017.865	16.248.401
Foreign exchange difference and other movement	20.715	1.526	320.311	(3.769)	338.783
30 September 2019	**5.006.370**	**2.817.169**	**149.679.515**	**50.346.893**	**207.849.947**

	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
ECL allowance					
1 January 2018	2.889.053	346.489	180.076.308	26.781.439	210.093.289
Impact adopting IFRS 9 at 1 January 2018	896.527	658.584	3.778.471	477.055	5.810.637
Restated balance 1 January 2018	**3.785.580**	**1.005.073**	**183.854.779**	**27.258.494**	**215.903.926**
Interest not recognised in the income statement	-	-	14.425.161	2.061.091	16.486.252
Write-offs			(48.905.971)	(1.966.681)	(50.872.652)
Derecognition	(705.668)	(99.094)	(3.076.176)	(7.869)	(3.888.807)
Transfer to Stage 1	600.431	(461.964)	(138.467)	-	-
Transfer to Stage 2	(128.648)	3.438.611	(3.309.963)	-	-
Transfer to Stage 3	(50.812)	(122.343)	173.155	-	-
Change due to change in credit risk	855.343	(1.581.507)	3.121.445	539.369	2.934.650
Foreign exchange difference and other movement	(17.557)	2.616	634.405	(74.466)	544.998
31 December 2018	**4.338.669**	**2.181.392**	**146.778.368**	**27.809.938**	**181.108.367**

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2019 €	31 December 2018 €
Equity shares classified at fair value though other comprehensive income		
Listed (i)	6.627.033	6.633.924
Unlisted	357.021	357.021
	6.984.054	**6.990.945**

(i) The Group owns 19,91% of the share capital of Atlantic Insurance Company Limited (ATL). The Group's Management believes that the price of the share which is listed in the Cyprus Stock Exchange is not representative due to the low volume of transactions and therefore at 30 September 2019 valued this investment using alternative valuation methods.

Under the 'Agreement for the Sale and Purchase of Shares in Piraeus Bank (Cyprus) Ltd' "the SPA", between Piraeus

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Bank S.A., Holding M. Sehnaoui SAL (HMS) and AstroBank Limited which was completed on 28 December 2016, Piraeus Bank S.A. (PBSA) was committed to either find, within 180 days after Completion, a buyer for at least 50% of the Group's shares in ATL (with further terms ensuring that the Group receives no less and no more than the book value per share as at 31 December 2015) or to make a payment to HMS of €4,499,998.44, whereupon HMS shall subscribe for and the Bank shall issue to HMS 1,209,677 new ordinary shares which HMS shall allocate to itself and the Subscribers pro rata to their respective shareholdings in the Bank at the time of Completion. The agreement was extended up to 31 December 2019.

It is considered that the agreement contains a derivative which is recognised on the statement of financial position representing the difference between the fair value at each reporting date and the price set by the SPA (Note 26).

The shares relating to 50% of the shares in Atlantic Insurance Company Limited (ATL) owned by the Group (9,955% of the share capital of ATL) which are not the subject of this agreement have been classified as fair value through other comprehensive income and the remaining 50% at FVTPL (Note 17).

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2019 €	31 December 2018 €
Trading debt securities (1)	16.683.614	1.851.152
Fund participation (2)	9.157.509	8.724.481
Debt securities (3)	3.922.611	5.699.608
Equity investments (4)	7.498.593	6.633.924
Other investment (5)	996.686	-
	38.259.013	**22.909.165**
Movement:		
1 January	22.909.165	28.035.336
Financial assets acquired via acquisition of USB Bank	1.339.457	-
Additions	256.619.297	168.070.228
Disposals	(248.404.643)	(167.193.015)
Transfer from Fair Value Through other Comprehensive income (FVTOCI)	-	6.633.924
Transfer to investment property	-	(12.225.044)
Changes in fair value	5.362.710	(412.264)
Foreign exchange gain	433.027	-
Closing balance	**38.259.013**	**22.909.165**

(1) Trading debt securities comprise of Cyprus government bonds, corporate bonds and Eurozone sovereigns acquired principally for the purpose of selling or repurchasing them in the near term.

(2) Fund participation relates to an investment of US$10.000.000 in PMOF Special Situations Private Credit Fund. The fund participation is classified at FVTPL as it failed the SPPI test .

(3) Debt securities comprise of Spanish corporate bonds that failed to meet the SPPI criteria and, as a result, have been classified at FVTPL.

(4) Equity investments comprise the following:

	30 September 2019 €	31 December 2018 €
Shares in Atlantic Insurance Company Limited (ATL) *(a)*	6.627.033	6.633.924
Shares in VISA Inc. *(b)*	871.559	-
	7.498.592	**6.633.924**

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(a) Corresponds to 50% of the shares in Atlantic Insurance Company Limited (ATL) owned by the Group (9,955% of the share capital of ATL) which are under the commitment of Piraeus Bank S.A. as described in note 16.

(b) Investment in VISA Inc. was acquired via the acquisition of USB Bank business on the 18th of January 2019.The investment relates to 1.380 shares of VISA Class C Common Stock.

(5) Other investment relates to 672 shares of VISA Inc. Series C Convertible participating preferred stock acquired via the acquisition of USB Bank business on the 18th of January 2019.

Investment in ATL

A combination of four different methods (discounted cash flow, book value of equity per share ,dividend valuation and share price) was used for arriving at the overall valuation of the investment in ATL. The weights applied to each valuation reflect Management's assessment of the relevance of each valuation method (Note 30).

An increase by 10% in the discount factor used in the valuation performed would result to a decrease in net equity by €156 thousand.

Investment in VISA Inc.

Visa Inc. Class C Common Stock

Each share of VISA Class C Common Stock is readily convertible to four Common Stock A shares which are actively traded. The fair value of this class of shares is determined using the bid price of Common Stock A shares as at 30 September 2019.

VISA Inc. Series C Convertible participating preferred stock

The specific instrument was issued on the acquisition of VISA Europe by VISA Inc which was completed on 26th September 2016. It phases restrictions to transfer which apply until the final conversion date (12th anniversary from the completion of the VISA Europe acquisition by VISA Inc.). The conversion rate into Class A Common stock for the specific instrument is revised downwards from time to time based on "Covered losses" incurred by the VISA Europe business. The valuation performed by the Bank is intended to capture the effect of the restriction on the sale of the asset and the possible downside in the future.

In arriving at the fair value of the shares, the bid price of Common Stock A shares, the conversion rate and the EUR/USD exchange rate as at as at 30 September 2019 were used. All three parameters have been adjusted in order to capture the downside risk originating from restrictions to trade, restrictions to convert and possible future revisions in the conversion ratio.

Risk of fluctuations in equity prices and conversion rates

Atlantic Insurance Company Limited shares

A decrease/ increase in the market price of the shares by 5% as at 30 September 2019 would result in a decrease/ increase in net equity by €50 thousand.

Class C Common Stock

As at 30 September 2019 the equity investment is exposed to price fluctuations of the VISA Inc. Common Stock A shares. A decrease/ increase in the market price of the shares by 5% as at 30 September 2019 would result in a decrease/ increase in net equity by €44 thousand. The conversion rate for the specific instrument is not subject to any change.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

VISA Inc. Series C Convertible participating preferred stock

As at 30 September 2019 the investment is exposed to price fluctuations of the VISA Inc. Common Stock A shares and to changes in the conversion rate. A decrease/ increase in the market price of the shares and the conversion rate by 5% as at 30 September 2019 would result in a decrease/increase in net equity by €97 thousand in each case.

Risk of fluctuations in bond prices

As at 30 September 2019 the trading debt securities are exposed to price fluctuations of bond instruments. A decrease/ increase in the market price of the bonds by 5% as at 30 September 2019 would result in a decrease/ increase in net equity by €834 thousand (2018: €93 thousand).

As 30 September 2019 the debt securities are exposed to price fluctuations of bond instruments. A decrease/ increase in the market price of the bonds by 5% as at 30 September 2019 would result in a decrease/ increase in net equity by €196 thousand (2018: €285 thousand).

18. INVESTMENT PROPERTIES

	30 September 2019 €	31 December 2018 €
1 January	75.827.500	64.730.039
Additions	1.181.000	20.142.239
Acquisition of USB Bank business	63.045.190	-
Disposals		(9.025.125)
Changes in fair value	-	8.771
Other movements	-	(28.424)
Transfer to stock of property	(140.053.690)	-
Closing balance	**-**	**75.827.500**

Investment properties were transferred to stock of property during the period ended 30 September 2019. The effective date of change in use and transfer to stock of property was 12th April 2019 (Note 2).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to stock of property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

During the year ended 31 December 2018, the Group disposed repossessed assets of a total amount of €9.025.125. A total gain of €68.597 was recognised in the interim consolidated income statement for the nine-month period ended 30 September 2018. (Note 7)

19. STOCK OF PROPERTY

	30 September 2019 €	31 December 2018 €
1 January	-	-
Transfer from investment properties	140.053.690	
Additions	1.645.000	-
Disposals	(1.317.120)	-
Impairment	(1.582.817)	-
Closing balance	**138.798.753**	**-**

The Group in its normal course of business acquires properties in debt satisfaction ("REOs"), which are held either directly or by entities set up and controlled by the Group for the sole purpose of managing these properties with an intention to be disposed of. These properties are recognised in the Group's interim condensed consolidated financial statements as stock of property, reflecting the substance of these transactions.

As a result of the change in use of the properties acquired in debt satisfaction, the Group's Management has reassessed the applicability of the accounting policy on its existing portfolio of repossessed assets and has concluded for that all properties previously classified as investment properties there has been a change in use and has therefore transferred €140.053.690 REOs from investment properties to stock of property.

The stock of properties include residential, offices and other commercial properties, hotels, shopping mall and industrial buildings and land (fields and plots).

During the nine-month period ended 30 September 2019, the Group disposed repossessed assets of a total amount of €1.317.120 at a gain of €69.686 (Note 7).

20. OTHER ASSETS

	30 September 2019 €	31 December 2018 €
Prepaid expenses	2.451.924	1.019.937
Other receivables	5.001.935	757.655
	7.453.859	**1.777.592**

As at 30 September 2019 and 31 December 2018, other receivables are classified at Stage 1 for IFRS 9 purposes.

As at 30 September 2019 and 31 December 2018, no ECL was recognised on other receivables.

21. DUE TO OTHER BANKS AND DEPOSITS FROM BANKS

	30 September 2019 €	31 December 2018 €
Analysis by geographical sector		
Cyprus	7.675.243	7.397.289
Greece	137.585	209.780
Other countries	25.331.138	7.533.133
	33.143.966	**15.140.202**

22. DEPOSITS AND OTHER CUSTOMER ACCOUNTS

Analysis by type of deposit

	30 September 2019 €	31 December 2018 €
Demand	1.025.712.164	652.819.334
Savings	333.880.241	114.599.226
Term	763.125.856	453.006.932
Total	**2.122.718.261**	**1.220.425.492**

Analysis by currency

	30 September 2019 €	31 December 2018 €
Euro	1.715.271.424	1.031.033.450
US Dollar	352.056.891	149.242.413
British Pound	39.769.936	28.766.700
Swiss Franc	1.122.259	625.250
Other	14.497.751	10.757.679
Total	**2.122.718.261**	**1.220.425.492**

Analysis by geographical area

	30 September 2019 €	31 December 2018 €
Cyprus	1.466.030.579	953.379.080
Greece	162.440.692	102.188.327
Russia	202.092.781	13.837.578
Lebanon	44.100.924	11.550.310
British Virgin Islands	512.048	24.816.830
Other countries	247.541.237	114.653.367
Total	**2.122.718.261**	**1.220.425.492**

Deposits by geographical area are based on the country of operations.

23. OTHER LIABILITIES

	30 September 2019 €	31 December 2018 €
Expenses payable	5.127.849	2.683.968
Outstanding customers banking transactions	22.112.740	21.145.541
Provisions for financial guarantees and commitments	883.623	619.393
Other liabilities	3.909.276	24.105.863
Total	**32.033.488**	**48.554.765**

As at 31 December 2018 other liabilities included an amount of €23,5m which was used during the period for the share capital increase in January 2019.

An analysis of changes of the ECLs of the off balance sheet exposures for the nine-month period ended 30 September 2019 and the year ended 31 December 2018 are as follows:

30 September 2019	Stage 1 €	Stage 2 €	Stage 3 €	Total €
ECLs as at 1 January 2019	415.571	-	203.822	619.393
New exposures	171.634	-	-	171.634
Exposures derecognised or matured (excluding write-offs)	(10.188)	-	(8.707)	(18.895)
Transfers to Stage 1	81	-	(81)	-
Transfers to Stage 2	(276.765)	276.765		-
Transfers to Stage 3	(2.361)	-	2.361	-
Impact on period end ECL of exposures transferred between stages during the year	(72)	111.285	278	111.491
At 30 September 2019	**297.900**	**388.050**	**197.673**	**883.623**

31 December 2018	Stage 1 €	Stage 2 €	Stage 3 €	Total €
ECLs as at 1 January 2018	170.072	187.251	302.460	659.783
New exposures	44.514	-	100	44.614
Exposures derecognised or matured (excluding write-offs)	(22.405)	(71.451)	(88.652)	(182.508)
Transfers to Stage 1	122.313	(115.800)	(6.513)	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(50.266)	-	50.266	-
Impact on year end ECL of exposures transferred between stages during the year	151.343	-	(53.839)	97.504
At 31 December 2018	**415.571**	**-**	**203.822**	**619.393**

24. SHARE CAPITAL, SHARE PREMIUM AND PREFERENCE SHARES

	Authorised share capital		Issued share capital	
	Number of shares	€	Number of shares	€
Ordinary shares	22.750.000	22.750.000	19.761.754	146.668.191
Preference Shares	1.250.000	1.250.000	1.250.000	10.000.000
	24.000.000	**24.000.000**	**21.011.754**	**156.668.191**

	Share Capital €	Share Premium €	Preference Shares €	Total €
1 January 2018	14.113.487	88.554.704	-	102.668.191
31 December 2018	**14.113.487**	**88.554.704**	**-**	**102.668.191**
1 January 2019	14.113.487	88.554.704	-	102.668.191
Issue of shares (1)	5.648.267	38.351.732	10.000.000	53.999.999
30 September 2019	**19.761.754**	**126.906.436**	**10.000.000**	**156.668.190**

(1) On 17 January 2019, as part of the acquisition of USB Bank's business, there was an increase in the Bank's ordinary share capital by €44m (5.648.267 shares at €1 nominal and €6,79 share premium per share) and an issue of preference shares eligible as Tier 1 capital of €10m (1.250.000 shares with a nominal value of €1 and a subscription price of €8 per share).

Terms of issued redeemable convertible preference shares

The issuance of the redeemable convertible preference shares ("PRCS") was approved by the shareholders of the Group and the Board of Directors. The shares have a nominal value of €1 each and a subscription price of €8 each.

Form and status: The PRCS are redeemable and may be redeemed by the Bank only (redemption is at the option of the issuer). The PRCS are perpetual in respect of which there is no fixed redemption date or maturity date.

The PRCS are unsecured and rank a) junior to i) liabilities of the Group including subordinated liabilities and ii) instruments issued or guaranteed by the Group ranking senior to PRCS, b) pari passu with each other and c) senior to Ordinary Shares.

Voting rights: The PRCS do not have the right to receive notice of, to be present or to vote at any general meeting of the Group and do not have the right to vote on any written resolution of the members of the Group.

Rights as to income: The PRCS holders have the right to the distribution to be paid annually following signing of the financial statements of the Group and no later than 30 calendar days as from the holding of each annual general meeting of the Group.

Dividend distribution

Distribution of dividends is solely on the discretion of the Bank. The share premium is not available for distribution to the shareholders in the form of dividend. The issued share capital is fully paid.

25. CONTINGENT LIABILITIES AND COMMITMENTS

Credit – related financial instruments

Credit-related financial instruments include commitments relating to credit guarantees and letters of guarantee, issued in order to meet the financial requirements of the Group's customers. The credit risk on these transactions corresponds to the total contract amount. However, the majority of these facilities are offset by corresponding commitments by third parties.

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

25. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

	30 September 2019 €	31 December 2018 €
Credit guarantees	10.416.430	17.182.388
Letters of guarantee	46.252.923	30.131.846
Total	**56.669.353**	**47.314.234**

As at 30 September 2019 letters of guarantee of €10.536.458 (31 December 2018: €5.231.165) had a maturity date beyond one year. The aggregate amount of credit guarantees had a maturity date within one year. The amounts are interest free and are presented at their book value since the effect of discounting is not significant.

Unutilised credit limits

Loan commitments/credit limits that have been approved but not yet utilised amount to €112.404.620 as at 30 September 2019 (31 December 2018: €82.431.443).

*Changes in the nominal amounts of the off balance sheet exposures by staging (*Credit guarantees and letters of guarantee) *:*

30 September 2019	**Stage 1 €**	**Stage 2 €**	**Stage 3 €**	**POCI €**	**Total €**
Outstanding exposure as at 1 January 2019	40.920.135	-	6.394.099	-	47.314.234
USB acquired exposures	16.962.838	-	-	2.344.696	19.307.534
New exposures	22.120.179	43.902			22.164.081
Exposures derecognised or matured (excluding write-offs)	(30.842.730)	(44.996)	(866.731)	(362.039)	(32.116.496)
Transfers to Stage 1	700	-	(700)	-	-
Transfers to Stage 2	(2.684.553)	2.684.553	-	-	-
Transfers to Stage 3	(2.776.799)	-	2.776.799	-	-
Net movement during the period	-	-	-	-	-
At 30 September 2019	**43.699.770**	**2.683.459**	**8.303.467**	**1.982.657**	**59.669.353**

31 December 2018	**Stage 1 €**	**Stage 2 €**	**Stage 3 €**	**Total €**
Outstanding exposure as at 1 January 2018	32.724.164	2.318.092	820.311	35.862.567
New exposures	28.644.490	-	855	28.645.345
Exposures derecognised or matured (excluding write-offs)	(16.540.462)	(515.760)	(137.456)	(17.193.678)
Transfers to Stage 1	2.242.042	(1.802.332)	(439.710)	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(6.150.099)	-	6.150.099	-
At 31 December 2018	**40.920.135**	**-**	**6.394.099**	**47.314.234**

25. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Legal proceedings

As at 30 September 2019 there were pending litigations against the Group in connection with its activities. Based on legal advice, the Board of Directors believes that there is adequate defense against all claims and that the said claims are considered unlikely to have any material adverse impact on the financial position of the Group.

Pending litigation and claims

Employment litigation

An employment litigation case is pending before District Court against the Bank for unfair dismissal. The claim is for damages for breach of employment contract. The Bank has proceeded in accordance with its internal policies and procedures before proceeding with the dismissal of the employee.

Disposal of underlying security of facilities granted by the Bank

Two cases by Bank's customers and guarantors against the Bank, certain of its senior officers and the Receiver and Manager appointed by the Bank, claiming damages for alleged illegal disposal of an asset held as security for facilities granted. The Bank strongly defends the case denying these allegations. The amount of claim is for €28.200.000.

Alleged wrongdoing blocking of an account

Action concerns a claim by the Plaintiffs that the amounts claimed by their legal action have been blocked in favour of the Bank by a person who at the time was not duly authorized by the Plaintiffs to provide the security in question.

Letters of guarantees

Two pending court actions against the Bank in respect of letters of guarantee issued as security for the issuance of title deeds provided as mortgaged for facilities granted. Total sum of claim is for an amount of €362.095 plus interest and costs.

Claim for cancellation of facility agreements

The claimant is a debtor of the Bank who claims inter alia that the legal agreements signed between the Bank and the Company are void and/or illegal and/or that they have been charged with illegal charges. It is expected that the Bank will file a counterclaim after the analytical Statement of Claim is filed by the Plaintiffs and provided that the claim involves negligence on behalf of the Bank, the success of the case will depend on the evidence that will be presented in court.

Claims relating to execution of transactions

Pending actions against the Bank where the Plaintiffs allege that the Bank has wrongly proceeded with and/or utilized and/or disposed of amount of money held by/on behalf of its Customer, in breach of the Bank's duty of care and trust.

Competition Law case which was transferred with the acquisition of USB Bank business

After the issuance of a decision by the Competition Committee (ΕΠΑ), against USB and other Banks imposing a fine for an infringement of Competition, the USB along with other Bank's fined as well proceeded with filing of an Appeal against such decision at the Administrative Court. The Administrative Court accepted the appeal of all Banks for the reason put forward by the Banks in the Appeal namely the composition of the Competition Authority Committee. The Committee has proceeded with filing of an appeal at the Supreme Court which it is still pending. In case the Supreme Court decides in favour of the Appellant (i.e. the Competition Authority) the whole case will have to return for adjudication by the Administrative Court. If the Supreme Court rejects the Appeal then the case will be considered as closed and therefore the Bank will not be called to pay any amount of money. The amount of the claim is for €121.519.

26. FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses the following derivative financial instruments for trading:

Forward contracts:

These are contracts for trading foreign currency to be settled at a future date. Forward contracts specify the exchange rate at which two currencies will be traded at a specific future date. The exchange rate is determined at the trade date.

Foreign currency swaps:

These are contracts to exchange cash flows in different currencies. Foreign currency swaps are commitments to exchange specific amounts of two different currencies including interest, at a specific future date. The foreign currency swap contracts are valued at their fair value (using the current exchange rates) by calculating the new swap points at the date of the valuation.

The notional amounts of those contracts provide a basis for comparison with other financial instruments recognised at the balance sheet, but they do not represent the amounts of future cash flows or the fair value of the derivatives and, therefore, do not provide an indication as to the Group's exposure to credit and other market risks. The fair value of the derivative financial instruments may be positive or negative as a result of fluctuations in the current exchange rates in relation to the prevailing terms. Derivatives are presented as assets when their fair value is positive and as liabilities when their fair value is negative.

The notional and fair values of derivative financial instruments were as follows:

	Notional contract amount	Fair Value	
		Assets	Liabilities
	€	€	€
30 September 2019			
Derivatives held for trading:			
Foreign exchange derivatives			
Currency swaps	80.710.549	551.706	9.141
Derivative on equity shares (1)		-	670.814
Total derivative financial instruments		**551.706**	**679.955**
31 December 2018			
Derivatives held for trading:			
Foreign exchange derivatives			
Forward contracts	4.096.548	56.050	126.847
Currency swaps	51.148.708	7.123	3.346
		63.173	130.193
Derivative on equity shares (1)		-	677.705
		-	677.705
Total derivative financial instruments		**63.173**	**807.898**

During the nine-month period ended 30 September 2019 the Bank recognised a fair value loss on the derivative on equity shares of €6.891 (nine-month period ended 30 September 2018 €677.705).

(1) It is considered that the agreement between HMS and PBSA (refer to Note 16) contains a derivative which is recognised on the statement of financial position indicating the difference between the fair value at each reporting date and the price set by the SPA.

27. GROUP COMPANIES

The subsidiary companies included in the interim condensed consolidated financial statements of the Group, their country of incorporation, their activities and the percentage of share capital held by the Bank as at 30 September 2019 and 31 December 2018 are listed below. The Bank has direct and indirect 100% shareholding in the following companies.

	Country of incorporation	Activities	Percentage holding % 30 September 2019	Percentage holding % 31 December 2018
EMF Investors Limited	Cyprus	Dormant	100%	100%
AstroBank Insurance Agency Limited	Cyprus	Insurance Broker	100%	100%
Adflikton Investments Limited	Cyprus	Property holding	100%	100%
Costpleo Investments Limited	Cyprus	Property holding	100%	100%
Cutsofiar Enterprises Limited	Cyprus	Property holding	100%	100%
Gravieron Company Limited	Cyprus	Property holding	100%	100%
Rockory Enterprises Limited	Cyprus	Property holding	100%	100%
Bakkens Limited	Cyprus	Property holding	100%	100%
Xepa Limited	Cyprus	Property holding	100%	100%
Kaihur Investment Limited	Cyprus	Property holding	100%	100%
Pertanam Enterprises Limited	Cyprus	Property holding	100%	100%
Alarconaco Enterprises Limited	Cyprus	Property holding	100%	100%
Langesee Limited	Cyprus	Property holding	100%	100%
Olemo Limited	Cyprus	Property holding	100%	100%
Todero Limited	Cyprus	Property holding	100%	100%
Castlehawk Limited	Cyprus	Property holding	100%	100%
Dacibel Limited	Cyprus	Property holding	100%	100%
Dicoder Limited	Cyprus	Property holding	100%	100%

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

27. GROUP COMPANIES (continued)

	Country of incorporation	Activities	Percentage holding % 30 September 2019	Percentage holding % 31 December 2018
Amatorco Limited	Cyprus	Property holding	100%	100%
Nexelleuce Limited	Cyprus	Property holding	100%	100%
Imagetech Limited	Cyprus	Intermediate holding company	100%	-
Averrhoa Limited	Cyprus	Property holding	100%	-
Rowington Ventures Limited	Cyprus	Property holding	100%	-
Lardonia Limited	Cyprus	Property holding	100%	-
Sabatia Limited	Cyprus	Property holding	100%	-
Shortia Limited	Cyprus	Property holding	100%	-
Delaway Limited	Cyprus	Intermediate holding company	100%	-
Olcinia Holdings Limited	Cyprus	Intermediate holding company	100%	-
Crantenia Ventures Limited	Cyprus	Property holding	100%	-
Osperus Holdings Limited	Cyprus	Intermediate holding company	100%	-
Kantadia Ventures Limited	Cyprus	Property holding	100%	-
Dusanic Holdings Limited	Cyprus	Intermediate holding company	100%	-
Macerio Limited	Cyprus	Property holding	100%	-
Perekin Holdings Limited	Cyprus	Intermediate holding company	100%	-
Azulito Ventures Limited	Cyprus	Property holding	100%	-
Perequito Holdings Limited	Cyprus	Intermediate holding company	100%	-
Bequelia Ventures Limited	Cyprus	Property holding	100%	-
Serissa Holdings Limited	Cyprus	Intermediate holding company	100%	-
Tipuana Ventures Limited	Cyprus	Property holding	100%	-
Naila Holdings Limited	Cyprus	Intermediate holding company	100%	-

27. GROUP COMPANIES (continued)

	Country of incorporation	Activities	Percentage holding % 30 September 2019	Percentage holding % 31 December 2018
Lewisia Holdings Limited	Cyprus	Intermediate holding company	100%	-
Snaresbrook Ventures Limited	Cyprus	Property holding	100%	-
Scaevola Ventures Limited	Cyprus	Property holding	100%	-
Ailanthus Holding Limited	Cyprus	Property holding	100%	-
Conaria Holding Limited	Cyprus	Property holding	100%	-
Callistem Holdings Limited	Cyprus	Property holding	100%	-
Yurania Investments Limited	Cyprus	Property holding	100%	-
Carbinor Consultants Limited	Cyprus	Secretarial services to the Bank's subsidiaries	100%	-
Tomentos Holdings Limited	Cyprus	Property holding	100%	-
Viegiot Investments Limited	Cyprus	Property holding	100%	-
A.P.M. Control Company Ltd	Cyprus	Property holding	100%	-
A.P.M. Firstsun Company Ltd	Cyprus	Property holding	100%	-
Firstplatinum Company Ltd	Cyprus	Property holding	100%	-
Openstar International Company Ltd	Cyprus	Property holding	100%	-
Gianteto Limited	Cyprus	Property holding	100%	-
Meribas Limited	Cyprus	Property holding	100%	-

28. MANAGEMENT OF FINANCIAL RISKS

Like any other banking group, the Group is exposed to a variety of risks from the financial instrument it holds. These risks are monitored on a continuous basis using various methods, so as to avoid the excessive concentration of risk. The nature of these risks as well as the ways in which they are managed are outlined below.

Credit risk

Credit risk arises from the possibility of losses relating to late payments or failure to pay the Group by its counterparties. Credit risk management focuses on ensuring a disciplined risk culture, transparency and rational risk taking, based on international best practices.

28. MANAGEMENT OF FINANCIAL RISKS (continued)

Credit risk (continued)

The Group's Management has established the provisions for the impairment of financial assets based on the economic conditions and prospects as at the reporting period end.

The provision for loans and advances is determined using the method of expected credit losses model as required by the relevant accounting standards.

Credit risk management

Credit risk management methodologies are reassessed and modified if required to reflect the changing financial environment. The various credit risk assessment methods used are revised annually or whenever deemed necessary and are adjusted according to the Group's overall strategy and short-term and long-term objectives.The various analyses of economic sectors and sub-sectors, combined with economic forecasts, provide the guidelines for the determination of the credit policy, which is revised from time to time.

Having as target the minimisation of credit risk, counterparty limits have been set, at the same time taking into consideration the credit rating of the debtor, the assigned collaterals and guarantees that reduce the exposure of the Group to credit risk, as well as the nature and duration of the credit facility. Regarding each debtor's credit rating analysis, this is carried out by taking into consideration the country's risk but also the economic sector in which it operates, as well as qualitative and quantitative characteristics.

At the same time, limits have been established for the approval of credit facilities and lending procedures in order to ensure the objectivity, independence and monitoring of new and existing loans.

During the approval process the total credit risk is examined for each counterparty or group of counterparties which are related at group level. At the same time, any concentration is analysed and monitored on a continuous basis, with an aim to restrict potential large openings and dangerous concentrations, so that these will be in line with existing credit policy limits. Concentration of credit risk can arise at the level of an economic sector, at counterparty or group of counterparties, country, currency or nature of collateral.

Past due advances are monitored on a continuous basis and a systematic segregation between performing and non–performing advances is carried out according to the internal policy of the Group which takes into account the criteria of the Central Bank of Cyprus. Significant exposures or delays are communicated to the Management which oversees the corresponding department for taking preventive or corrective measures.

Under the credit risk management framework, there is an evaluation of the effects of extreme but feasible scenarios on the quality of the loan portfolio and to the available capital, through simulation of crisis conditions (stress testing). The simulations examine separately each business and individual portfolio and estimate possible increases of unsecured advances which are likely to arise due to future decreases in collateral values. The unsecured exposures are calculated based on values after the application of haircuts as defined by the credit risk management policy.

Internal rating systems

The methods for evaluation of credit rating differ depending on the type of counter party in the following categories: central governments (purchase and holding of bonds), financial institutions, large corporates and SMEs and individuals.

Individuals are evaluated based on two different methods of internal grading. The first method relates to existing customers and is based on the customers' repayment history and their general cooperation with the Group, while the second method is based both on demographic factors and objective financial data (e.g. income, assets etc.) and is applied to both existing and new customers.

For the evaluation of large corporate and SMEs, the system used is Moody's Risk Advisor (MRA), which evaluates the financial condition of the business based on its economic and qualitative data, but also based on the economic sector it operates in.

28. MANAGEMENT OF FINANCIAL RISKS (continued)

Credit risk (continued)

Internal rating systems (continued)

The evaluation process is performed on a regular basis or when conditions require it so that the customer' s credit score is representative of the credit risk being undertaken and functions as a risk warning sign.

Maximum exposure to credit risk before collaterals and other credit improvements

The customer's credit rating is used during the process of approving credit facilities and the setting of respective credit limits, for internal calculations of the probability of default as well as for monitoring changes in the quality of the loan portfolio of the Group, with the aim to develop the appropriate strategies for avoiding undertaking increased risks.

The table below presents the maximum exposure to credit risk that results from financial instruments included in the consolidated balance sheet, without taking into consideration collaterals or any other credit mitigations received. For financial assets included in the consolidated balance sheet, the exposure to credit risk is equal to their carrying value.

	Maximum exposure	
	30 September 2019 €	**31 December 2018 €**
Credit risk exposure on balance sheet items:		
Balances with Central Banks	384.261.883	184.735.746
Placements with other banks	98.031.286	107.672.594
Loans and advances to customers	985.711.842	578.632.744
Debt securities at amortised cost	653.509.416	371.357.596
Debt securities at fair value through profit or loss	20.606.225	7.550.760
Other financial assets at fair value through profit or loss	9.157.509	8.724.481
Derivative financial instruments	551.706	63.173
Other assets	3.921.935	757.655
	2.155.751.802	**1.259.494.749**
Credit risk exposure from off balance sheet items:		
Credit guarantees	10.416.430	17.182.388
Letters of guarantee	46.252.923	30.131.846
Unutilised credit limits	112.404.620	82.431.443
	169.073.973	**129.745.677**
Total on and off balance sheet items	**2.324.825.775**	**1.389.240.426**

According to the above table, 21% (31 December 2018: 21%) of the total maximum exposure is derived from placements with the Central Bank and with other banks, 42% (31 December 2018: 42%) from loans and advances to customers and 28% (31 December 2018: 27%) is derived from investment in bonds classified at amortised cost and at fair value through profit or loss.

The Group obtains collaterals so as to better manage the credit risk that arises from loans and advances. The main types of collaterals that the Group obtains are: (a) mortgages, (b) bank guarantees, (c) deposits, (d) pledging of shares, (e) other encumbrances and (f) personal and corporate guarantees.

The Group's Management regularly monitors the changes in the market value of the collateral and, where necessary, requests the pledging of additional collateral in accordance with the relevant agreement.

The Group offers guarantee facilities to its customers under which the Group may be required to make payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs.

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

28. MANAGEMENT OF FINANCIAL RISKS (continued)

Credit risk (continued)

Letters of credit and guarantee (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to risks similar to those of loans and advances and are therefore monitored by the same policies and control processes.

The Group's maximum exposure to credit risk is analysed by geographical area as follows:

	Maximum exposure	
	30 September 2019 €	**31 December 2018 €**
On balance sheet		
Cyprus	1.398.423.936	927.625.844
Greece	421.821.916	64.751.873
Other countries	335.505.950	267.117.032
	2.155.751.802	**1.259.494.749**
Off balance sheet		
Cyprus	158.159.197	103.741.631
Greece	1.754.397	2.482.985
Other countries	9.160.379	23.521.061
	169.073.973	**129.745.677**
Total on and off balance sheet		
Cyprus	1.556.583.132	1.031.367.475
Greece	422.762.714	67.234.858
Other countries	345.479.929	290.638.093
	2.324.825.775	**1.389.240.426**

Geographical analysis is based on the counterparty country of risk.

Collateral and other credit enhancements of financial assets subject to credit risk

The table below presents the maximum exposure to credit risk, the tangible and measurable collateral and credit enhancements held and the net exposure to credit risk, that is the exposure after taking into account the impairment loss and tangible and measurable collateral and credit enhancements held.

The fair value of the real estate collateral presented in the tables below for the loans and receivables is the open market value after indexation capped at the gross loans amount.

The main types of collateral obtained by the Bank and classified as “other” are pledges of equity securities, fixed and floating charges over corporate assets, assignment of life insurance policies.

28. MANAGEMENT OF FINANCIAL RISKS (continued)

Credit risk (continued)

Collateral and other credit enhancements of financial assets subject to credit risk (continued)

30 September 2019	Exposure to credit risk €	Cash €	Letters of credit/ guarantee €	Other €	Property €	Total collateral €	Net exposure to credit risk €	Surplus collateral €
Cash and balances with Central Banks	405.776.456	-	-	-	-	-	405.776.456	-
Placements with other banks	98.031.286	-	-	-	-	-	98.031.286	-
Derivative financial instruments	551.706	-	-	-	-	-	551.706	-
Financial assets at fair value through profit or loss	38.259.013	-	-	-	-	-	38.259.013	-
Financial assets at fair value through Other comprehensive income	6.984.054	-	-	-	-	-	6.984.054	-
Financial assets at amortised cost	653.509.416	-	-	-	-	-	653.509.416	-
Loans and advances to customers	985.711.842	43.349.656	58.877.669	66.074.664	693.007.662	861.309.651	124.402.191	496.744.240
Other assets	3.921.935	-	-	-	-	-	3.921.935	-
Total on balance sheet	**2.192.745.708**	**43.349.656**	**58.877.669**	**66.074.664**	**693.007.662**	**861.309.651**	**1.331.436.057**	**496.744.240**
Credit guarantees	10.416.430	-	-	-	17.061	17.061	10.399.369	-
Letters of guarantee	46.252.923	8.727.821	-	1.222.847	3.137.994	13.088.662	33.164.261	6.562.532
Total off balance sheet	**56.669.353**	**8.727.821**	**-**	**1.222.847**	**3.155.055**	**13.105.723**	**43.563.630**	**6.562.532**

31 December 2018	Exposure to credit risk €	Cash €	Letters of credit/ guarantee €	Other €	Property €	Total collateral €	Net exposure to credit risk €	Surplus collateral €
Cash and balances with Central Banks	200.763.030	-	-	-	-	-	200.763.030	-
Placements with other banks	107.672.594	-	-	-	-	-	107.672.594	-
Derivative financial instruments	63.173	-	-	-	-	-	63.173	-
Financial assets at fair value through profit or loss	22.909.165	-	-	-	-	-	22.909.165	-
Financial assets at fair value through Other comprehensive income	6.990.945	-	-	-	-	-	6.990.945	-
Financial assets at amortised cost	371.357.596	-	-	-	-	-	371.357.596	-
Loans and advances to customers	578.632.744	23.454.026	56.907.194	12.521.062	362.055.132	454.937.414	123.695.330	162.899.588
Other assets	757.655	-	-	-	-	-	757.655	-
Total on balance sheet	**1.289.146.902**	**23.454.026**	**56.907.194**	**12.521.062**	**362.055.132**	**454.937.414**	**834.209.488**	**162.899.588**
Credit guarantees	17.182.388	-	-	-	-	-	17.182.388	-
Letters of guarantee	30.131.846	1.075.550	-	53.239	2.991.478	4.120.267	26.011.579	11.159.587
Total off balance sheet	**47.314.234**	**1.075.550**	**-**	**53.239**	**2.991.478**	**4.120.267**	**43.193.967**	**11.159.587**

28. MANAGEMENT OF FINANCIAL RISKS (continued)

Credit risk (continued)

Collateral and other credit enhancements of financial assets subject to credit risk (continued)

For ECL calculation purposes the off balance sheet exposures are multiplied with credit conversion factors.

Expected credit loss measurement

The table below discloses the gross carrying amounts of the financial assets and nominal amounts of the off balance sheet instruments by staging before ECL:

30 September 2019

	Stage1	Stage 2	Stage 3	POCI	Total
	€	€	€	€	€
Balances with Central Banks	405.776.456	-	-	-	405.776.456
Placements with other Banks	98.031.286	-	-	-	98.031.286
Debt instruments at amortised cost	653.509.416	-	-	-	653.509.416
Loans and advances to customers	595.235.914	133.030.388	282.075.258	183.220.229	1.193.561.789
Other assets	3.921.935	-	-	-	3.921.935
Total financial assets in scope of ECL requirements	**1.756.475.007**	**133.030.388**	**282.075.258**	**183.220.229**	**2.354.800.882**
Credit guarantees	10.390.467	25.963	-	-	10.416.430
Letters of guarantee	33.309.304	2.657.495	8.303.467	1.982.657	46.252.923
Unutilised limits	106.212.727	4.835.693	1.057.303	298.897	112.404.620
Total off-balance sheet instruments in scope of ECL requirements	**149.912.498**	**7.519.151**	**9.360.770**	**2.281.554**	**169.073.973**

31 December 2018

	Stage1	Stage 2	Stage 3	POCI	Total
	€	€	€	€	€
Balances with Central Banks	200.763.030	-	-	-	200.763.030
Placements with other Banks	107.672.594	-	-	-	107.672.594
Debt instruments at amortised cost	371.357.596	-	-	-	371.357.596
Loans and advances to customers	379.553.852	59.376.529	288.268.791	32.541.939	759.741.111
Other assets	757.655	-	-	-	757.655
Total financial assets in scope of ECL requirements	**1.060.104.727**	**59.376.529**	**288.268.791**	**32.541.939**	**1.440.291.986**
Credit guarantees	17.182.388	-	-	-	17.182.388
Letters of guarantee	23.737.747	-	6.394.099	-	30.131.846
Unutilised limits	81.013.205	392.329	1.025.909	-	82.431.443
Total off-balance sheet instruments in scope of ECL requirements	**121.933.340**	**392.329**	**7.420.008**	**-**	**129.745.677**

28. MANAGEMENT OF FINANCIAL RISKS (continued)

Credit risk (continued)

Loans and advances and collateral and other credit enhancements (continued)

Expected credit loss measurement

The table below discloses the ECL allowance of the financial assets and off balance sheet instruments by Staging**:**

30 September 2019

	Stage1	Stage 2	Stage 3	POCI	Total
	€	€	€	€	€
Balances with Central Banks	-	-	-	-	-
Placements with other Banks	-	-	-	-	-
Debt instruments at amortised cost	1.031.686	-	-	-	1.031.686
Loans and advances to customers	5.006.370	2.817.169	149.679.515	50.346.893	207.849.947
Other assets	-	-	-	-	-
Total financial assets in scope of ECL requirements	**6.038.056**	**2.817.169**	**149.679.515**	**50.346.893**	**208.881.633**
Credit guarantees	62	-	-	-	62
Letters of guarantee	297.838	388.050	197.673	-	883.561
Total off-balance sheet instruments in scope of ECL requirements	**297.900**	**388.050**	**197.673**	**-**	**883.623**

31 December 2018

	Stage1	Stage 2	Stage 3	POCI	Total
	€	€	€	€	€
Balances with Central Banks	-	-	-	-	-
Placements with other Banks	-	-	-	-	-
Debt instruments at amortised cost	391.404	-	-	-	391.404
Loans and advances to customers	4.338.669	2.181.392	146.778.368	27.809.938	181.108.367
Other assets	-	-	-	-	-
Total financial assets in scope of ECL requirements	**4.730.073**	**2.181.392**	**146.778.368**	**27.809.938**	**181.499.771**
Credit guarantees	390	-	-	-	390
Letters of guarantee	415.182	-	203.821	-	619.003
Total off-balance sheet instruments in scope of ECL requirements	**415.572**	**-**	**203.821**	**-**	**619.393**

ECL allowance on unutilised limits is included in ECL allowance of loans and advances to customers.

28. MANAGEMENT OF FINANCIAL RISKS (continued)

Credit risk (continued)

Currency concentration of loans and advances to customers

	30 September 2019 €	31 December 2018 €
Euro	1.058.637.124	701.867.144
US Dollar	77.628.452	33.529.432
British Pound	34.319.341	2.859.959
Swiss Franc	22.111.262	21.432.874
Other currencies	865.610	51.702
	1.193.561.789	**759.741.111**

Geographical analysis

The following table presents the credit quality of the Group's loans and advances to customers at amortised cost by geographical concentration as per country of risk:

30 September 2019	Cyprus €	Greece €	Other countries €	Total €
Stage 1	423.405.778	99.284.269	72.545.867	595.235.914
Stage 2	126.266.983	1.474.561	5.288.844	133.030.388
Stage 3	279.443.899	395.978	2.235.381	282.075.258
POCI	182.600.384	-	619.845	183.220.229
	1.011.717.044	**101.154.808**	**80.689.937**	**1.193.561.789**

31 December 2018	Cyprus €	Greece €	Other countries €	Total €
Stage 1	347.315.676	13.269.370	18.968.806	379.553.852
Stage 2	57.552.219	5.680	1.818.630	59.376.529
Stage 3	285.773.650	17.418	2.477.723	288.268.791
POCI	32.541.939	-	-	32.541.939
	723.183.484	**13.292.468**	**23.265.159**	**759.741.111**

The following table presents the carrying amount of the Group's financial assets which are subject to credit risk by geographical sector. For the purposes of this table, the distribution of the exposure on financial assets in the geographical sectors has been performed based on the relevant counterparties' country of operation.

	Cyprus €	Greece €	Other countries €	Total €
30 September 2019				
Credit risk exposure from on balance sheet assets:				
Deposits with the Central Bank	384.261.883	-	-	384.261.883
Placements with other banks	-	60.529.096	37.502.190	98.031.286
Loans and advances to customers	806.290.384	100.643.753	78.777.705	985.711.842
Debt securities at amortised cost	199.880.882	256.597.776	197.030.758	653.509.416
Financial assets at FVTPL	4.068.852	3.598.014	22.096.868	29.763.734
Derivative financial instruments	-	453.277	98.429	551.706
Other assets	3.921.935	-	-	3.921.935
Total on balance sheet assets	**1.398.423.936**	**421.821.916**	**335.505.950**	**2.155.751.802**

28. MANAGEMENT OF FINANCIAL RISKS (continued)

Credit risk (continued)

Geographical analysis (continued)

	Cyprus €	Greece €	Other countries €	Total €
Credit risk exposure from off balance sheet assets:				
Credit guarantees	3.748.340	813.599	5.854.429	10.416.368
Letters of guarantee	44.552.924	129.320	687.118	45.369.362
Unutilised credit limits	108.982.956	808.949	2.612.715	112.404.620
Total off balance sheet assets	**157.284.220**	**938.269**	**9.967.861**	**168.190.350**
Total on and off balance sheet assets as at 30 September 2019	**1.555.708.156**	**422.760.185**	**345.473.811**	**2.323.942.152**

	Cyprus €	Greece €	Other countries €	Total €
31 December 2018				
Credit risk exposure from on balance sheet assets:				
Deposits with the Central Bank	184.735.746	-	-	184.735.746
Placements with other banks	999.956	767.215	105.905.423	107.672.594
Loans and Advances to customers	543.663.057	13.206.962	21.762.725	578.632.744
Financial assets at amortised cost	195.611.827	50.744.554	125.001.215	371.357.596
Financial assets at FVTPL	1.851.152	-	14.424.089	16.275.241
Derivative financial instruments	6.451	33.142	23.580	63.173
Other Assets	757.655	-	-	757.655
Total on balance sheet assets	**927.625.844**	**64.751.873**	**267.117.032**	**1.259.494.749**
Credit risk exposure from off balance sheet assets:				
Credit guarantees	1.886.625	925.607	14.369.765	17.181.997
Letters of guarantee	29.076.596	29.485	406.763	29.512.844
Unutilised credit limits	72.163.822	1.527.213	8.740.408	82.431.443
Total off balance sheet assets	**103.127.043**	**1.556.698**	**24.442.543**	**129.126.284**
Total on and off balance sheet assets as at 31 December 2018	**1.030.752.887**	**66.308.571**	**291.559.575**	**1.388.621.033**

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

28. MANAGEMENT OF FINANCIAL RISKS (continued)

Credit risk (continued)

Business sector analysis

The table below presents the carrying amount of the Group's financial assets that are subject to credit risk based on the business sector in which the counterparty operates.

	Industrial €	Tourism €	Commerce €	Real estate and Construction €	Financial Institutions €	Governments €	Other sectors €	Total €
30 September 2019								
Deposits with Central Bank	-	-	-	-	384.261.883	-	-	384.261.883
Placements with other banks	-	-	-	-	98.031.286	-	-	98.031.286
Advances:								
Advances to retail clients	325.167	459.402	1.222.896	2.481.578	-	-	231.662.203	236.151.246
Advances to businesses:								
Large entities & organisations	12.417.075	14.190.240	33.417.782	26.824.078	15.290.172	-	75.791.486	177.930.833
Small and medium size enterprises	22.520.858	54.337.285	78.919.159	234.756.668	63.751.440	3.257.394	114.086.959	571.629.763
Financial assets at amortised cost	-	-	-	-	197.020.569	456.488.847	-	653.509.416
Financial assets at fair value through profit or loss	-	-	-	-	9.835.120	10.771.105	9.157.509	29.763.734
Derivative financial instruments	-	-	-	-	551.706	-	-	551.706
Other assets	-	-	-	-	-	-	3.921.935	3.921.935
	35.263.100	68.986.927	113.559.837	264.062.324	768.742.176	470.517.346	434.620.092	2.155.751.802
Credit Risk exposure from off balance sheet assets:								
Credit guarantees	4.775.230	-	5.040.251	-	-	-	600.949	10.416.430
Letters of guarantee	2.210.049	58.655	12.098.056	22.113.189	1.481.451	10.000	8.281.523	46.252.923
Unutilised credit limits	25.658.867	4.834.086	16.759.297	17.794.675	853.370	568.445	45.935.880	112.404.620
	32.644.146	4.892.741	33.897.604	39.907.864	2.334.821	578.445	54.818.352	169.073.973
Total on and off balance sheet assets 30 September 2019	**67.907.246**	**73.879.668**	**147.457.441**	**303.970.188**	**771.076.997**	**471.095.791**	**489.438.444**	**2.324.825.775**

	Industrial €	Tourism €	Commerce €	Real estate and Construction €	Financial Institutions €	Governments €	Other sectors €	Total €
31 December 2018								
Deposits with Central Bank	-	-	-	-	184.735.746	-	-	184.735.746
Placements with other banks	-	-	-	-	107.672.594	-	-	107.672.594
Advances:								
Advances to individuals	30.809	-	28.648	16.555	-	-	143.114.634	143.190.646
Advances to businesses:								
Large entities & organisations	10.534.702	13.892.638	29.234.163	7.683.908	14.310.659	-	68.617.162	144.273.232
Small and medium size enterprises	13.009.090	17.542.507	42.704.451	122.655.642	41.608.232	3.874.968	49.773.976	291.168.866
Financial assets at amortised cost	-	-	-	-	136.218.067	235.139.529	-	371.357.596
Financial assets at fair value through profit or loss	-	-	-	-	5.968.641	1.582.119	8.724.481	16.275.241
Derivative financial instruments	-	-	-	-	63.173	-	-	63.173
Other assets	-	-	-	-	-	-	757.655	757.655
	23.574.601	31.435.145	71.967.262	130.356.105	490.577.112	240.596.616	270.987.908	1.259.494.749
Credit Risk exposure from off balance sheet assets:								
Credit guarantees	6.323.940	-	3.498.696	-	7.359.752	-	-	17.182.388
Letters of guarantee	1.170.509	12.265	8.668.034	14.152.354	1.503.147	10.000	4.615.537	30.131.846
Unutilised credit limits	14.904.682	6.540.772	11.191.710	8.799.041	7.555.516	533.517	32.906.205	82.431.443
	22.399.131	6.553.037	23.358.440	22.951.395	16.418.415	543.517	37.521.742	129.745.677
Total on and off balance sheet assets 31 December 2018	**45.973.732**	**37.988.182**	**95.325.702**	**153.307.500**	**506.995.527**	**241.140.133**	**308.509.650**	**1.389.240.426**

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

28. MANAGEMENT OF FINANCIAL RISKS (continued)

Credit risk (continued)

Credit quality of loans and advances to customers

The following tables present the credit quality of the Group's loans and advances to customers at amortised cost by business line concentration.

30 September 2019	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Corporate	473.996.638	114.036.394	27.182.448	4.474.873	619.690.353
Retail	120.025.932	17.454.681	81.700.143	3.971.254	223.152.010
International Banking services	1.097.727	962.336	732.718	-	2.792.781
Recoveries Banking Unit	113.183	576.977	172.002.592	174.774.102	347.466.854
Wealth Management	2.434	-	457.357	-	459.791
	595.235.914	**133.030.388**	**282.075.258**	**183.220.229**	**1.193.561.789**

31 December 2018	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Corporate	292.755.430	13.763.862	13.791.646	106.084	320.417.022
Retail	85.178.504	12.360.882	82.297.926	4.193.385	184.030.697
International Banking services	1.503.108	6.087	996.029	-	2.505.224
Recoveries Banking Unit	115.927	33.245.698	190.764.092	28.242.470	252.368.187
Wealth Management	883	-	419.098	-	419.981
	379.553.852	**59.376.529**	**288.268.791**	**32.541.939**	**759.741.111**

Write offs

Write offs subject to enforcement activity
The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity is €0,1m (2018: €31,2m).

Debt write-offs
The contractual amount on financial assets that were written off during the reporting period is €3,5m (2018:€20m).

Stock of properties acquired in satisfaction of debt

As at 30 September 2019 the Group held stock of properties acquired in satisfaction of debt of €139m (31 December 2018: investment properties of €76m).

During the nine-month period to 30 September 2019 there were disposals of repossessed collaterals of €1,3m (31 December 2018: €9m).

Risk of counterparty banks

The Bank runs the risk of loss of capital due to the possibility that a counterparty bank will delay or default on its payments on any existing or contingent liabilities. Through its daily operations, the Bank enters into transactions with other Banks and financial institutions. By entering into these transactions the Bank runs the risk of incurring losses in the event of late repayments or default of existing and contingent liabilities of the counterparty banks.

The limits set for counterparty banks reflect the level of risk that is considered acceptable and are then distributed to the Treasury Department or to any other service department where this kind of risk exists, based on the needs and volume of transactions within each service department. Generally, the limits are determined by banking sector evaluation models, as well as by the requirements of the supervisory authorities. The credit limit set for each counterparty is divided into sub-limits covering placements, investments, foreign exchange trading as well as the daily clearing limit. Actual positions are monitored against the limits on a daily basis and in real time.

28. MANAGEMENT OF FINANCIAL RISKS (continued)

Country risk

The Bank runs the risk of losing capital due to possible political, economic and other events in a particular country where the Bank's capital or liquid funds have been placed or invested in local banks and financial institutions. All countries are evaluated based on their size, economic data and country prospects and credit-worthiness rates provided by international credit rating agencies (Fitch, Moody's and Standard & Poor's). Actual country positions are monitored against their limits on a regular basis. Review of the limits is performed at least once a year with smaller countries with a lower degree of credit-worthiness going through a more extended and more frequent analysis and evaluation, where appropriate.

Credit risk concentration

There are restrictions to the concentration of credit risk as per the Cyprus Banking Law and the relevant Capital Requirements Regulation (CRR) issued by the European Union. According to these restrictions, exposures to customers or group of connected customers, other than institutions, shall not exceed 25% of a bank's own funds, after taking into account the effect of credit risk mitigation in accordance with articles 399-403 of CRR. Exposures to institutions shall not exceed 25% of a bank's capital base or €150m whichever is higher. Where the amount of €150m is higher than 25% of a Bank's own funds, after taking into account the effect of credit risk mitigation techniques, the limit shall not exceed 100% of a bank's own funds. As at and during the period ended 30 September 2019 there were no violations of the CRR Large Exposure Limits.

As at and during the year ended 30 September 2019 the Bank exceeded the maximum legal lending limit to a major shareholder under the Cyprus Banking Law primarily due to a credit enhancement provided, in the form of a guarantee, by Piraeus Bank S.A. as part of the transaction between Piraeus Bank S.A. and Holding M. Sehnaoui SAL. The Central Bank of Cyprus has been notified accordingly and has not requested any remedial action from the Bank.

Market risk

Market risk is the risk of loss from adverse changes in market prices namely from changes in interest rates, exchange rates, property and security prices. The Market risk (including Interest Rate Risk in the Banking Book) is managed by the Bank's Treasury that operates within the approved limits. The Risk department monitors the risk resulting from such changes which are governed by the Market Risk Policy and Market Risk Limits Management Procedure and Interest Rate Risk Methodology to ensure compliance with the regulatory and approved limits. The department also monitors liquidity risk and credit risk with counterparties and countries.

The Group considers that the profile of its market risk has remained similar to the one prevailing at 31 December 2018 as presented in Note 34 of the Annual Consolidated Financial Statements of the Group for the year 2018.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments and net interest income will decrease due to adverse movements in market interest rates. Interest rate risk arises due to timing differences in the re-pricing of interest rates or the maturity of assets and liabilities. Interest rate risk arises mainly from interest bearing banking activities and the Bank's loan portfolio.

Currency risk

Currency risk is the risk that the value of financial instruments and assets and liabilities fluctuates due to changes in exchange rates. Currency risk arises from a positive or negative open position in a foreign currency, exposing the Group to changes in the relevant exchange rate. This risk may arise from the holding of assets in one currency funded by liabilities in another currency or from a spot or forward foreign exchange trade or from derivatives.

The Bank enters into foreign exchange transactions in order to accommodate customer needs and to hedge its open positions. The Bank's Treasury department also enters into spot foreign exchange transactions within predefined and approved limits, as well as transactions in derivatives such as foreign exchange forward contracts and foreign exchange swaps.

28. MANAGEMENT OF FINANCIAL RISKS (continued)

Currency risk (continued)

The following risk exposure calculation methods and associated limit structures are used for monitoring:

a. Open position by currency – net positive or negative position in each currency.
b. Total net positive or negative position.

The approved limits are systematically monitored and reviewed and are assessed at least annually. These limits may be modified, according to the strategy of the Bank and the prevailing market conditions.

Risk from changes in the prices of equities and securities

The risk in relation to the prices of equity securities that are held by the Group arises from possible adverse changes in market prices of equity securities. The Group invests in listed and non-listed equity shares which, depending on the purpose of the investment, are classified in the appropriate portfolio. Currently investments in equity securities, are classified at FVTOCI and FVTPL. Cyprus government bonds and other corporate bonds listed in an active market which are held for trading, are also classified at FVTPL.

Liquidity risk

Liquidity risk is the risk that the Bank cannot find sufficient liquid funds in order to meet its immediate liabilities, without incurring significant economic costs. This risk is monitored and controlled by the Treasury Department, the Finance Division and the Risk Management Department, in order to ensure, to the extent possible, that there is adequate liquidity to meet its obligations under normal and stress conditions.

The Bank must comply with the Liquidity Coverage Ratio (LCR) as per the provisions of the Commission Delegated Regulation (EU) 2015/61 (which supplements Regulation (EU) No 575/2013 (CRR) of the European Parliament and the Council with regard to the liquidity coverage requirement for Credit Institutions). The regulatory limit for LCR stands at 100%. As at 30 September 2019 the Bank's liquidity coverage ratio stood at 343,0% (31 December 2018: 552,9%).

Additionally, the monitoring and management of liquidity risk is achieved through the use and monitoring of the following:

The concentration, diversity and maturity profile of customer deposits

a. Adopting pricing policies that contribute to establishing a stable depository base
b. Maintaining a balance in the Minimum Reserve Account as specified by the applicable Supervisory Authorities
c. Monitoring Liquidity Monitoring Metrics (ALMM) under Article 415(3)(b) of Regulation (EU) No 575/2013.

29. CAPITAL MANAGEMENT

The main objective of the Bank's capital management function is to ensure compliance with the relevant supervisory capital requirements and to maintain healthy capital adequacy ratios which can support the Bank's growth and maximise shareholder value.

The capital adequacy regulations which govern the activities of the Bank are determined by the Central Bank of Cyprus (CBC) and the European Central Bank (ECB).

As at 30 September 2019 the Bank's capital adequacy ratio stood at 14,12% and was in compliance with the regulatory minimum Overall Capital Requirement ('OCR') of 13,35% and the OCR including Pillar II Guidance ('P2G'), following certain capital improvement measures, which have been implemented in the third quarter of 2019.

29. CAPITAL MANAGEMENT (continued)

The Group has also developed a financial and capital plan (‘Plan”), which was submitted to Central Bank of Cyprus in April 2019. The Plan presented the following:

(a) internal business projections under a baseline scenario which incorporates the business plan of the new combined entity;
(b) an outline of the current and projected loan PE/NPE position of the Bank; and
(c) the actions / measures to be taken by the Bank to fully satisfy the buffer and P2G requirements.

30. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value represents the amount at which an asset could be exchanged, or a liability settled, in an arm’s length transaction. Some differences may arise between the carrying value and the fair value. The definition of fair value assumes that the Group will continue its normal operations without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms which would bring about losses to the Group. Generally accepted methods of determining fair value include reference to quoted market prices and transactions for similar financial instruments.

The Group uses the following hierarchy to classify and disclose fair value:

Level 1: investments measured at fair value using quoted prices in active markets for similar investments;
Level 2: investments measured at fair value using valuation models in which all elements that significantly influence fair value are based on observable market data either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3: investments measured at fair value using valuation models in which elements that significantly influence fair value are not based on observable market data.

The analysis of financial instruments measured at fair value per tier classification is presented below:

	Level 1 €	Level 2 €	Level 3 €	Total €
30 September 2019				
Assets measured at fair value				
Financial assets at fair value through other comprehensive income	-	-	6.984.054	6.984.054
Financial assets at fair value through profit or loss	21.477.785	-	16.781.228	38.259.013
Derivative financial instruments	-	551.706	-	551.706
Property and equipment	-	-	27.420.036	27.420.036
	21.477.785	**551.706**	**51.185.318**	**73.214.809**
Other financial assets not measured at fair value				
Cash and balances with Central Banks	-	-	405.776.456	405.776.456
Placements with other banks	-	-	98.031.286	98.031.286
Financial assets at amortised cost	662.054.013	-	-	662.054.013
Loans and advances to customers	-	-	985.711.842	985.711.842
Other assets	-	-	7.453.859	7.453.859
	662.054.013	**-**	**1.496.973.443**	**2.159.027.456**
Liabilities measured at fair value				
Derivative financial instruments	-	679.955	-	679.955
	-	**679.955**	**-**	**679.955**
Liabilities not measured at fair value				
Amounts due to other banks and deposits from banks	-	-	33.143.966	33.143.966
Deposits and other customer accounts	-	-	2.122.718.261	2.122.718.261
Other liabilities	-	-	32.033.488	32.033.488
	-	**-**	**2.187.895.715**	**2.187.895.715**

30. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

There were no significant transfers between levels during the period.

	Level 1 €	Level 2 €	Level 3 €	Total €
31 December 2018				
Assets measured at fair value				
Financial assets at fair value through other comprehensive income	-	-	6.990.945	6.990.945
Financial assets at fair value through profit or loss	7.550.760	-	15.358.405	22.909.165
Derivative financial instruments	-	63.173	-	63.173
Investment properties	-	-	75.827.500	75.827.500
Property and equipment	-	-	24.487.944	24.487.944
	7.550.760	**63.173**	**122.664.794**	**130.278.727**
Other financial assets not measured at fair value				
Cash and balances with Central Banks	-	-	200.763.030	200.763.030
Placements with other banks	-	-	107.672.594	107.672.594
Financial assets at amortised cost	376.752.595	-	-	376.752.595
Loans and advances to customers	-	-	578.632.744	578.632.744
Other assets	-	-	1.777.592	1.777.592
	376.752.595	**-**	**888.845.960**	**1.265.598.555**
Liabilities measured at fair value				
Derivative financial instruments	-	807.898	-	807.898
	-	**807.898**	**-**	**807.898**
Liabilities not measured at fair value				
Amounts due to other banks and deposits from banks			15.140.202	15.140.202
Deposits and other customer accounts			1.220.425.492	1.220.425.492
Other liabilities	-	-	48.554.765	48.554.765
	-	**-**	**1.284.120.459**	**1.284.120.459**

There were no significant transfers between levels during the reporting period/year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise of Cyprus government bonds and Cypriot corporate bonds listed in Foreign Stock Exchanges and classified at fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market (for example equity instruments not listed in an active market) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

30. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Adjusted comparable multiples of market prices to book value.
- Other techniques, such as discounted cash flow analysis and dividend discount model.

The following table presents the changes in Level 3 instruments for the period ended 30 September 2019:

	30 September 2019 €
1 January 2019	22.349.350
Additions	701.954
Revaluation gains	280.949
Foreign exchange gain	433.028
30 September 2019	**23.765.281**
Total gains for the period included in the consolidated income statement	
Change in unrealised gains (or losses) for the year included in the consolidated income statement for assets held at the end of the reporting period	713,977

The following table presents the changes in Level 3 instruments for the year ended 31 December 2018:

	31 December 2018 €
1 January 2018	12.204.149
Additions	8.789.791
Revaluation gains	1.355.410
31 December 2018	**22.349.350**
Total gains for the year included in the consolidated income statement	
Change in unrealised gains (or losses) for the year included in consolidated income statement for assets held at the end of the reporting period	1.355.410

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

31. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

30 September 2019

	FVTPL €	FVOCI –Equity instruments €	Amortised cost €	Total carrying amount €
Assets				
Cash and deposits with Central Bank	-	-	405.776.456	405.776.456
Placements with other banks	-	-	98.031.286	98.031.286
Derivative financial instruments	551.706	-	-	551.706
Loans and advances to customers	-	-	985.711.842	985.711.842
Investment securities:				
Debt securities at amortised cost	20.606.225	-	653.509.416	674.115.641
Equity securities	16.656.102	6.984.054	-	23.640.156
Other investments	996.686	-	-	996.686
Other assets	-	-	7.453.859	7.453.859
Total financial assets	**38.810.719**	**6.984.054**	**2.150.482.859**	**2.196.277.632**
Liabilities				
Derivative financial instruments	679.955	-	-	679.955
Amounts due to other banks and deposits from banks	-	-	33.143.966	33.143.966
Deposits and other customer accounts	-	-	2.122.718.261	2.122.718.261
Other liabilities	-	-	32.033.488	32.033.488
Total financial liabilities	**679.955**	**-**	**2.187.895.715**	**2.188.575.670**

31 December 2018

	FVTPL €	FVOCI – Equity instruments €	Amortised cost €	Total carrying amount €
Assets				
Cash and deposits with Central Bank	-	-	200.763.030	200.763.030
Placements with other banks	-	-	107.672.594	107.672.594
Derivative financial instruments	63.173	-	-	63.173
Loans and advances to customers	-	-	578.632.744	578.632.744
Investment securities:				
Debt securities	7.550.760	-	371.357.596	378.908.356
Equity securities	15.358.405	6.990.945	-	22.349.350
Other assets	-	-	1.777.592	1.777.592
Total financial assets	**22.972.338**	**6.990.945**	**1.260.203.556**	**1.290.166.839**
Liabilities				
Derivative financial instruments	807.898	-	-	807.898
Amounts due to other banks and deposits from banks	-	-	15.140.202	15.140.202
Deposits and other customer accounts	-	-	1.220.425.492	1.220.425.492
Other liabilities	-	-	48.554.765	48.554.765
Total financial liabilities	**807.898**	**-**	**1.284.120.459**	**1.284.928.357**

32. RELATED PARTY TRANSACTIONS

The Group is owned by a number of investors, none of which, has a direct or indirect controlling interest on the Group.

The table below presents transactions and balances with the key management personnel and board members, and connected persons as at 30 September 2019 and 31 December 2018:

	30 September 2019 €	31 December 2018 €
Loans and advances	426.541	298.943
Interest income	7.015	6.589
Deposits	5.117.593	7.175.983
Interest expense	128.692	40.249
Other fees	139.818	45.285

There were no contingent liabilities or commitments towards the Group's key management personnel.

Connected persons include spouses, dependent children, as well as companies in which key management personnel hold, directly or indirectly, at least 20% of the voting rights during a General meeting.

Remuneration of key management personnel of the Group

	30 September 2019 €	30 September 2018 €
Key management personnel remuneration:		
Salaries and other current benefits and employer's social insurance contributions	999.211	591.661
Total key management personnel remuneration – under their executive capacity (i)	**999.211**	**591.661**
Total key management personnel remuneration – as directors	-	-

(i) Key management personnel consists of the Group's General Management

	30 September 2019	30 September 2018
Number of key management personnel	5	3

Non-executive directors remuneration

	30 September 2019 €	30 September 2018 €
Total remuneration of non-executive directors	467.127	291.123

33. ACQUISITION OF USB BANK BUSINESS

Through an agreement dated 31 July 2018 entered into between the Bank and USB Bank PLC ('USB'), it was agreed that the Bank would acquire all the assets, liabilities and the banking business of USB, excluding only certain property assets, with a view to consolidate it with its own business. The assets and liabilities of USB mainly relate to loans receivable, customer deposits, cash, debt securities and stock of properties.

The agreement was completed on 18 January 2019 for a total consideration of €40.245.637, following satisfaction of conditions precedent relating to regulatory approvals, delivery of certain information (including externally audited

Notes to the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2019

33. ACQUISITION OF USB BANK BUSINESS (continued)

Reference Accounts) by the seller, seller's shareholder approval and successful completion of the capital raise on the part of the Bank.

The transaction was supported by a capital increase of €54m of which: (a) €44m Ordinary Shares 44m (5.648.267 shares €7,79 each), and (b) €10m Preference Shares (1.250.000 shares €8 each) which are eligible as AT1, and which were mainly provided by AstroBank's current shareholders.

In accordance with the Bank's accounting policy, business combinations are accounted for using the acquisition method of accounting in accordance with IFRS 3. According to IFRS 3 each identifiable asset and liability is measured at its acquisition-date fair value.

Applying the above policy, where the Group's share of the fair values of the identifiable net assets are greater than the cost of acquisition (i.e. negative goodwill), the difference is recognised directly in the consolidated income statement in the year of acquisition.

The benefits of the acquisition of USB Bank's business focus on:

- strengthening the Group's presence in the market;
- increase in momentum and enhancement of the capacity and potential of the future organic growth;
- the existence of substantial synergies relating to operating costs and revenue.

As of the date of approval of these interim condensed consolidated financial statements , the Group is still in the process of calculating the fair value of the acquired assets and liabilities as at the acquisition date. Therefore, at the date of these interim condensed consolidated financial statements, the Group discloses the provisional fair values of the acquired assets and liabilities.

Provisional fair values of the identifiable assets and liabilities acquired

The table below shows the provisional fair values of the acquired net assets of USB Bank PLC on the acquisition date 18 January 2019, as recognised in the interim condensed consolidated financial statements of the Group:

Provisional fair values recognised on acquisition	**€**
Assets	
Cash and balances with the Central Bank	185.658.219
Placements with Banks	17.299.274
Loans and advances to customers	310.537.483
VISA Inc. shares	1.339.457
Other assets	2.407.718
Debt securities	110.946.748
Stock of property	63.045.190
Property and equipment	1.297.417
Right of use assets	5.617.497
Intangible assets	62.355
Total assets	**698.211.358**
Liabilities	
Deposits by banks	4.776.228
Customer deposits	646.628.534
Lease liability	3.015.472
Other liabilities	6.880.872
Total liabilities	**661.301.106**
Net assets	**36.910.252**
Consideration transferred	**40.245.637**
Goodwill	**3.335.385**

33. ACQUISITION OF USB BANK BUSINESS (continued)

The table below presents key profit or loss components originated from the acquisition of USB Bank business on 18 January 2019 which are included in the consolidated statement of comprehensive income for the reporting period.

	Period from 18 January 2019 to 30 September 2019 €
Interest on loans advances to customers	10.972.765
Interest on deposits from customers	(1.202.627)
Fee and commission income	1.537.463
Fee and commission expense	(235.860)
Provision for expected credit loss to cover credit risk on loans and advances to customers	(12.635.093)

Upon completion of the fair value calculation using the acquisition method of accounting in accordance with IFRS 3 the amount for the provision for expected credit loss to cover credit risk on loans and advances to customers will be adjusted accordingly as well as other components of the above disclosed amounts.

Since the date of the transaction for the acquisition of USB Bank business the Group proceeded with the integration of various processes and departments (i.e. investment operations, human resource department etc.) affecting the profit or loss performance of the acquired business. Consequently, the results of those components as well as their effect on profit or loss is impracticable to be disclosed.

The table below shows the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for the business combination that occurred during the period had been as of the beginning of the annual reporting period.

	Nine-months ended 30 September 2019 €
Interest income	42.322.469
Interest expense	(4.624.396)
Net interest income	**37.698.073**
Fee and commission income	12.245.530
Fee and commission expense	(2.156.667)
Net fee and commission income	**10.088.863**
Other income	1.391.960
Net gains on financial instrument transactions	6.389.570
Gains arising from the derecognition of financial assets measured at amortised cost	17.049.168
Other operating income	**24.830.698**
Reversal of previous recognised impairment on own used properties	1.830.439
Impairment of stock of property/ leasehold improvements	(1.730.754)
Staff expenses	(26.297.916)
Depreciation and amortisation	(2.585.072)
Operating expenses	(12.997.735)
Profit before provisions	**30.836.596**
(Provision for) / reversal of expected credit loss to cover credit risk on loans and advances to customers	(10.059.537)
Provision for expected credit loss to cover credit risk on contractual commitments and guarantees	(285.272)
(Expected credit loss) / reversal of expected credit loss on other financial instruments	(640.282)
Profit before tax	**19.851.505**

33. ACQUISITION OF USB BANK BUSINESS (continued)

	Nine-months ended 30 September 2019 €
Income tax charge	(343.090)
Profit for the period	**19.508.415**

The gross contractual balance of the loans and advances acquired at acquisition date amounts to €454.453.835 and the corresponding provisional fair value amounts to €310.537.483.

The accumulated provision for the expected credit loss to cover credit risk of the purchased credit impaired loans and advances at the acquisition date is €144.481.420.

34. EVENTS AFTER THE REPORTING PERIOD

On 26 November 2019 the Bank and National Bank of Greece S.A (‘NBG’) signed an agreement under which the Bank will acquire the whole of the share capital of NBG (Cyprus) (post carve-out of problematic loans) for a cash consideration of €38m (as to be adjusted depending on the audited financial statements net asset value). The agreement is expected to be completed by mid-2020 subject to the satisfaction of conditions precedent relating to regulatory approvals, delivery of certain information (including externally audited financial statements as at the closing month following conditions precedent satisfaction) by the seller and successful completion of a €40m capital raise on the part of the Bank.

Other than the above, there were no events after the reporting date which have a material bearing on the understanding of the interim condensed consolidated financial statements.

EY
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Report on review of interim financial information

To the Members of AstroBank Limited

Introduction

We have reviewed the interim condensed consolidated financial statements of AstroBank Limited (the "Bank") and its subsidiaries (together the "Group"), which are presented on pages 10 to 73, which comprise the interim consolidated financial position as at 30 September 2019, the interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the nine-month period then ended 30 September 2019, the interim consolidated income statement and interim consolidated statement of comprehensive income for the three-month period then ended 30 September 2019, and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this interim financial information in accordance with the International Financial Reporting Standards applicable to interim financial reporting, IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".
A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting'.

Savvas Pentaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
13 December 2019