ATHEXCLEAR
Clearing House

2018 ANNUAL FINANCIAL REPORT

For the period 1 January 2018 - 31 December 2018
In accordance with the International Financial Reporting Standards

ATHENS EXCHANGE CLEARING HOUSE S.A.
110 Athinon Avenue
Postal Code: 10442
Tel.: 210 3366800
Fax: 210 3366101

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1. DECLARATIONS BY MEMBERS OF THE BOARD OF DIRECTORS

(in accordance with Article 4 of Law 3556/2007)

WE DECLARE THAT

1. To the best of our knowledge, the accompanying annual Financial Statements, which have been prepared in accordance with the applicable International Financial Reporting Standards, present truly and fairly the assets and liabilities, the equity as at 31.12.2018 and the results of fiscal year 2018 of "ATHENS EXCHANGE CLEARING HOUSE S.A."
2. To the best of our knowledge, the accompanying report of the Board of Directors for fiscal year 2018 presents truly and fairly the course, performance and position of "ATHENS EXCHANGE CLEARING HOUSE S.A.", including the description of main risks and uncertainties that the Company faces.
3. To the best of our knowledge, the accompanying Financial Statements for fiscal year 2018 are those approved by the Board of Directors of "ATHENS EXCHANGE CLEARING HOUSE S.A." on 18.03.2019.

Athens, 18 March 2019

THE CHAIRMAN OF THE BOARD	THE CHIEF EXECUTIVE OFFICER	THE MEMBER OF THE BOARD
ALEXIOS PILAVIOS	**SOCRATES LAZARIDIS**	**ANDREAS MITAFIDIS**
ID CARD No. AB-340965	**ID CARD No. AK -218278**	**ID CARD No. Π-364444**

2. MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

OF "ATHENS EXCHANGE CLEARING HOUSE S.A." FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018

The Board of Directors of ATHENS EXCHANGE CLEARING HOUSE S.A. (ATHEXClear or the Company) presents its Report with regard to the financial statements for fiscal year 2018 pursuant to Law 4548/2018.

The financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union.

THE GREEK STOCK MARKET

The Athens Exchange General Index closed on 31.12.2018 at 613.30 points, decreased by 23.6% in relation to 802.37 points at the end of 2017. The average market capitalization came to €52.2 billion, a rise of 4.0% compared to 2017 (€50.2 billion).

The total traded value in 2018 (€13.9 billion) shows a 6.1% decrease compared to the same period last year (€14.8 billion), while the average daily traded value reached €55.7 million compared to €58.8 million in 2017, recording a decrease of 5.3%. The average daily traded volume decreased by 48.7% and came to 37.3 million shares compared to 72.7 million shares.

In the derivatives market, the total trading activity decreased by 28.3% (2018: 13.9 million contracts, 2017: 19.4 million contracts), while the average daily traded volume decreased by 27.7% (56.0 thousand contracts compared to 77.5 thousand contracts).

BUSINESS DEVELOPMENTS

Energy market development project

The liberalization of the energy market and the creation of new products, such as derivative financial products based upon electricity indices, as well as the involvement of the HELEX Group in the overall project, led to the formation of a team for the preparation, investigation and design of a risk management model for this market as well as to the preparation of a file for the application for the extension of the clearing licence of ATHEXClear to the new financial products.

As part of this initiative, contacts were made with market players in Greece and abroad for the exchange of ideas and the acquisition of know-how.

The working group actively participated in the design of the clearing and settlement model for the Day-Ahead Market and Intraday Market transactions, as well as in the preparation of a draft Clearing Regulation and drafts of technical decisions set forth in the Regulation.

In addition, initiatives were undertaken for the design of derivative products based on the price of underlying energy products, and their clearing processes as well as risk management procedures were specified.

Development of a data warehouse for risk management data

In order to make possible the storage and management of a large volume of historical data concerning risk management, the project of developing a data warehouse that had been launched in 2017 was completed.

Besides record keeping, the aim is to make possible the collection and combination of information from different sources, to reduce the time required of the management staff for reporting and to increase the amount of distributed information.

Making use of the new infrastructure, the design and implementation was completed of reports automating to a large extent the procedure of production and dissemination of information to investors in accordance with the international standards (IOSCO disclosure standards), as well as of reports to the supervising authority.

Transaction clearing support during the Pre-Admission trading period

With the aim to improve the services provided and increase its competitiveness, the Exchange decided to initiate the Pre-admission Procedure, in which trades can take place in securities before they are admitted to trading on the markets of the Exchange.

Due to the fact that transactions made during the Pre-Admission trading period are finalized only after the decision of the Exchange for the transferable securities to be admitted to trading on the markets of the Exchange, such transactions have certain particular characteristics compared to the regular transactions, which relate to risk management and also their clearing and settlement.

To support the new service, changes were implemented in the clearing, settlement and risk management IT systems, and also the necessary amendments were made to the ATHEXClear regulatory framework.

Release of margins in the form of securities directly by the Clearing Members

As part of the continuous improvement of the services provided by ATHEXClear to the Clearing Members, a new functionality was implemented in the Clearing System in order to offer Clearing Members of the Cash and Derivatives Markets the possibility to release margins in the form of securities, which they hold as collateral in the Clearing System in favour of ATHEXClear, directly through the Clearing System, without the intervention of an ATHEXClear user.

The new functionality is intended to replace a procedure requiring Clearing Members wishing to release collateral to notify in writing by fax/mail ATHEXClear for the release to be subsequently performed by an ATHEXClear executive and the relevant entry to be made in the Clearing System.

With the new functionality, the release of margins and their return to the Clearing Member take place immediately, the time required of the staff of the clearing members and of ATHEXClear is reduced to a minimum and, at the same time, the operating risk due to human error is decreased.

The implementation of the new procedure necessitated the relevant planning, implementation and testing of the IT systems, as well as limited changes in the ATHEXClear regulatory decisions and internal procedures.

Improvements in the risk management model

In order to respond to remarks and recommendations from the Hellenic Capital Market Commission for improvements in the ATHEXClear risk management model, a project was implemented for the evaluation of possible alternative improvements, with the following prerequisites:

- To meet fully the regulatory requirements
- To be in line with the particular characteristics of the Greek market
- Not to increase unreasonably the cost for the participants

The new model was certified by an independent specialized consultant, was presented to the Hellenic Capital Market Commission and the College and, after a decision of the Board of Directors, will be fully implemented in the second quarter of 2019. Particularly the establishment of a collateral valuation limit, in order to ensure the possibility for their liquidation even in conditions of low liquidity, was put into effect in January 2019.

Annual certification of the risk management models

In accordance with Article 49 of Regulation (EU) 648/2012 (EMIR), an annual audit of the risk management models employed by ATHEXClear must be conducted by a specialized independent consultant.

The project was assigned to a specialized consultant who completed the necessary work in cooperation with the ATHEXClear staff and delivered the final report on the results of the audit, which was submitted to the Hellenic Capital Market Commission, to the Risk Committee and to the Board of Directors of ATHEXClear.

The overall conclusion from the RD audits is that there are no critical findings and that the models examined are sufficiently conservative.

BREXIT: Preparation of the Athens Stock Exchange for the forthcoming withdrawal of the United Kingdom from the European Union

In the context of the forthcoming withdrawal of the United Kingdom from the European Union (Brexit), with the deadline set for 29.03.2019, the remote Members of the Athens Exchange having their registered office in the

UK, in order to ensure their uninterrupted and unhindered activity in the European Stock Exchanges, have planned to obtain access to the European markets through other European countries so as to preserve their European Passport under MiFID.

Specifically, the active remote ATHEX Members having their registered office in the UK are the following: Citigroup Global Markets Limited, Credit Suisse Securities (EUROPE) Limited, UBS Limited and Merrill Lynch International.

These members informed ATHEX that they will again request to obtain the status of Remote Trading Member in the ATHEX Cash Market through other subsidiaries having their registered office in the European Union, while the already existing ATHEX Remote Members headquartered in the United Kingdom will request to resign their membership in the Athens Exchange before the expiry of the deadline for the withdrawal of the UK from the European Union, i.e. 29/03/2019.

On the basis of the above, the new ATHEX Remote Members will be the following:

1. Credit Suisse Securities Sociedad de Valores, Sociedad Anonima – which will replace Credit Suisse Securities (EUROPE) Limited
2. Citigroup Global Markets Europe AG – which will replace Citigroup Global Markets Limited
3. UBS Europe SE – which will replace UBS Limited
4. BofA Securities Europe SE – which will replace Merrill Lynch International

Annual Compliance Audit of Clearing Members for 2017

This year, as in every year, the scheduled annual compliance audit of the Members of Athens Exchange, ATHEXClear and ATHEXCSD was carried out for the year 2017.

In accordance with the existing regulatory and institutional framework, Members are required to fulfil on a constant basis and throughout their operation the applicable requirements for the acquisition of their respective status. In order to ascertain the degree of their compliance with the above, the Annual Compliance Audit of Members for 2017 was carried out.

The main aim of the Audit is to conduct a review in the following functional areas of the Members:

- Required organizational and financial adequacy;
- Compliance with and implementation of the procedures for Trading, Clearing and Risk Management;
- Compliance with and implementation of the special procedures for Market Making;
- Compliance with and implementation of the procedures for data security, as well as formulation of policies for uninterrupted operation and business continuity;
- as well as to detect any deficiencies in order that the necessary corrective measures can be subsequently recommended.

The audit was carried out by the relevant executives of ATHEX, ATHEXClear and ATHEXCSD working in the Member and Network Support Unit, under the overall supervision of the Regulatory Compliance Unit of the Group.

The overall conclusion arising from that Annual Compliance Audit is that all Members fulfil the requirements of the relevant regulations in 2017.

Risk Management System (RISK)

Development and transfer to production of version RISK v.1.12 of the system, which includes changes and additions concerning

- EU-Wide Stress Test
- Clean Back Test

- Bug correction in the calculation of Credit and Liquidity Stress Test regarding cash settlement at the expiration or use of index products

Development and transfer to production of version RISK v.1.13 of the system, which includes changes and additions concerning

- Actual Liquidity Test
- Correction in the contract size data of lending products. A problem occurred in the calculation of the position closing cost with the cost of lending products not being taken into account.
- Change of user access to DSS
- Changes / Additions to the RISK MIS data.

Other developments

In 2018, a series of supplementary actions were also carried out, the most important of which were the following:

- Update of the information offered on the Group's website regarding clearing and risk management and presentation of all information also in English.
- Participation in the six-monthly audits of the Target 2 emergency procedure as well as in the tests of the new version (12.0) of Target 2.
- Participation in the annual audit of the Group's business continuity procedures.
- Improvements in the Clearing System so as to require a Legal Entity Identifier (LEI) in the derivatives position accounts of legal entities, thus fulfilling the relevant requirement of the EMIR-TR service.
- Further development of the EMIR-TR service to ensure compliance with the new rules/audits imposed by ESMA and the Trade Repositories.
- Improvement in the two-day risk calculation methodology for corporate bonds
- Improvements in the Clearing System for the automation of processes used in case of default of a member and specifically of the management of partially settled transactions to a securities depository.
- Participation in the modelling of the process of forced sale of securities in the special account in accordance with Law 4569/2018.
- Participation in the project for compliance with the CSDR Regulation.

COMMENTS ON THE RESULTS

The turnover of ATHEXClear came to €7.6 million compared to €7.9 million, recording a 4.3% decrease in relation to the previous year, while the earnings after tax reached €290 thousand in 2018 compared to €450 thousand in the same period last year, recording a decrease of 36%.

Approximately 97% of the turnover of the Company in 2018 results from the clearing of transactions in the stock and derivatives markets carried out in the Athens Exchange (including revenues from the ATHEX-CSE common trading platform). Revenue from clearing came to €7.3 million compared to €7.6 million in the previous years, showing a decrease of €244 thousand or 3.2%.

The operating revenue of the Company in 2018 after deduction of the Capital Market Commission Fee amounted to €7.0 million compared to €7.3 million in the same period of 2017, showing a decrease of 4.3%.

The expenses of the Company including the flat settlement fee reached €6.4 million compared to €6.5 million in the previous fiscal year, showing a decrease of 2.2%.

Personnel remuneration and expenses came to €1.1 million compared to €970 thousand, recording an increase of 12.3%. The number of employees as at 31.12.2018 was 26 persons compared to 24 persons on 31.12.2017.

With regard to Earnings Before Interest and Taxes (EBIT), ATHEXClear shows a profit of €563 thousand compared to €793 thousand in the same period last year, recording a decrease of 29.0%.

The results include the following financial indicators:

	31.12.2018	31.12.2017	Deviation %
EBITDA	9%	11%	(18.2)%
Cash flows after investment (in thousand €)	(993)	2,577	(138.5)%
Return on Assets (ROA) %	1%	1.4%	(28.6)%
Return on Equity (ROE) %	1%	1.5%	(33.3)%
Degree of financial self-sufficiency	98%	94.0%	4.3%

Third party balances in ATHEXClear bank accounts

In order to comply with the corporate governance framework laid down by Regulation (EU) No. 648/2012 of the European Parliament and of the Council (EMIR Regulation), the Company keeps all cash collaterals managed by the Company and relate to the cash market and the derivatives market, as well as its own cash balances, in an account in its name with the Bank of Greece as a direct participant through the Internet to the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2-GR).

Therefore, its own cash balance and the balances of third parties (margins) are deposited in the same account that ATHEXClear holds with the Bank of Greece, and as a result a separation of the assets is necessary in order for the collateral that ATHEXClear collects to be shown separately in the current assets of 31.12.2018. In the Statement of Financial Position of 31.12.2018, these are shown as equal amounts both in current assets and in current liabilities as "third party balances in the bank account of the Company" and concern exclusively the margins in the cash and derivatives markets that were deposited in the bank account held by ATHEXClear with the Bank of Greece as at 31.12.2018.

SHARE CAPITAL

The share capital of the Company amounts to €25,500,000 and consists of 8,500,000 shares of a nominal value of €3 each.

TREASURY SHARES

The company does not hold any treasury shares as at 31.12.2018.

DIVIDEND POLICY

The company has not yet distributed a dividend.

TRANSACTIONS BETWEEN RELATED PARTIES

Total trades with related parties amount to €104 thousand compared to €97 thousand in the previous year and concern the remuneration of executives and members of the Board of Directors of the Company. Apart from these transactions, no other transactions were carried out with related parties as defined in IAS 24, which could materially affect the financial position or the performance of the Company during this period.

OUTLOOK FOR 2019

The exit from the Memorandum programmes signifies the completion of a series of structural changes that, coupled with the clear signs of stabilization of the economy, boost economic activity as well as the trust of investors.

The anticipated improvement of the investment climate will provide opportunities for raising capital through the stock market. For 2019, new company listings, corporate bond issues and share capital increases are planned, and these are expected to renew the interest of investors. In this regard, conditions are expected to be particularly conducive to privatizations through the Stock Exchange. In turn, such development would foster a positive climate for the stock market.

Although the Greek capital market managed during the crisis to maintain the interest of the international investment community, it is expected that the restructuring of the business landscape through possible acquisitions and mergers, the constant improvement in the management of Non-Performing Loans (NPLs), the privatizations, the upgrade of the credit rating of Greece, as well as the issuance of government bonds, will further fuel the interest of institutional investors, provided that there will be commitment to policies focused on the improvement of the economic climate.

The prospects of the Group and the Company are also shaped by regulatory changes taking place at the European level, as well as by the focus of the European Commission on the possibility of financing small and medium sized enterprises through the capital markets due to the ongoing deleveraging of the banking system and the overall developments in the international macroeconomic environment.

The EMIR Regulation has created a single European framework regarding the organization, licensing and supervision of Clearing Houses, while in 2019 the implementation of the CSDR Regulation will establish a similar framework for Depositories. The adaptation of the Group to the new models of operation creates opportunities for the development of new activities and collaborations and the conditions for effective and profitable operation in an international environment of increased security and reduced risk.

Under these conditions, the Company endeavours to reduce its cost of operation, to ensure the orderly operation of its markets, to provide value-added services, to utilize its infrastructure improving it with the addition of new products and services and to fulfil effectively its role in the transfer of investment resources to the productive fabric of Greece.

The excellent organization of the Group and the Company, the smooth operation of the stock market, the continuous investment in modern equipment and processes, the absence of debt liabilities, the acknowledgement of its reliability by internationally recognized rating agencies, as well as the liquidity that it possesses, are the guarantee for lasting survival with significant benefits for the shareholders.

TURNOVER - RISKS AND UNCERTAINTIES

The revenues of ATHEXClear and of the Athens Exchange Group in general are largely determined by factors that cannot be influenced, as they are connected with the developments in the Greek capital market, which in turn are affected by a number of factors, such as the main financial figures of listed companies, the fundamental macroeconomic elements of the Greek economy as well as the developments in international capital markets.

Apart from the clearing fees for trades carried out on the markets of the Athens Exchange, which are collected through the Members, major sources of revenue for the Company are the proceeds from trade transfers and allocations, from trade notification instructions, from subscriptions of clearing members, from TR service etc.

In contrast to revenues, the amount of which cannot be controlled by the ATHEXClear, on the cost side concerted efforts are made for rationalization, with the aim to improve the financial results of the Company and the Group even in adverse market conditions.

The economic crisis afflicting the Greek economy during the recent years has increased the risks for foreign and local investors resulting in a significant decrease in the volume of stock market transactions, which has a negative effect on the results of ATHEXClear.

DEFAULT FUND MANAGEMENT

CASH MARKET

Athens Exchange Clearing House S.A. (ATHEXClear) manages the Default Fund with the purpose of protecting the System from credit risks of the Clearing Members resulting from the clearing of the transactions.

The contribution of each Clearing Member to the Default Fund is determined based on each Share of the Clearing Member in it. The Share consists of the sum of the contributions of the Clearing Member that have been paid for its formation into the Default Fund and is increased by any revenue accruing from the rules of management and investment of the assets of the Default Fund, as well as by the cost for managing risk and margins, as determined by the ATHEXClear procedures. Revenues and expenses are allocated in respect of each Clearing Member Share in the Default Fund in proportion to its size.

The minimum size of the Default Fund is based on the amount of transactions carried out by each Clearing Member and is calculated according to the special method described in the decisions of the Hellenic Capital Market Commission and in Part 5, Section II of the ATHEXClear Regulation of Clearing of Transferable Securities Transactions in Book Entry Form, as applicable. For each month, the difference between the new balance and the previous balance for each Clearing Member Share is paid or refunded, accordingly, by the Manager of the Default Fund.

DERIVATIVES MARKET

The Board of Directors of ATHEXClear at its meeting No. 109 of 17/11/2014 approved the formulation of a set of risk management policies and practices due to the change of the clearing model in the derivatives market, the Regulation on the Clearing of Transactions on Derivatives and also due to the adaptation to the requirements of the EMIR Regulation.

In accordance with the new Regulation on the Clearing of Transactions on Derivatives and in particular Part 5 of Section II, a Default Fund for the Derivatives Market is calculated monthly. Calculation is made on a monthly basis. The management of the Default Fund in the derivatives market is not different from the management of the Default Fund in the cash market.

RISK MANAGEMENT

General – Risk Management Environment

A main consideration of the Athens Exchange Group (Group) is the management of risk that arises from its business activities.

Athens Exchange Clearing House (ATHEXClear) is also a member of the Group and operates as a Central Counterparty (CCP) in the clearing of products of the cash and derivatives markets, and it must therefore fulfil the strict requirements on risk management of the EMIR (European Market Infrastructure Regulation) regulatory framework, in accordance with which is has been licensed since 2015. Although risk management within the Group concerns all Companies and risk categories, it is recognized that, due to its role in the market, ATHEXClear faces and has to manage the most serious risk.

The internal and external regulatory and legal framework that governs ATHEXClear directly and the Group indirectly with regard to their obligations in monitoring and managing risk includes the Regulation of Clearing of Transferable Securities Transactions in Book Entry Form, the Regulation on the Clearing of Transactions on Derivatives and the Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, known as EMIR.

Risk Strategy and Risk Management

In accordance with the strategy of ATHEXClear, the risk tolerance level is defined so as to be consistent with the capital adequacy of the Company, to satisfy the market needs, to reduce the cost for the participants, to derive maximum benefit from business opportunities but also to ensure the security of the market and the compliance with the regulatory requirements

Organizational structure

In addition to the overall measures for ensuring the unhindered operation of the systems of the Group, each organizational unit of the Group is responsible for monitoring and managing potential risks in such a way as to react promptly and effectively in case of occurrence of risk events.

Keeping up in 2018 the effort made in the previous years, attempts are made to strengthen the risk management operation by ATHEXClear in order to continue to be in line with the EMIR Regulation and to conform to international best practices.

Specifically, in ATHEXClear, the organizational structure supporting risk management includes the following units:

1. Board of Directors, which has the final responsibility and accountability concerning the management of the risk management operation of the Company. Specifically, the Board determines, defines and documents the appropriate level of risk tolerance and risk assumption ability of the Company. In addition, the Board and the senior executives ensure that the policies, processes and audits of the Company are consistent with the risk tolerance level and risk assumption ability of the Company, and examine the way in which the Company recognizes, reports, monitors and manages risks.
2. Risk Committee, which advises the Board on risk management issues.
3. Investments Committee, which makes decisions on the determination of the limits and monitors the liquidity risk, sets policies and standards for the investment strategy, the financing principles, the liquidity management, the interest rate risk and its management.
4. Risk Management Department of the ATHEXClear Risk Management & Clearing Division, which is sufficiently independent from the other departments of the Company, and the main duty of which is the comprehensive approach to risks that ATHEXClear faces with the aim to identify, assess and eventually manage those risks. The Risk Management Department possesses the required authority, the necessary resources, expertise and access to all relevant information.
5. Chief Risk Officer, head of the Risk Management Department, who reports to the Board of Directors on matters of risk management through the Chairman of the Risk Committee, and implements the risk management framework through the policies and procedures established by the Board of Directors.
6. Organizational units, which are responsible for the identification and management of the risks that fall within their scope and participate in the overall risk management of the Group.

In particular, the ATHEXClear Risk Management Department monitors the risk levels of the Company on a constant basis using the specific and approved risk management methods. The main assumptions, the data sources and the processes used in measuring and monitoring risks are documented and tested for their reliability on a regular basis through the review and audit framework and the validation framework.

Risk categories

The Group ensures to address all risks, internal or external, present or future, and particularly those that have been identified as being significant. It is recognized that each service offered by the Company can expose it to any combination of the risks mentioned below.

The common risks to which the Company and the Group may be exposed due to the nature of their activities are:

Financial Risk

- Counterparty risk (credit risk from the default of one or more clearing members being counterparties on their clearing obligations).
- Market risk (changes in exchange rates, interest rates, market prices, commodities and volatility), mainly as a result of occurrence of counterparty risk.
- Credit risk (mainly from equity investments).
- Liquidity risk (mainly cash flow risk), mainly as a result of occurrence of counterparty risk.

Operating risk

Risk due to a lack or failure of internal procedures and systems, on account of human factor or external events, including legal risk. Risk related to the security of IT systems, as in most companies, is now beginning to be very important and appropriate measures are taken for its mitigation.

Business risk

Risk due to new competitors, drop in stock market transactions, deterioration of the local and international economic conditions etc.

Description of risk categories and main risk factors

Market Risk

The Athens Exchange Group is exposed to a limited extent to market risk arising from its activities. Potential loss from market risk may result in the event of default of a clearing member (counterparty credit risk) as ATHEXClear is required to carry out transactions in order to cover the portfolios of the defaulting member. In any event, the Athens Exchange Group monitors its potential exposure to market risk and calculates any funds that it must keep against market risk, in accordance with the capital requirements calculation methodology that it applies.

Foreign exchange risk: This risk does not affect materially the operations of the Athens Exchange Group, given that the transactions with customers and suppliers in foreign currency are minimal.

Counterparty Risk and Credit Risk

The counterparty credit risk of the Athens Exchange Group mainly concerns the transactions in the cash and derivatives markets, in which ATHEXClear operates as Central Counterparty.

ATHEXClear has been granted in accordance with decisions 5, 6 and 7/556/8.7.2010 of the Hellenic Capital Market Commission a licence to manage and operate systems for clearing trades on dematerialized securities (Securities System) and on derivatives products (Derivatives System). In this capacity, ATHEXClear bears the risk of default by the Clearing Members on their obligations to clear and settle trades, as described in the Rulebooks (counterparty credit risk). In addition, as of 22 January 2015 ATHEXClear has been licensed as a Central Counterparty under the EMIR regulation, and has a very strict framework for managing risk.

ATHEXClear has established and is implementing a number of mechanisms and financial resources to cover the risks assumed and to ensure the orderly operation of the system in general in connection with the scope and size of trades, the clearing of which ATHEXClear has undertaken. The mechanisms that ATHEXClear applies are described in the “Regulation of Clearing of Transferable Securities Transactions in Book Entry Form”, in the “Regulation on the Clearing of Transactions on Derivatives”, as well as in the relevant decision of the ATHEXClear Board of Directors.

In order to obtain the status of a Clearing Member, the Intermediary or Bank must conform to the minimum specific financial and operational adequacy requirements which are specified in the Clearing Rulebooks and which must be continuously fulfilled throughout the time the Member is in operation.

Both for the cash market, as well as for the derivatives market, ATHEXClear clears trades assuming the role of Central Counterparty. To cover the risk in relation to its clearing members, ATHEXClear monitors and estimates on a daily basis (end of day but also within the day and nearly in real time) the margin for each clearing account of the Clearing Members and blocks the corresponding additional guarantees in the form of cash and/or transferable securities. In addition, it manages the Clearing Funds of the two markets which act as risk sharing funds to which Clearing Members contribute exclusively in cash. Based on the margins that have been blocked, the credit limits allocated to members are reviewed on a constant basis, and their fulfilment is monitored in real time during the trading session. The minimum amount of the Default Funds is recalculated at least on a monthly basis in accordance with the provisions of the regulation, in order for the amount to be adequate as a minimum to cover at any time the requirements laid down by EMIR, that is to absorb losses beyond the margins in the event of default of at least two (2) of the groups of clearing members in relation with which ATHEXClear has the highest loss from the closing of their position (close-out) for each separate market (Securities, Derivatives) under extreme market conditions.

The risk management models and the parameters used are examined as to their effectiveness on a daily basis and under extreme but probable scenarios (Margin/Haircut Back-Testing, Default Fund Coverage under Stress) and they certified on an annual basis by an independent specialized external consultant.

As part of the Investment Policy, specific principles are defined regarding the arrangements for the investment of cash balances. Specifically for ATHEXClear, funds are, as a rule, held in the Bank of Greece, a fact that minimizes its risk exposure.

Liquidity Risk

Liquidity risk for the entire Group is maintained at low levels by maintaining adequate cash.

The major liquidity risk of the Athens Exchange Group mainly concerns the transactions in the cash and derivatives markets, in which ATHEXClear operates as Central Counterparty.

Specifically for ATHEXClear, the aim is to maintain an adequate liquidity level in order to ensure that the Company is in a position to fulfil its obligations concerning payments or settlement in all relevant currencies that become payable at the end of each day or, if so required, on an intraday basis. The assessment of the amount of the ATHEXClear obligations is carried out both based on its business plan and based on possible, but unforeseen, events.

The available liquidity of ATHEXClear is reviewed in relation to to the criteria established by EMIR. On a daily basis but also in extreme but plausible scenarios of extreme market conditions it is examined whether the available liquid assets are sufficient in relation to those that will be required following default of two (2) groups of clearing members in which ATHEXClear has the highest liquidity demand for closing their position (close-out) for each separate market (Securities, Derivatives). In addition, the overall liquidity requirements of the entire ATHEXClear are monitored by means of liquidity gap analysis on a daily basis.

Operating Risk

The Company does not seek to undertake operating risk, but accepts that operating risk may arise as a result of failure of systems or internal procedures or due to human error. Specifically, it is recognized that operating risk may arise, among other things, because of: outsourcing, failure of supervisory and regulatory compliance, business continuity failure, IT systems and information security risks and project implementation risks.

Operating risk is maintained at acceptable levels, through a combination of good corporate governance and risk management, robust systems and audits.

In 2018 there were no instances of interruption of the clearing, settlement and registration activities of the Group due to failure or unavailability of the IT systems or to human error. Two – limited in duration – instances of unavailability of the trading system were recorded due to technical problems, which were subsequently identified and resolved. There were no significant losses or monetary claims due to litigation (legal and court expenses) or due to non-compliance with the supervisory framework and the contractual obligations of the Group. Also, there were no losses due to external events.

Measures to reduce operating risk

The Company recognizes the need to determine, estimate, monitor and reduce operating risk that is inherent in its operations and activities, as well as the need to maintain adequate funds, in order to be able to manage this particular type of risk.

For ATHEXClear, in accordance with the EMIR Regulation, the capital requirement for operating risk is calculated on an annual basis using the Basic Indicator Approach (BIA) and a framework has also been established for the systematic monitoring of operating risk.

The main measures for reducing operating risk include the implementation of a business continuity plan for all critical operations of the Group, the purchase of insurance policies, as well as measures for ensuring compliance with the new regulations. ATHEXClear in particular uses a specific methodology for operating risk management, in accordance with which ATHEXClear carries out an RCSA[1] on a regular basis for the evaluation and classification of risks, maintains a loss database[2], produces regular reports and plans activities for the improvement or risk management.

[1] Risk Control Self-Assessment (RCSA): at regular intervals ATHEXClear organizes workshops for the classification of the risks according to the degree of risk at the level of procedures and the determination of Key Risk Indicators (KRIs).

[2] Loss Database: the database is updated on a daily basis with operating risk events regardless of the extent of the loss.

Business Continuity Plan

The Group has developed and put into operation appropriate infrastructure and a disaster recovery plan, which include:

- *Operation of a Disaster Recovery Site:* The Athens Exchange Group maintains a disaster recovery site for its IT systems. In addition, the Group has received and maintains the ISO-22301 business continuity certification.
- *Formation of crisis management and emergency incident management teams:* The purpose of these teams is to maintain continuity in the provision of trading services in case of an unforeseen event. Specific responsibilities have been defined and assigned to specially trained executives of the Group.
- *Existence of back up IT systems:* The IT systems of the Athens Exchange Group have been installed and operate in the data centre at the headquarters of the Group. The data centre comprises two – individual – mirror data centres, which are independent as to location, supporting infrastructure and technological services provided, in order to provide redundancy and high availability, ensuring the continuous operation of the systems.

Insurance policies

Operating risks that the Athens Exchange Group is not able or does not wish to assume are transferred to insurance companies. The management of insurance policies takes place centrally for the entire Group in order to obtain better services and more advantageous terms. Specifically, the insurance covers include risks such as third party civil liability and professional liability (DFL/PI) as well as Directors & Officers (D&O) Liability. There are also insurance policies covering fire and other perils for the buildings and the work and accounting equipment of the Group.

Regulatory compliance

A regulatory compliance unit has been set up, having as its key objectives to ensure compliance with the legal and regulatory framework, regulations and policies, measuring and minimizing the risk of regulatory compliance and addressing the consequences of non-compliance with the legal and regulatory framework; the unit operates independently of other departments of the Company with clear and separate reporting lines from those of other company activities. The key responsibilities of the unit are:

- Monitoring changes in the regulatory and supervisory framework and informing the Board of Directors, the Audit Committee and the staff.
- Conducting gap analysis between the existing and future condition brought about by regulatory and supervisory changes.
- Monitoring the compliance of the company with the regulatory and supervisory framework.
- Handling requests related to compliance matters.
- Measuring and monitoring compliance risk.

Specifically for ATHEXClear, policies are currently implemented concerning conflicts of interest, outsourcing, managing complaints of clearing members, remuneration of personnel, executives and members of the Board and the management of its records, in accordance with the requirements of the EMIR Regulation.

Business Risk

The Group recognizes that the occurrence of business risk depends on macroeconomic developments and is influenced by external factors such as changes in the competitive environment of capital markets, changes in the international and domestic economic environment, legal and regulatory developments, changes in the taxation policy and in technology etc. Such events may have impact on the growth and sustainability of the Group, causing a reduction in trading activity, a drop in expected profits, liquidation inability or even asset impairment etc.

In this context, the Group constantly and systematically monitors international developments and adapts to the developing environment.

In particular, in accordance with the EMIR Regulation, the capital requirements for business risk for ATHEXClear are calculated on an annual basis.

The Group is in the process of reviewing the framework for evaluation, classification and management of business risks taking advantage of the existing model and the relevant experience at ATHEXClear.

INTERNAL AUDIT AND RISK MANAGEMENT

A primary concern of the Company is the development and the constant improvement and upgrade of the Internal Audit System, which comprises all of the recorded audit mechanisms and processes that cover the whole range of daily operations and procedures of the Company.

In particular, as regards the financial operations of the Company, a system of safeguards is implemented, aiming to the prevention and early detection of material errors in order to ensure the reliability of the financial statements, the effectiveness and efficiency of operations and the compliance with the existing institutional and regulatory framework. According to specific criteria of materiality (quantitative and qualitative), the important accounts are identified, the procedures are recorded, the responsibilities and policies are defined and control points are set and used on a constant basis by the management and the personnel.

The Board of Directors has the ultimate responsibility for the determination of the Internal Audit System of the Company, as well as for the monitoring and evaluation of its effectiveness and adequacy.

The responsibility for monitoring compliance with the Internal Audit System lies with: a) the Audit Committee and b) the Internal Audit Division.

The Audit Committee of the Company has been established by decision of the Board of Directors of the Company and operates in accordance with the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, the decision 5/204/14.11.2000 of the Hellenic Capital Market Commission, Law 3016/2002 on Corporate Governance, Regulation (EU) 537/2014, the provisions of Law 4449/2017, as well as the remarks, clarifications and recommendations of the Hellenic Capital market Commission as stated in its letter with Reference No. 1302/28.04.2017.

The main purpose of the Audit Committee is to assist the Board of Directors in the monitoring of the quality, adequacy and effectiveness of the internal audit and risk management systems, as well as of the quality of the work performance of the Company and the subsidiaries included in the consolidation.

The Internal Audit Division operates in the manner prescribed by the International Professional Practices Framework (IPPF) regarding the Professional Practice of Internal Auditing of the Institute of Internal Auditors, the decision 5/204/14.11.2000 of the Hellenic Capital Market Commission and Law 3016/2002 on Corporate Governance. It reports to the Chief Executive Officer of the Company and operationally to the Board of Directors, through the Audit Committee, by which it is supervised.

The main responsibility of the Internal Audit Division is to express an opinion on the compliance or non-compliance with the internal processes of each audited area, as well as the application of the safeguards that have been adopted by Management, in order to prevent and avoid risk.

CORPORATE SOCIAL RESPONSIBILITY

Corporate responsibility is a key characteristic of all advanced societies and economies and concerns the ongoing effort for the improvement of the economic climate, the cultivation of an open dialogue with stakeholders, as well as the active involvement of companies in society.

Given that corporations are entities inextricably linked with the societies in which they operate, affecting and being affected by the conditions of the time and the area of their operation, they must recognize their responsibilities towards society and the environment. One of the axes through which the social responsibility of corporations is expressed, is Corporate Social Responsibility (CSR).

At the Company, we believe that Corporate Social Responsibility concerns us all. It is our responsibility for our impact on society and the environment. Our Group operates in a constantly changing global environment and is confronted every day with challenges concerning its effectiveness as well as its function as an integral part in social and economic developments. In this environment, the trend that now prevails worldwide is that corporations should be encouraged to undertake more Corporate Social Responsibility initiatives since their decisive role and contribution to social challenges is recognized.

For us at the Athens Exchange Group and, by extension, at ATHEXClear, Corporate Social Responsibility is directly associated with the concept of sustainable development, involves voluntary actions and consists a strategic choice of ours. We have created and maintain an action plan that concerns the environment, the people and education:

- We try to contribute in the alleviation of poverty by supporting the work of volunteer organizations that provide support to our fellow human beings.
- We continue our efforts for the protection of the environment through everyday recycling activities and by adopting new workplace methods intended to save energy.
- We promote and support a programme for offering information and education to schoolchildren, university students and members of the market aiming to develop the stock market culture.
- As an active member of the Greek Network for Corporate Social Responsibility we support its efforts which are aimed at boosting awareness of the Corporate Social Responsibility both in businesses and in the society in general, as well as at attaining a balance between profitability and sustainable development.
- The Company offers a work environment of equal opportunities to all staff, where all rights arising from the legislation are respected. Furthermore, the Company attends to all work issues of the employees and constantly invests in their professional training and development.

MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY

ATHENS EXCHANGE CLEARING HOUSE SOCIÉTÉ ANONYME	
Name	**Position**
Alexios Pilavios	Chairman, Non-Executive Member
Gkikas Manalis	Vice Chairman, Non-Executive Member
Socrates Lazaridis	Chief Executive Officer
Andreas Mitafidis	Independent Non-Executive Member
Nikolaos Pimplis	Executive Member
Charalambos Sachinis	Independent Non-Executive Member
Dionysios Christopoulos	Independent Non-Executive Member

SIGNIFICANT EVENTS AFTER 31.12.2018

No event with material impact on the results of the Company occurred or was concluded after 31.12.2018, the date of the annual financial statements for 2018, and until the approval of the financial statements by the Board of Directors of the Company on 18.03.2019.

Athens, 18 March 2019

THE BOARD OF DIRECTORS

3. AUDIT REPORT BY THE INDEPENDENT CERTIFIED AUDITORS ACCOUNTANTS

Independent auditor's report

To the Shareholders of "Athens Exchange Clearing House SA" (ATHEXClear SA)

Report on the audit of the financial statements

Our opinion

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

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

Basis for opinion

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

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

Independence

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

Halandri, 18 March 2019

THE CERTIFIED AUDITORS

PricewaterhouseCoopers S.A. Certified Auditors 268 Kifissias Avenue 152 32 Halandri SOEL Reg. No. 113	Despina Marinou SOEL Reg. No. 17681	Fotis Smirnis SOEL Reg. No. 52861

4. ANNUAL FINANCIAL STATEMENTS

For the period 1 January 2018 to 31 December 2018

In accordance with the International Financial Reporting Standards

4.1. ANNUAL STATEMENT OF COMPREHENSIVE INCOME

	Note	01.01 31.12.2018	01.01 31.12.2017
Revenue			
Clearing	5.6	7,340	7,584
Clearing House Services	5.7	126	172
Ancillary Services	5.8	106	78
Other Services	5.9	20	95
Total turnover		**7,592**	**7,929**
Hellenic Capital Market Commission Fee	5.17	(560)	(580)
Total revenue		**7,032**	**7,349**
Expenses			
Personnel remuneration and expenses	5.10	1,089	970
Third party fees and expenses	5.11	175	274
Maintenance/IT support	5.12	74	67
Taxes-VAT	5.13	151	178
Building/equipment management	5.14	28	29
Flat Settlement Fee	5.15	4,398	4,558
Other operating expenses	5.16	279	286
Total operating expenses before ancillary services, depreciation and amortization		**6,194**	**6,362**
Expenses for ancillary services	5.18	159	131
Total operating expenses including ancillary services before depreciation and amortization		**6,353**	**6,493**
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**679**	**856**
Depreciation and amortization	5.19	(116)	(63)
Earnings before interest and taxes (EBIT)		**563**	**793**
Financial expenses	5.22	(122)	(117)
Earnings before tax (EBT)		**441**	**676**
Income tax	5.27	(151)	(224)
Earnings after tax		**290**	**452**

Earnings after tax (A)		**290**	**452**
Other comprehensive income/(loss)			
Other comprehensive income not carried forward to following years			
Actuarial Gains/(Losses) from employee compensation provision	5.11	2	(4)
Income tax effect		0	1
Net other comprehensive income (B)		**2**	**(3)**
Total other comprehensive income (A)+(B)		**292**	**449**

Any differences in amounts in the financial statements as well as in respective amounts in the notes are due to rounding.

The notes on chapter 5 form an integral part of these annual financial statements of 31.12.2018.

(Amounts in thousands of Euro, unless otherwise indicated) 25

4.2. ANNUAL STATEMENT OF FINANCIAL POSITION

	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Tangible assets for own use	5.19	93	53
Intangible assets	5.19	438	367
Investments and other non-current assets		2	2
Deferred tax assets	5.23	48	67
		581	**489**
Current assets			
Accounts receivable	5.20	342	478
Other accounts receivable	5.20	304	325
Income tax receivable	5.27	87	74
Cash and cash equivalents	5.22	29,783	30,776
Third party balances in ATHEXClear bank account	5.21	151,819	156,032
		182,335	**187,685**
TOTAL ASSETS		**182,916**	**188,174**
EQUITY AND LIABILITIES			
Equity and reserves			
Share Capital	5.24	25,500	25,500
Reserves	5.24	240	217
Retained earnings	5.24	4,636	4,367
Total equity		**30,376**	**30,084**
Non-current liabilities			
Employee compensation provision	5.25	150	169
Other provisions	5.25	20	20
		170	**189**
Current liabilities			
Accounts payable and other liabilities	5.26	502	1,820
Third party balances in ATHEXClear bank account	5.21	151,819	156,032
Social security		49	49
		152,370	**157,901**
TOTAL LIABILITIES		**152,540**	**158,090**
TOTAL EQUITY & LIABILITIES		**182,916**	**188,174**

Any differences in amounts in the financial statements as well as in respective amounts in the notes are due to rounding.

The notes on chapter 5 form an integral part of these annual financial statements of 31.12.2018.

(Amounts in thousands of Euro, unless otherwise indicated) 26

4.3. ANNUAL STATEMENT OF CHANGES IN EQUITY

	Share Capital	Reserves	Retained earnings	Total Equity
Balance on 01/01/2017	**25,500**	**217**	**3,918**	**29,635**
Earnings for the period	0	0	452	452
Other comprehensive income after tax	0		(3)	(3)
Total comprehensive income after tax	0	0	449	449
Profit distribution to reserves		0	0	0
Balance on 31.12.2017	**25,500**	**217**	**4,367**	**30,084**
Earnings for the period	0	0	290	290
Earnings distribution to reserves	0	23	(23)	0
Other comprehensive income after tax	0	0	2	2
Total comprehensive income after tax	0	23	269	292
Balance on 31.12.2018	**25,500**	**240**	**4,636**	**30,376**

Any differences in amounts in the financial statements as well as in respective amounts in the notes are due to rounding.

The notes on chapter 5 form an integral part of these annual financial statements of 31.12.2018.

(Amounts in thousands of Euro, unless otherwise indicated) 27

4.4. ANNUAL CASH FLOW STATEMENT

	Note	01/01/2018-31.12.2018	01/01/2017-31.12.2017
Cash flows from operating activities			
Profit /Loss before tax		441	676
Plus/(minus) adjustments for:			
Depreciation and amortization	5.19	116	63
Provisions for employee severance payments	5.10	(17)	(3)
Interest paid and related expenses	5.22	122	117
Plus/(minus) adjustments for changes in working capital accounts or relating to operating activities			
(Increase)/Decrease in receivables		157	(22)
Increase/(Decrease) in liabilities (except loans)		(1,318)	1,158
Interest and related expenses paid	5.22	(122)	(117)
Income tax paid		(144)	958
Total inflows/outflows from operating activities (a)		**(765)**	**2,830**
Purchase of tangible and intangible assets	5.19	(228)	(253)
Total inflows/(outflows) from investing activities (b)		**(228)**	**(253)**
Total outflows from financing activities (c)		**0**	**0**
Net increase/(decrease) in cash and cash equivalents at the beginning of the period (a) + (b) + (c)		(993)	2,577
Cash and cash equivalents at the beginning of the period	**5.22**	**30,776**	**28,199**
Cash and cash equivalents at the end of the period	**5.22**	**29,783**	**30,776**

Any differences in amounts in the financial statements as well as in respective amounts in the notes are due to rounding.

The notes on chapter 5 form an integral part of these annual financial statements of 31.12.2018.

(Amounts in thousands of Euro, unless otherwise indicated) 28

5. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2018

5.1. GENERAL INFORMATION ABOUT THE COMPANY

The Company under the name "ATHENS EXCHANGE CLEARING HOUSE SOCIÉTÉ ANONYME" and the trade name "ATHEXClear" was set up on 22/07/2005 (originally under the name "Ypsipyli Société Anonyme for the Development of Real Estate and the Provision of Services" and the trade name "Ypsipyli Real Estate S.A." and the announcement of its formation and the relevant registration in the Companies Register was published in the Government Gazette issue No. 8298 of 27/07/2005. The General Electronic Commercial Registry (G.E.MI.) number of the Company is 6410501000 (formerly Companies Register No. 58973/01/B/05/309).

The annual financial statements of the Company for the fiscal year 2018 were approved by the Board of Directors on 18.03.2019. The financial statements of the company are included in the Consolidated Financial Statements prepared by the Athens Exchange Group and are published on the Internet at www.athexgroup.gr.

5.2. BASIS OF PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in accordance with their respective interpretations issued by the IASB Standards Interpretation Committee, as those have been adopted by the European Union and are mandatory for financial years ending on 31 December 2018. There are no standards and interpretations of standards that have been applied before the date they were put into effect.

These financial statements have been prepared on a historical cost basis and according to the going concern principle. The accounting principles set forth below have been applied consistently to all the periods presented.

The excellent organization of the Company, the unimpaired operation of the stock market, the continuous investments in modern equipment and procedures, the absence of debt liabilities, the acknowledgement of its reliability by internationally recognized rating agencies, as well as the liquidity that it possesses, are the guarantee for lasting survival with significant benefits for the shareholders. The recent economic crisis that the country is going through and the imposition of capital controls cause difficulties in the operation and profitability of the Company but it is nonetheless expected that any obstacles will be overcome and the country will return to growth, supported by the necessary structural changes, which are gradually being legislated.

The preparation of the Financial Statements in accordance with the International Financial Reporting Standards requires the Management of the Company to make significant assumptions and accounting estimates that affect the balances of the Asset and Liability accounts, the disclosure of contingent claims and liabilities as at the date of preparation of the Financial Statements, as well as the revenues and expenses presented in the fiscal year into consideration. Despite the fact that these estimates are based on the best possible knowledge of the Management as regards the current conditions, actual results may differ eventually from these estimates.

Estimates and judgements are continuously evaluated and are based on empirical data and other factors, including the expectations for future events that are considered probable under reasonable conditions. The Management of the Company considers that there are no estimates and assumptions involving a significant risk of causing material adjustments in the book values of the assets and liabilities.

These estimates and assumptions form the basis for making decisions regarding the book values of the assets and liabilities that are not readily available from other sources. The resulting accounting estimates will, by definition, rarely match entirely the respective actual results. Estimates and assumptions that pose a material risk of causing significant changes in the amounts of the claims and liabilities during the next fiscal year are provided below.

The areas that require a higher degree of judgement and instances in which the assumptions and estimates are significant for the Financial Statements are mentioned below:

Income tax

Judgement is required of the Company for the establishment of the provision for income tax. There are many transactions and calculations for which the final assessment of the tax is uncertain. If the final tax figure is different from the amount initially recognized, the difference will affect the income tax in the fiscal year in which the assessment of the tax differences will be made (note 5.27).

Provisions for trade and other receivables

The Management of the Company periodically reviews the adequacy of the provision for doubtful accounts in conjunction with its credit policy and taking into consideration information provided by the Legal Department of the Group, which results from processing historical data and recent developments of the cases handled by the Department (note 5.20).

Useful lives of tangible and intangible assets - Valuation

Management makes certain estimates regarding the useful life of depreciable assets. These residual useful lives are periodically reassessed in order to estimate whether they continue to be appropriate (note 5.19).

Deferred tax claims

Deferred tax claims are recognized due to unused tax losses to the extent that it is possible that taxable profits will be available in the future in order to be used against such losses. Significant estimates by Management are required in order to ascertain the amount of deferred tax assets that may be recognized, based on the possible time and amount of future taxable profits in conjunction with the tax planning of the entity (note 5.23).

Employee compensation provision

Obligations for employee compensation are calculated based on actuarial methods, the use of which requires Management to assess specific parameters, such as the future increase in employee remuneration etc. Management endeavours, on each reporting date when this provision is reviewed, to assess these parameters in the best possible manner (note 5.10).

Contingent liabilities

The existence of contingent liabilities requires Management to make constantly assumptions and value judgements concerning the possibility that future events may or may not occur, as well as the impact that such events could have on the activity of the Company (note 5.25).

Estimations – sources of uncertainty

There are no significant assumptions that have been made in relation to the future or other sources of uncertainty of the estimations and which may cause significant risk for material adjustment in the book value of the assets and liabilities in the following fiscal year.

The economic crisis in the country intensifies uncertainty and concern, however Greece is expected to gradually overcome the economic crisis and, supported by the significant and necessary structural reforms will enter a phase of growth.

Going concern

Management examines the main financial elements and, on occasion, the fulfilment of medium term budgets, together with the existing loan conditions, in order to arrive at the conclusion that the assumption of going concern is appropriate for use in preparing the annual financial statements of the Group and the Company.

It is expected that, after the agreement with the institutions and the fulfilment of the commitments, the Greek economy will gradually begin to grow. The full lifting of the capital controls will help restore a healthy economic climate and environment in Greece. The Companies of the Group are very well and excellently organized so as to overcome any temporary difficulties they may face.

Defined benefit plans

The cost of the benefits for defined benefits plans is calculated using actuarial estimates, which in turn use assumptions regarding the discount rates, salary increase rates and mortality rates. Due to the long-term nature of these plans, such assumptions are subject to significant uncertainty (note 5.10).

Modifications in the published information of the Statement of Comprehensive Income of the Company

As part of the effort to provide increased transparency and more substantial information to investors, there has been a reclassification of accounts in the Statement of Comprehensive Income. As a result of these changes, the data of the same period of last year must be adjusted accordingly in order to allow comparison.

The following table shows the classification of the published Statement of Comprehensive Income of the Company in the new structure/presentation of accounts that the Group decided to implement from fiscal year 2017.

	Note.	01.01 31.12.2017 Modified	01.01 31.12.2017 Published
Revenue			
Clearing	5.6	7,584	7,584
Clearing House Services	5.7	172	172
New Services	5.8	78	78
Other Services	5.9	95	95
Total turnover		**7,929**	**7,929**
Hellenic Capital Market Commission Fee	5.17	(580)	(580)
Total revenue		**7,349**	**7,349**
Expenses			
Personnel remuneration and expenses	5.10	970	970
Third party fees and expenses	5.11	274	274
Maintenance/IT support	5.12	67	67
Taxes - VAT	5.13	178	178
Building/equipment management	5.14	29	29
Flat Settlement Fee	5.15	4,558	4,558
Marketing and advertising expenses		0	9
Participation in organizations expenses		0	18
Operating expenses	5.16	0	254
Bank of Greece - cash settlement		0	5
Other expenses		286	0
Total operating expenses		**6,362**	**6,362**
Expenses of New Services (Xnet, CP CSE-Sibex, IT)	5.18	131	131
Total operating expenses, including new activities		**6,493**	**6,493**
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**856**	**856**
Depreciation	5.19	(63)	(63)
Earnings before interest and taxes (EBIT)		**793**	**793**
Financial expenses	5.22	(117)	(117)
Earnings before tax (EBT)		**676**	**676**
Income tax	5.27	(224)	(224)

(Amounts in thousands of Euro, unless otherwise indicated) 32

Profit after tax		**452**	**452**

5.3. BASIC ACCOUNTING PRINCIPLES

The basic accounting principles adopted by the Company for the preparation of the attached financial statements are as follows.

5.3.1. Owner-occupied tangible assets

Tangible assets are initially recognized at cost and are subsequently evaluated at cost less accumulated depreciation less any impairment provisions.

The acquisition cost includes all the direct expenses for the acquisition of the assets.

Later expenses are recognized as an increase in the book value of the tangible fixed assets or as a separate asset only if it is probable that future financial benefits will flow to the Group, and the cost can be reliably measured.

The cost of repairs and maintenance is recognized in the Statement of Comprehensive Income when incurred.

Depreciation of other tangible assets (except plots of land which are not depreciated) is calculated using the straight line method during their useful life.

	Useful life after 1.1.2014
Machinery	5 years ή 20%
Means of transportation	6.25 years ή 16%
Other equipment	5-10 years ή 20-10%

The useful life of tangible assets and their salvage values are revised annually. When the book value of the fixed assets exceeds their recoverable value, the difference (impairment) is recognized as an expense in the Statement of Comprehensive Income.

When tangible assets are retired or sold, the associated cost and the accumulated depreciation are eliminated from the relevant accounts at the time the asset is retired or sold, and the associated profits or losses are recognized in the Statement of Comprehensive Income.

5.3.2. Intangible assets

Intangible assets include software licenses valued at the acquisition cost less amortization. Amortization is calculated using the straight line method during the useful life of these assets, which is estimated at approximately 5 years. It is stressed that the annual amortization rates applied by the Company for intangible assets/rights are set at 10%.

5.3.3. Foreign currency conversion

Transactions in foreign currencies are translated to the functional currency using the exchange rates on the date of the transactions. Earnings and losses from the settlement of foreign currency transactions and from the valuation at the end of the fiscal year of cash Assets and Liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income. Foreign exchange differences from non-currency assets that are valued at fair value are considered as part of the fair value and are therefore recorded together with fair value differences.

(Amounts in thousands of Euro, unless otherwise indicated) 33

5.3.4. Impairment of non-financial assets

The Company examines at each date of the financial statements whether there are impairment indications for non-financial assets. The book values of assets are revised for any impairment whenever events or changed circumstances indicate that the book value may not be recoverable. When the book value of an asset exceeds its recoverable value, an impairment loss is recorded in the Profit and Loss Statement. The recoverable amount is estimated as either the fair value less sale expenses or the value in use, whichever is higher. The fair value less sale expenses is the amount resulting from the sale of an asset in an independent transaction between informed and willing parties, after the deduction of all additional direct sale expenses, while the value in use is the present value of the estimated future cash flow expected to result from the continuing use of the asset and its disposal at the end of its useful life. For the assessment of the impairment, the assets are grouped at the lowest level for which there are discrete identifiable cash flows.

5.3.5. Financial instruments

A financial instrument is any contract that simultaneously creates a financial asset for one financial entity and a financial liability or participatory title for another financial entity.

Initial recognition and subsequent measurement of financial assets

Starting on 1 January 2018, financial assets are classified, when initially recognized, and subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through results. The classification of financial assets when initially recognized is based on the contractual cash flows of the financial assets and the business model within which the financial asset is kept.

Excluding client claims, the Group initially values a financial asset at fair value plus the transaction costs, in case of a financial asset that is not valued at fair value through results. Client claims are initially valued at transaction cost as specified by IFRS 15.

In order to classify and value a financial asset at amortized cost or at fair value through other comprehensive income, cash flows that constitute “exclusively principal and interest payments” on the outstanding balance of capital. This assessment is known as SPPI ("Solely Payments of Principal and Interest") criterion and is made at the level of the individual financial instrument.

Following initial recognition, financial assets are classified in three categories

- At amortized cost
- At fair value through other comprehensive income
- At fair value through results

The Company does not possess assets that are value at fair value through results on 31 December 2018.

Financial assets are amortized cost

Financial assets recorded at amortized cost are later valued based on the Effective Interest Rate (EIR) method and are subject to an impairment test of their value. Profits and losses are recognized in the results when the asset ceases to be recognized, modified or impaired.

Financial assets classified at fair value through comprehensive income

At initial recognition, the Group can choose to irrevocably classify participatory investments as participatory titles at fair value through comprehensive income when they fulfil the definition of equity position in accordance with IAS 32 Financial instruments: Presentation, and are not held for trading. Classification takes place for each financial instrument individually.

Profits and losses from these financial assets are never recycled in profits or losses. Dividends are recognized as other revenue in the profit and loss statement when the right to payment has been established, unless the Group benefits from that revenue to recuperate part of the cost of the financial asset, in which case this income is recognized in the statement of comprehensive income. Equity instruments identified at fair value through comprehensive income are not subject to an impairment test.

The Company does not possess financial assets in this category.

Impairment of financial assets

The Company evaluates at each reporting date information concerning whether the value of a financial asset or a group of financial assets has been impaired as follows:

For client claims and contractual assets, the Company applies the simplified approach to calculate expected credit losses. Therefore, at each reporting date, the Company measures the loss provision for a financial asset in an amount equal to the expected credit losses for the duration, without monitoring changes in credit risk.

Derecognition of financial assets

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to the inflow of cash resources have expired
- The Company retains the right to the inflow of cash flows from the financial asset, but has also assumed the obligation to pay them to third parties in full, without substantial delay, in the form of a transfer agreement, or
- The Company has transferred the right to the inflow of cash flows from the asset and at the same time has either (a) essentially transferred all risks and benefits from it, or (b) has not essentially transferred all risks and benefits, but has transferred control of the asset.

When the Company transfers the cash inflow rights from an asset or concludes a transfer contract, it assesses the extent to which it maintains the risks and benefits of ownership of the asset. When the Company neither transfers nor substantially maintains all risks and benefits of the asset being transferred and maintains control of the asset, then the asset is recognized to the extent that there is continuous participation of the Company in that asset. In that case, the Company also recognizes a related obligation. The transferred asset and the related liability are measured on a basis that reflects the rights and commitments that the Company have maintained.

Initial recognition and subsequent measurement of financial obligations

All financial liabilities are initially valued at fair value less transaction costs in case of loans and payables.

Derecognition of financial obligations

A financial obligation is deleted when the commitment resulting from the obligation is cancelled or expires. When an existing financial obligation is replaced by another one by the same creditor but with substantially different conditions, or the conditions of an existing obligation are substantially altered, this exchange or amendment is treated as a derecognition of the original obligation and a recognition of a new obligation. The difference in the corresponding accounting values is recognized in the income statement.

Offsetting financial claims and obligations

Financial claims and liabilities are offset and the net amount is shown in the statement of financial position only when the Group or the Company has a legal right to do so and intends to offset them on a net basis between them or claim the asset and settle the obligation at the same time. The legal right must not depend on future events and must be able to be enforced in the normal course of the work even in the event of default, insolvency or bankruptcy of the company or counterparty.

5.3.6. Offsetting claims and liabilities

The offset of financial assets with liabilities and the recognition of the net amount in the financial statements are only made if there is a legal right to offset and the intention to settle the net amount that results from the offset or for simultaneous settlement.

5.3.7. Other long term claims

Other long term claims may include rent guarantees, guarantees to utilities (OTE, PPC etc.) and other long term duration amounts. Other long term claims are valued at book value using the real interest rate method.

5.3.8. Clients and other trade receivables

Trade receivables are initially recorded at fair value, and subsequently valued at unamortized cost using the effective interest method, less any impairment losses. On each reporting date, all overdue or doubtful debts are evaluated in order to determine whether or not a provision for doubtful accounts is necessary. The balance of the specific provision for doubtful accounts is appropriately adjusted on each closing date of the financial statements in order to reflect the possible relevant risks. Each client balance write-off is charged against the existing provision for doubtful accounts.

It is the policy of the Group that nearly no receivable should be written off until all available legal measures for its collection have been exhausted. Trade and other short-term claims against clients and debtors are usually settled within 60 days for the Group and the Company, while in instances of overdue payment no interest is charged to clients.

5.3.9. Cash and cash equivalents

Cash and cash equivalents include cash at hand, sight deposits and short term (up to 3 months) investments, having high liquidity and low risk.

For the purposes of preparing the Statement of Cash Flows, cash assets consist of cash and bank deposits, as well as cash equivalents as described above.

5.3.10. Third-party balances in ATHEXClear bank accounts

In order to comply with the corporate governance framework laid down by Regulation (EU) 648/2012 of the European Parliament and of the Council (EMIR Regulation), the Company holds all cash collaterals managed by the Company and relating to the cash market and the derivatives market, as well as its own cash balances, in an account that it has with the Bank of Greece as a direct participant over the Internet in the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2-GR).

Therefore its own cash balance and the balances of third parties (margins) are deposited in the same account that ATHEXClear maintains with the Bank of Greece, and as a result a separation of the assets is necessary in order for the collateral that ATHEXClear collects to be shown separately in the current assets of 31.12.2018. In the Statement of Financial Position of 31.12.2018, they are shown as equal amounts both in current assets and in short-term liabilities as “third-party balances in the bank account of the company” and concern exclusively margins in the cash and derivatives markets that were deposited in the bank account held by ATHEXClear with the Bank of Greece as at 31.12.2018 and 31.12.2017 respectively.

5.3.11. Share capital

The share capital includes the common shares of the Company that have been issued and are in circulation. Common shares are included in Equity. Direct costs for the issuance of shares are shown after the deduction of the relevant income tax.

5.3.12. Current and deferred income tax

Current and deferred tax is calculated based on the Financial Statements in accordance with the tax laws in effect in Greece. Income tax is calculated based on the profits of each company as adjusted in their tax declarations, any additional income tax that is assessed by the tax audits of the tax authorities, and from deferred income taxes based on the enacted tax rates.

Deferred income tax is determined using the liability method and arises from the temporary differences between the book value and the tax basis of the assets and liabilities.

Deferred tax is not recognized when it arises at the initial recognition of an asset or a liability from a transaction that is not a business combination and at the time of the transaction it affects neither the accounting nor the taxable result (profit / loss).

Deferred tax is determined using the tax rates (and tax laws) that have been implemented or effectively implemented until the date of the Financial Statements and are expected to be implemented when the asset in question is recovered or the liability settled.

Deferred tax claims are recognized to the extent that there will be a future tax gain for the offset of the temporary difference that creates the deferred tax claim.

Deferred income tax is determined on the temporary differences that arise from investments in subsidiaries and associated companies, with the exception of the case when reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax claims and liabilities are offset when there is a legally enforceable right to offset current tax claims and liabilities, and when the deferred tax claims and liabilities concern income tax that is imposed by the same tax authority either to the same taxable entity or to different taxable entities when there is the intention to settle the balances on a net basis.

5.3.13. Employee benefits

Current benefits

Current benefits to employees in cash and in kind are recognized as an expense when they accrue.

Staff retirement obligations

Staff retirement obligations include both defined contributions plans as well as defined benefits plans.

Defined contribution plan

Under the defined contributions plan, the obligation of the company (legal) is limited to the amount agreed to be contributed to the organization (social security fund) which manages the contributions and grants the benefits (pensions, health care etc.).

The accrued cost of the defined contributions schemes is recognized as an expense in the corresponding period.

Defined benefits plan

The defined benefits plan of the Company concerns its legal obligation to pay a lump sum indemnity to each employee upon retirement.

The liability recognized in the Statement of Financial Position for this plan is the present value of the obligation for the defined benefit depending on the accrued right of the employees and in relation to the specific point of time that this benefit is expected to be paid.

The present value of the defined benefit liability is calculated by discounting the future cash outflows with a discount rate equal to the interest rate of long-term, high credit rating corporate bonds that have a duration approximately equal to the pension plan.

The actuarial profits or losses that arise from the adjustments based on historical data are directly recognized in Other Comprehensive Income (note 5.10).

5.3.14. Government grants

Government grants related to the subsidy of tangible assets are recognized when there is reasonable assurance that the grant will be collected and that the Company will comply with the terms and conditions that have been set for payment. When government grants are related to an asset, the fair value is recorded in long term liabilities as deferred revenue and is transferred to the Statement of Comprehensive Income in equal annual installments based on the expected useful life of the relevant asset that was subsidized. When the grant is related to an expense, it is recognized as revenue in the fiscal year required in order for the grant to correspond on a systematic basis to the expenses it is intended to compensate.

Amortization of grants is recorded in “Other Revenue” in the Statement of Comprehensive Income.

5.3.15. Provisions and contingent liabilities

Provisions are recognized when:

- the Company has a current commitment (legal or inferred) as a result of a past event;
- it is likely that an outflow of resources incorporating financial benefits will be required to settle the commitment and it is possible to reliably estimate the amount of the commitment.

Provisions are re-examined on the preparation date of the financial statements and are adjusted so as to reflect the best possible estimates, and, whenever deemed necessary, they are adjusted based on a pre-tax discount rate.

Contingent liabilities are not recognized in the financial statements, but are published, unless the possibility of an outflow of resources which incorporate financial benefits is minimal. Contingent claims are not recognized in the financial statements, but are published provided the inflow of financial benefit is likely.

5.3.16. Revenue recognition

Revenue includes the fair value of the transactions, net of any taxes recovered, rebates and returns. Revenue is recognized to the extent that it is possible that the economic benefits will flow to the Company and the relevant amounts can be reliably measured.

The Company recognizes revenue, excluding interest income, dividends and any other source derived from financial instruments (which are recognized based on IFRS 9), to the extent that they reflect the consideration which the Company is entitled to from the transfer of the goods and services on the basis of a five-step approach:

1. Recognition of client contracts
2. Recognition of the terms of the contracts
3. Determination of the price of the transaction
4. Allocation of the price of the transaction according to the terms of the contracts
5. Revenue recognition when the Company fulfills the terms of the contracts

The following specific recognition criteria must also be satisfied when revenue is recognized:

The following specific recognition criteria must also be satisfied when revenue is recognized:

Revenue from clearing transactions in the stock market

Revenue generated from transaction clearing activities is recognized at the time the transaction is concluded, cleared and settled at the Exchange.

Revenue from derivatives products

Revenue from the trading of derivatives is recognized at the time when the clearing of the transaction is completed at the Athens Exchange through ATHEXClear, which performs the clearing operations.

Revenue from Members (fees)

The collection of fees on the transactions in the cash market is made on the day following the settlement date or on the third business day of the following month, provided that the member submits a relevant request. Fees for the trading of derivatives are collected on the day following the settlement. Fees for cash and derivatives are invoiced on a monthly basis.

Technological support services

Revenue from technological support services is recognized based on the time of completion of the service provided.

Other services

Revenue from other services is recognized based on the time of completion of the service provided.

Interest Income

Interest income is recognized on an accrual basis and with the use of the effective interest rate. When there is indication as to an impairment of the receivables, their book value is reduced to their recoverable amount, which is the present value of the expected future cash flows, discounted at the initial effective interest rate. Next, interest is assessed at the same interest rate on the impaired (new book) value.

Dividend distribution

The distribution of dividends to shareholders is recognized directly to equity, net of any relevant income tax benefit (until the approval of the financial statements) and is recorded as a liability in the financial statements when distribution is approved by the General Meeting of shareholders.

5.3.17. Commercial and other liabilities

Supplier balances and other liabilities are recognized at the cost associated with the fair value of the future payment for the purchase of services rendered. Commercial and other short term liabilities are not interest bearing and are usually settled within 60 days by the Group and the Company.

5.3.18. Expenses

Expenses are recognized in the Statement of Comprehensive Income on an accrued basis.

5.3.19. Research and development

Expenditures for research activities that take place with the intention of the Company to acquire new technical knowledge and expertise are recognized in the Statement of Comprehensive Income as an expense when they occur. Development activities presuppose the drafting of a study or a plan for the production of new or significantly improved products, services and processes. Development costs are capitalized only when the cost of development can be reliably measured, the product or the process is productive, feasible technically and commercially, future financial benefits are expected, and the Group has the intention, having at the same time sufficient means at its disposal, to complete the development and use or sell the asset.

The capitalization of expenditures includes the cost of direct consulting service expenses, direct work performed and the appropriate share of general expenses. Other development costs are recognized in the Statement of Comprehensive Income as an expense when they occur.

Development costs that have been capitalized are valued at the acquisition cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the expected future economic benefits that are incorporated in the specific asset to which they refer. All other expenditures, including expenditures for internally created surplus value and trademarks, are recognized in the Statement of Comprehensive Income.

Depreciation is recognized in the Statement of Comprehensive Income using the straight line method for the duration of the useful life of the intangible assets, starting on the date they are available for use. The useful life for the current and the comparative period in the capitalization of development costs is 5 years.

The profit or loss that arises from derecognizing an intangible asset is determined as the difference between the net disposal proceeds, if they exist, and the book value of the asset. This profit or loss is recognized in the Statement of Comprehensive Income when the asset is derecognized.

5.3.20. New standards, amended standards and interpretations

New standards, amended standards and interpretations: Specific new standards, amendments to standards and interpretations have been issued that are mandatory for periods beginning on or after 1.1.2018. The Company's evaluation of the effect of these new standards, amendments to standards and interpretations is as follows:

Standards and Interpretations effective for the current financial year

IFRS 9 *"Financial Instruments"*

IFRS 9 replaces the guidance in IAS 39 which deals with the classification and measurement of financial assets and financial liabilities and it also includes an expected credit losses model that replaces the incurred loss impairment model that was applied under IAS 39. IFRS 9 establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the previous model in IAS 39. The effect from applying the standard to the Group is described in note 5.20.

IFRS 15 *"Revenue from Contracts with Customers"*

IFRS 15 has been issued in May 2014. The objective of the standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity recognizes revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. Adoption of this standard by the Group and the Company has no effect.

IFRS 4 (Amendments) *"Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts"*

The amendments introduce two approaches. The amended standard: a) gives all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and b) gives companies, whose activities are predominantly connected with insurance, an optional temporary exemption from applying IFRS 9 until 2021. The entities that have elected to defer the application of IFRS 9 continue to apply the existing financial instruments standard—IAS 39. Adoption of this standard by the Group and the Company has no effect.

IFRS 2 (Amendments) *"Classification and measurement of Shared-based Payment transactions"*

The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. Adoption of this standard by the Group and the Company has no effect.

IAS 40 (Amendments) *"Transfers of Investment Property"*

The amendments clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition and the change must be supported by evidence. Adoption of this standard by the Group and the Company has no effect.

IFRIC 22 *"Foreign currency transactions and advance consideration"*

The interpretation provides guidance on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. Adoption of this standard by the Group and the Company has no effect.

Annual Improvements to IFRS 2014 (2014 – 2016 Cycle)

IAS 28 "Investments in associates and Joint ventures"

The amendments clarified that when venture capital organizations, mutual funds, unit trusts and similar entities elect to measure their investments in associates or joint ventures at fair value through profit or loss (FVTPL), this choice should be made separately for each associate or joint venture at initial recognition.

Standards and Interpretations effective for subsequent periods

IFRS 9 (Amendments) *"Prepayment Features with Negative Compensation"* (effective for annual periods beginning on or after 1 January 2019)

The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortized cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss.

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

IFRS 16 has been issued in January 2016 and supersedes IAS 17. The objective of the standard is to ensure the lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Under this approach the Group will a) recognize a lease liability and will measure that lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application and b) recognize a right-of-use asset and measure that right-of-use asset by an amount equal to the lease liability. Subsequent to initial recognition, the Group will a) measure the right-of-use asset by applying the cost model and depreciate it on a straight line basis up to the end of the lease term and b) measure the lease liability by increasing and reducing the carrying amount to reflect interest on the lease liability and lease payments made, respectively. The cumulative effect of adopting IFRS 16, if such need arises, will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4. Furthermore, the Group will use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

Based on Management's estimation, and as the operating leases are mainly related to the lease of the property at Athinon Avenue in which all of the companies of the Group reside, and the Hellenic Central Securities Depository is lessor, the Company will also recognize lease liability and right-of-use asset. The estimated impact on the results at Company level is not expected to be significant.

IFRS 17 *"Insurance contracts"* (effective for annual periods beginning on or after 1 January 2021)

IFRS 17 has been issued in May 2017 and supersedes IFRS 4. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard and its objective is to ensure that an entity provides relevant information that faithfully represents those contracts. The new standard solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for using current values instead of historical cost. The standard has not yet been endorsed by the EU.

IAS 28 (Amendments) *"Long term interests in associates and joint ventures"* (effective for annual periods beginning on or after 1 January 2019)

The amendments clarify that companies account for long-term interests in an associate or joint venture—to which the equity method is not applied—using IFRS 9.

IFRIC 23 *"Uncertainty over income tax treatments"* (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. IFRIC 23 applies to all aspects of income tax accounting where there is such uncertainty, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

IAS 19 (Amendments) *"Plan amendment, curtailment or settlement"* (effective for annual periods beginning on or after 1 January 2019)

The amendments specify how companies determine pension expenses when changes to a defined benefit pension plan occur. The amendments have not yet been endorsed by the EU.

IFRS 3 (Amendments) *"Definition of a business"* (effective for annual periods beginning on or after 1 January 2020)

The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. The amendments have not yet been endorsed by the EU.

IAS 1 and IAS 8 (Amendments) *"Definition of material"* (effective for annual periods beginning on or after 1 January 2020)

The amendments clarify the definition of material and how it should be applied by including in the definition guidance which until now was featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS. The amendments have not yet been endorsed by the EU.

Annual Improvements to IFRS (2015 – 2017 Cycle) (effective for annual periods beginning on or after 1 January 2019)

The amendments set out below include changes to four IFRSs. The amendments have not yet been endorsed by the EU.

IFRS 3 "*Business combinations*"

The amendments clarify that a company remeasures its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 *"Joint arrangements"*

The amendments clarify that a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 *"Income taxes"*

The amendments clarify that a company accounts for all income tax consequences of dividend payments in the same way.

IAS 23 *"Borrowing costs"*

The amendments clarify that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

5.3.21. Rounding

Any differences between the amounts in the financial statements and the corresponding amounts in the notes are due to rounding.

5.3.22. Effect from the adoption of new IFRSs

The Company implemented, for the first time, IFRS 15 "Income from Contracts with Customers" and IFRS 9 "Financial Instruments" with the method of cumulative effect (i.e. the modified retroactive approach), with the effect of the adoption of these Standards being recognized on the date of initial application (i.e. 1 January 2018). Correspondingly, the information relating fiscal year 2017 has not been restated, i.e. it is classified according to the previous standards, IAS 18, and IAS 39 and the related interpretations.

IFRS 15 Revenue from contracts with customers

IFRS 15 replaces IAS 11 "Construction Contracts", IAS 18 "Revenue" and related interpretations and applies to all revenue arising from contracts with customers, unless such contracts fall within the scope of other standards. The new Standard establishes a five-stage model to measure revenue arising from contracts with customers, as follows:

1. Determination of contract (s) with the customer
2. Determination of the performance obligations.
3. Determination of the transaction price.
4. Allocating the transaction price to the performance obligations of the contract.
5. Recognition of revenue when (or while) an entity fulfils a performance obligation.

The basic principle is that an entity will recognize revenue in a way that reflects the transfer of goods or services to customers in the amount it expects to be entitled in return for these goods or services. It also includes the principles that an entity must apply to determine the measurement of revenue and the time it is recognized. According to IFRS 15, revenue is recognized when the customer gains control over the goods or services, specifying the time of the transfer of the check-either in a given time or in the long term.

As of 1 January 2018, the Group adopted the new standard by applying the modified retroactive approach without any adjustment to comparative information. The new Standard did not have a significant impact on the financial statements at its application, since there were no significant differences in the implementation of the new accounting policies. Therefore, the application of IFRS 15 did not have any impact retained earnings nor were adjustments necessary for the transition to it.

IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 concerning the classification and measurement of financial assets and financial liabilities and also includes a model of expected credit losses which replaces the model of the realized credit losses.

The new provisions for impairment losses, in some cases, result in the expected losses being recognized earlier.

(a) Classification and measurement

IFRS 9 maintains to a large extent the existing requirements of IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous categories of IAS 39 for financial assets: held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 had no effect on the Company's accounting policies concerning financial liabilities.

According to IFRS 9, financial assets after initial recognition will be measured at fair value through the income statement, amortized cost or fair value through the statement of other comprehensive income. The classification is based on the following two criteria: The business model that is followed by the Company for the management of the specific data and the characteristics of their contractual cash flows.

Financial assets (investments in equity instruments) which the Group had designated as available for sale under IAS 39, are now classified as investments in equity instruments and will be measured at fair value through the statement of other comprehensive income. Changes from the valuation of equity instruments are included in the "items that will not be sorted in the future in the profit and loss statement". IFRS 9 allows companies the irrevocable option to measure an investment in an equity instrument title that is not held for trading at fair value through other comprehensive income.

(b) Impairment

The adoption of IFRS 9 resulted in a change in the Company's accounting practices to deal with financial instrument impairment losses as it replaced the handing of IAS 39 for the recognition of incurred losses by recognizing expected credit losses.

Regarding 'Customers', the Company implemented the simplified approach of the standard and calculated the expected credit losses over the lifetime of the claims. To this end, a table was used to calculate the relevant provisions in a way that reflects experience from past events, as well as the forecasts of the future financial situation of customers and the economic environment.

The adoption of the new standard did not affect the results of the Company.

5.4. RISK MANAGEMENT

General – Risk Management Environment

A major concern of ATHEXClear is the management of risk arising from its business activities.

The Athens Exchange Group, as organizer of the stock market, has developed a comprehensive framework for managing the risks to which it is exposed, ensuring its sustainability and growth, as well as contributing to the stability and security of the stock market.

The Athens Exchange Clearing House (ATHEXClear), which operates as a Central Counterparty (CCP) in the clearing of products of the cash and derivatives markets, is required to fulfil the strict requirements regarding risk management of the EMIR regulatory framework, in accordance with which is has been licensed since 2015. Although risk management within the Athens Exchange Group concerns all Companies and risk categories, it is recognized that, due to its role in the market, ATHEXClear faces and has to manage the most serious risk.

The internal and external regulatory and legal framework that governs ATHEXClear directly and the Group indirectly with regard to their obligations in monitoring and managing risk includes the Regulation of Clearing of Transferable Securities Transactions in Book Entry Form, the Regulation on the Clearing of Transactions on Derivatives and the Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, known as EMIR (European Market Infrastructure Regulation).

Risk Strategy and Risk Management

The risk strategy of the Group is aligned with its business strategy to provide the appropriate infrastructure for the reliable, safe and unhindered operation of the stock market. In accordance with the strategy of the Group, the risk tolerance level is defined so as to satisfy the market needs, to reduce the cost for the participants, to derive maximum benefit from business opportunities but also to ensure the security of the market and the compliance with the regulatory requirements.

Organizational structure

In addition to the specific measures for the smooth operation of the systems of the Group, each organizational unit of the Group is responsible to monitor and manage possible risks in such a way as to react promptly and effectively in case of occurrence of risk events.

Keeping up in 2018 the effort made in the previous years, attempts are made to strengthen the risk management operation by ATHEXClear in order to continue to be in line with the EMIR Regulation and to conform with the international best practices.

Specifically, as regards ATHEXClear, the organizational structure supporting risk management includes the following units:

1. *Board of Directors*, which has the final responsibility and accountability concerning the management of the risk management operation of the Company. Specifically, the Board determines, defines and documents the appropriate level of risk tolerance and risk assumption ability of the Company. In addition, the Board and the senior executives ensure that the policies, processes and audits of the Company are consistent with the risk tolerance level and risk assumption ability of the Company, and examine the way in which the Company recognizes, reports, monitors and manages risks.
2. *Risk Committee*, which advises the Board on risk management issues.
3. *Investments Committee*, which makes decisions on the determination of the limits and monitors the liquidity risk, sets policies and standards for the investment strategy, the financing principles, the liquidity management, the interest rate risk and its management.
4. *Risk Management Department* of the ATHEXClear Risk Management & Clearing Division, which is sufficiently independent from the other departments of the Company, and the main duty of which is the comprehensive approach to risks that ATHEXClear faces with the aim to identify, assess and eventually manage those risks. The Risk Management Department possesses the required authority, the necessary resources, expertise and access to all relevant information.
5. *Chief Risk Officer*, head of the Risk Management Department, who reports to the Board of Directors on matters of risk management through the Chairman of the Risk Committee, and implements the risk management framework through the policies and procedures established by the Board of Directors.
6. *Organizational units*, which are responsible for the identification and management of the risks that fall within their scope and participate in the overall risk management of ATHEXClear and of the entire Group.

For a more detailed review with respect to Risk Management, please refer to the Management Report of the Board of Directors on page 14 hereof.

5.5. CAPITAL MANAGEMENT

The primary aim of the capital management of the Company is to maintain its high credit rating and sound capital ratios, in order to support and expand the activities of the Company and maximize shareholder value.

There were no changes in the approach adopted by the Company with respect to capital management during fiscal year 2018.

5.6. CLEARING

Revenue from clearing is broken down in the following table:

	31.12.2018	31.12.2017
Shares	5,443	5,775
Bonds	15	14
Derivatives	1,405	1,340
ETFs	5	4
Transfers - Allocations (Special settlement orders)	327	306
Trade notification instructions	144	146
Total	**7,340**	**7,584**

Revenue from share clearing, which consists of revenue from the organized market and the Common Platform, reached €5.4 million, recording a decrease of 5.7%.

Revenue from clearing of transactions in derivatives recorded an increase of 4.8% (€1.4 million in 2018 compared to €1.3 million in 2017).

Revenue from transfers - allocations amounts to €327 thousand, showing an increase of 6.9% in relation to the same period last year, while trade notification instructions reached €144 thousand, recording a small decrease of 1,4%.

5.7. CLEARING HOUSE SERVICES

This category includes the subscriptions of the members of ATHEXClear for the derivatives market. Revenue in this category is broken down in the following table:

	31.12.2018	31.12.2017
Subscriptions of derivatives clearing members	126	172
Total	**126**	**172**

5.8. ANCILLARY SERVICES (EMIR TR)

For the needs of these services, agreements have been concluded with our members, as well as with a supplier. The relevant expenses are shown in note 5.18.

	31.12.2018	31.12.2017
Support of other markets (CSE - SIBEX)	0	4
EMIR TR Service	106	74
Total	**106**	**78**

5.9. OTHER SERVICES

In 2018 revenue in this category reached €20 thousand, mainly concerning support services provided to Companies of the Group, compared to €95 thousand in the same period of 2017 (an amount of €78 thousand concerned fines to ATHEX members for failure to fulfil their obligations within the Securities System as to the delivery of traded transferable securities by the end of the settlement, as they were required to do).

(Amounts in thousands of Euro, unless otherwise indicated) 46

5.10. PERSONNEL REMUNERATION AND EXPENSES

Personnel remuneration and expenses in 2018 amounted to €1.09m compared to €970 thousand in the same period last year, showing an increase of 12,3%. The number of employees as at 31.12.2018 was 26 compared to 24 on 31.12.2017.

In accordance with the new accounting principle applied as of 01.01.2013, expenses (CAPEX creation) concerning development of systems of the Company are capitalized. The amount capitalized in 2018 runs to €78 thousand, while in the previous year this amount reached €70 thousand.

	31.12.2018	31.12.2017
Personnel remuneration	715	706
Employer contributions	190	170
Severance payments to employees	66	20
Provision for staff retirement obligations (actuarial study)	3	(23)
Other benefits (insurance premiums etc.)	115	97
Total	**1,089**	**970**

(Amounts in thousands of Euro, unless otherwise indicated) 47

Obligations to employees

The changes in the provision as at 31.12.2018 are shown in detail in the following table:

Accounting Presentation in accordance with the revised IAS 19 (amounts in €)	Company	
Period	31.12.2018	31.12.2017
Amounts recognized in the Statement of Financial Position		
Present value of liabilities	150,333	148,900
Net liability recognized in the Statement of Financial Position	**150,333**	**148,900**
Amounts recognized in the Profit & Loss Account		
Cost of current employment	3,781	3,279
Net interest on the liability/(asset)	2,427	2,993
Regular expense in the Profit & Loss Account	**6,208**	**6,272**
Cost of staff reduction/settlement/termination	75,719	0
Other expenses/(revenue)	6,720	(29,229)
Total expense in the Profit & Loss Account	**88,647**	**(22,957)**
Change in the present value of the liability		
Present value of the liability at the beginning of the period	148,900	168,123
Cost of current employment	3,781	3,279
Interest expense	2,427	2,993
Benefits paid by the employer	(85,606)	0
Cost of staff reduction/settlement/termination	75,719	0
Other expenses/(revenue)	6,720	(29,229)
Actuarial loss/(gain) - financial assumptions	(3,960)	2,175
Actuarial loss/(gain) - experience for the period	2,352	1,559
Present value of the liability at the end of the period (note 5.25)	**150,333**	**148,900**
Adjustments		
Adjustments to liabilities due to change in assumptions	3,960	(2,175)
Experience adjustments in liabilities	(2,352)	(1,559)
Total actuarial gain/(loss) recognized in Equity	**1,608**	**(3,734)**
Total amount recognized in Equity	**1,608**	**(3,734)**
Changes in the net liability recognized in the balance sheet		
Net liability at the beginning of year	148,900	168,123
Benefits paid by the employer	(85,606)	0
Total expense recognized in the Profit & Loss Account	88,647	(22,957)
Total amount recognized in Equity	(1,608)	3,734
Net liability at the end of the period (note 5.25)	**150,333**	**148,900**

The actuarial assumptions used in the actuarial valuation in accordance with IAS 19 are as follows:

Actuarial assumptions	Valuation date	
	31.12.2018	31.12.2017
Discount rate	1.77%	1.63%
Increase in salaries (long term)	1.00%	1.00%
Inflation rate	1.00%	1.00%
Mortality	EVK 2000 (Swiss table)	EVK 2000 (Swiss table)
Personnel turnover rate	0.50%	0.50%
Regular retirement age	Retirement terms established by the social security fund of the employee	Retirement terms established by the social security fund of the employee
Duration of liabilities	17.75	18.21

(Amounts in thousands of Euro, unless otherwise indicated) 48

The following table provides a sensitivity test for the discount rate, the annual inflation and the increase in remuneration for the Company.

Cash flows *Expected benefits from the plan in the next financial year*	**Company** **31.12.2018**	 **31.12.2017**
Sensitivity Scenarios for the Economic and Demographic Assumptions Used		
Sensitivity 1 - Discount rate plus 0.5% - Difference % in the Present Value (PV) of Liabilities	(8.23)%	(8.43)%
Sensitivity 2 - Discount rate minus 0.5% - Difference % in the PV of Liabilities	9.06%	9.30%
Sensitivity 3 - Annual inflation plus 0.5% - Difference % in the PV of Liabilities	9.09%	9.32%
Sensitivity 4 - Annual inflation minus 0.5% - Difference % in the PV of Liabilities	(8.33)%	(8.52)%
Sensitivity 5 - Salary increase assumption plus 0.5% - Difference % in the PV of Liabilities	8.25%	8.49%
Sensitivity 6 - Salary increase assumption minus 0.5% - Difference % in the PV of Liabilities	(8.15)%	(8.35)%

5.11. THIRD PARTY FEES AND EXPENSES

Third party fees and expenses relate to fees of auditors, translators and consultants.

	31.12.2018	31.12.2017
Remuneration of members of the Board of Directors	9	11
Fees to auditors	20	20
Fees to consultants and other fees	146	243
Total	**175**	**274**

5.12. MAINTENANCE/IT SUPPORT

Software maintenance expenses for 2018 came to the amount of €74 thousand compared to €67 thousand in the same period last year.

Software and hardware maintenance expenses are contractual obligations of the Company.

5.13. TAXES-VAT

The non-deductible Value Added Tax and other taxes charged on the cost of works came to the amount of €151 thousand compared to €178 thousand in the same period last year.

5.14. MANAGEMENT OF BUILDINGS/EQUIPMENT

This category includes expenses such as: security and cleaning of facilities, as well as the cost of cleaning materials.

Building and equipment management expenses for fiscal year 2018 amounted to €28 thousand showing almost no change in relation to the same period last year.

(Amounts in thousands of Euro, unless otherwise indicated) 49

5.15. FLAT SETTLEMENT FEE

The cost of the flat annual settlement fee came to the amount of €4,398 thousand compared to €4,558 thousand in the same period last year, showing a decrease of 3.5%. This amount relates to the calculation of the flat annual settlement fee for fiscal year 2018, in accordance with Article 1, paragraph 1(a) of Regulatory Decision 1 on "Dematerialized Securities System Management and Operation Fees" of ATHEXCSD.

According to a decision of the Board of Directors of ATHEXCSD, as of 01.01.2017 the flat annual settlement fee is calculated at 60% of the revenues resulting in the clearing house from the clearing of transactions, with a minimum amount of €3.0 million and a maximum amount of €15.0 million payable annually.

5.16. OTHER OPERATING EXPENSES

Other operating expenses in fiscal year 2018 reached €279 thousand compared to €286 thousand in the same period last year, recording a decrease of 2.4%. This category mainly includes support services provided to ATHEXClear by other Companies of the Athens Exchange Group, which are presented in detail in the following table:

	31.12.2018	31.12.2017
Bank of Greece - cash settlement	3	5
Printed materials and stationery	2	0
Travel expenses	11	7
Postal expenses	1	0
Transportation expenses	1	2
Storage costs	1	1
Support operation services	176	173
Building rent to companies of the Group	55	55
Subscriptions to professional organizations and contributions (EACH)	23	18
Other expenses	0	5
Unused provisions	0	11
Promotion, entertainment and hospitality expenses	0	1
Expenses for events	6	8
Total	**279**	**286**

5.17. HELLENIC CAPITAL MARKET COMMISSION FEE

The operating revenue does not include the Hellenic Capital Market Commission Fee, which came to €560 thousand for fiscal year 2018 compared to €580 thousand in the same period last year. This fee is collected on behalf of the Hellenic Capital Market Commission, to which it is subsequently paid. This decrease is due to the drop in the value of clearing, on which this amount is calculated.

5.18. EXPENSES FOR ANCILLARY SERVICES (EMIR TR)

Expenses in this category came to €159 thousand compared to €131 thousand in the same period last year, recording an increase of 21.4%. A large portion of this amount is paid to the Members (note 5.8).

(Amounts in thousands of Euro, unless otherwise indicated) 50

	31.12.2018	31.12.2017
Expenses for IT Services (EMIR-UNAVISTA FULL DELEGATED REPORTING)	159	116
Expenses for new services	0	15
Total	**159**	**131**

5.19. TANGIBLE ASSETS FOR OWN USE AND INTANGIBLE ASSETS

The tangible and intangible assets of the Company as at 31.12.2018 and 31.12.2017 are broken down as follows:

ATHEXClear	Furniture, fixtures and equipment	Intangible assets PC Software	Total
Acquisition and valuation value as at 31.12.2016	**457**	**194**	**651**
Additions in 2017	0	253	253
Acquisition and valuation value as at 31.12.2016	**457**	**447**	**904**
Accumulated depreciation and amortization as at 31.12.2016	**389**	**32**	**421**
Depreciation and amortization in 2017	15	48	63
Accumulated depreciation and amortization as at 31.12.2017	**404**	**80**	**484**
Book value			
as at 31.12.2016	**68**	**162**	**230**
as at 31.12.2017	**53**	**367**	**420**

ATHEXClear	Furniture, fixtures and equipment	Intangible assets PC Software	Total
Acquisition and valuation value as at 31.12.2017	**457**	**447**	**904**
Additions in 2018	59	168	227
Acquisition and valuation value as at 31.12.2018	**516**	**615**	**1,131**
Accumulated depreciation & amortization as at 31.12.2017	**404**	**80**	**484**
Depreciation and amortization in 2018	19	97	116
Accumulated depreciation & amortization as at 31.12.2018	**423**	**177**	**600**
Book value			
as at 31.12.2017	**53**	**367**	**420**
as at 31.12.2018	**93**	**438**	**531**

5.20. CUSTOMERS AND OTHER TRADE RECEIVABLES

All receivables are short-term and, therefore, no discounting is required as at the date of the Statement of Financial Position. The breakdown of customers and other receivables is shown in the following table:

(Amounts in thousands of Euro, unless otherwise indicated) 51

	31.12.2018	31.12.2017
Customers	357	488
Group Customers	0	5
Less: provision for doubtful accounts	(15)	(15)
Net trade receivables	**342**	**478**
Other receivables		
Withholding tax on dividends for offsetting (1)	300	300
Prepaid non-accrued expenses	5	18
Sundry debtors	0	7
Total	**304**	**325**
Income tax receivable (2)	**87**	**74**

1. Withholding tax on dividends collected from the 10% holding in ATHEX in 2012. Dividend €1.2 million x 25% (dividend tax) = €300 thousand.
2. For the Company, the change in income tax liability in 2017 resulted in a claim of €74 thousand, while in 2018 the respective claim is €87 thousand (note 5.27).

The carrying amount of the above receivables as at 31.12.2018 represents their fair value.

The change in the provision for doubtful accounts is broken down as follows:

Provision for doubtful accounts	
Balance on 31.12.2016	**15**
Additional provision in 2017	0
Balance on 31.12.2017	**15**
Additional provision in 2018	0
Balance on 31.12.2018	**15**

The carrying amounts for customers represent their fair value.

The following table shows in detail the total accounts receivable.

COMPANY	31.12.2018	31.12.2017
Balances not past due	350	58
Past due balances	5	436
Before provisions	**355**	**494**
Less: provisions for value impairment	-15	-15
After provisions	**340**	**479**

The aging analysis for past due accounts receivable is as follows:

COMPANY	31.12.2018	31.12.2017
Up to 120 days	-1	427
121-240 days	0	4
241-360 days	0	0
More than 360 days	6	5
Before provisions	**5**	**436**

(Amounts in thousands of Euro, unless otherwise indicated) 52

As of 1 January 2018, the Company implements the simplified approach of IFRS 9 and calculates the expected credit losses over the entire lifetime of trade receivables.

On each balance sheet date, the Company performs an impairment test on trade receivables using a table according to which the expected credit losses are calculated. The maximum exposure to credit risk on the balance sheet date is the carrying amount of each category of trade receivables as shown above.

The following table presents information regarding the exposure of the Company to credit risk:

COMPANY	Not past due	Up to 120 days	121-240 days	241-360 days	More than 360 days
Expected loss ratio	0%	0%	0%	0%	100%
Total accounts receivable	350	-1	0	0	6
Expected loss	0	0	0	0	6

For precautionary purposes, the Company did not reduce the provision for doubtful accounts in relation to the previous year.

The new IFRS 9, which concerns the classification and measurement of financial assets, encourages the use of an expected credit loss model replacing the model of realized accounting losses previously implemented. According to this model, and for the purpose of estimating the expected credit loss in trade receivables as at 31.12.2018, the Company allocated the accounts receivable to time scales and then applied loss ratios based on past experience in each time scale. This showed that an additional provision for doubtful accounts is not required.

5.21. THIRD PARTY BALANCES IN ATHEXClear BANK ACCOUNT (COLLATERAL)

The ATHEXClear cash balances that concern collateral of the Clearing Members in the form of cash, as well as the cash of the Default Fund in accordance with the investment policy of ATHEXClear, are kept by in an account that ATHEXClear maintains as a Direct Participant in TARGET2 with the Bank of Greece.

The implementation of the ATHEXClear investment policy commenced immediately with the initiation of the new model for clearing and risk management for the derivatives market on 01/12/2014. The amount of 151,819 thousand, which is broken down below and is recorded in the Statement of Financial Position of 31.12.2018 both in assets and in liabilities, concerns collateral of Members of the derivatives market and the cash market deposited in the ATHEXClear bank account with the Bank of Greece and managed by ATHEXClear, and an amount of €35 thousand is deposited in a commercial bank account and concerns balances of inactive clients of the Default Fund.

The implementation of the new model in the cash market in accordance with Regulation (EU) 648/2012 concerning the Default Fund and Member guarantees for the cash market went into effect on 16/02/2015.

	31.12.2018	31.12.2017
Cash Market Default Fund Collateral	12,151	10,475
Cash Market Default Fund Additional Collateral	99,838	99,324
Derivatives Market Default Fund Collateral	6,488	8,685
Derivatives Market Default Fund Additional Collateral	33,307	37,548
Default Fund Inactive Customer Balances	35	0
Total	**151,819**	**156,032**

(Amounts in thousands of Euro, unless otherwise indicated) 53

5.22. CASH AND CASH EQUIVALENTS

The cash balances of the Company are placed in short-term interest bearing investments with the aim to maximize the benefits, always in accordance with the policy set by the Strategic Investments Committee of the Company.

As of 26/11/2014 the cash balances of ATHEXClear are kept in accounts with the Bank of Greece, in accordance with the investment policy of the Company and the provisions of Article 45 of Regulation (EU) No. 153/2013. The above mentioned policy excludes an amount not exceeding €500 thousand, which is kept at commercial banks and used exclusively for the daily operating needs of ATHEXClear.

It is noted that deposits with the Bank of Greece have a negative interest rate of 0.4% from 16/03/2016 onwards.

As a result of the above charge on deposits with the Bank of Greece, the Company incurred in 2018 a cost of €122 thousand compared to €117 thousand in the same period last year. The breakdown of the cash balances of the Company is provided below:

	31.12.2018	31.12.2017
Deposits at the Bank of Greece	29,605	30,685
Sight deposits in commercial banks	175	88
Cash on hand	3	3
Total	**29,783**	**30,776**

5.23. DEFERRED TAX

The deferred tax assets stood at €48 thousand compared to €67 thousand last year and relate to actuarial valuation provisions and intangible assets.

In accordance with the tax legislation (Law 4334/2015), the income tax rate for legal entities is set at 29% for fiscal year 2018.

Deferred income tax is calculated based on the temporary differences that arise between the carrying amounts of the assets and liabilities recognized in the financial statements and their tax base according to the tax legislation.

The amount of deferred income tax (deferred tax liability) recorded in the Statement of Comprehensive Income includes the temporary tax differences mainly resulting from the recognized income-profit that will be taxed at a future time. The credit entry for deferred tax (deferred tax asset) includes mainly the temporary tax differences resulting from specific provisions, which are tax deductible at the time they are formed. Debit and credit deferred tax balances are offset when there is a legally valid right to offset and the deferred tax assets and liabilities concern income taxes collected by the tax authorities.

Deferred Tax	31.12.2018	31.12.2017
Deferred tax assets	48	67
Deferred tax liabilities	0	0
Total	**48**	**67**

Deferred tax assets are broken down as follows:

(Amounts in thousands of Euro, unless otherwise indicated) 54

ATHEXClear deferred tax assets	INTANGIBLE ASSETS	ACTUARIAL & EMPLOYEE COMPENSATION PROVISIONS	OTHER PROVISIONS	Total
Balance on 01.01.2017	**8**	**49**	**10**	**67**
(Debit)/Credit to profit or loss	(7)	0	6	(1)
(Debit)/Credit to other comprehensive income	0	1	0	1
Balance on 31.12.2017	**1**	**50**	**16**	**67**
(Debit)/Credit to profit or loss	1	(12)	(8)	(19)
(Debit)/Credit to other comprehensive income	0	0	0	0
Balance on 31.12.2018	**2**	**38**	**8**	**48**

5.24. SHARE CAPITAL AND RESERVES

a) Share capital

After the spin-off of the clearing branch and its integration into ATHEXClear, the share capital of the Company came to €25,000,000 comprised of 8,500,000 common registered shares with a nominal value of €3.00 (three Euro) each. The share capital of the Company remained unchanged until 31.12.2018.

b) Reserves

	31.12.2018	31.12.2017
Statutory reserve	240	217
Total	**240**	**217**

c) Retained earnings

The retained earnings amounting to €4,367 thousand as at 31.12.2017 were increased by an amount of €290 thousand, which represents the net profit after tax for 2018 and the actuarial gains of €2 thousand, and were decreased as a result of the creation of a statutory reserve of €23 thousand, coming to €4,636 (see 4.3).

d) Capital requirements

According to the EMIR Regulation, Article 45 of Regulation (EU) No. 648/2012, a clearing house must maintain lines of defence (default waterfall) against default of a member.

The amount of own resources of central counterparties used as a line of defence in the event of default is calculated according to Article 35 of the technical standards for clearing houses, and specifically:

- The central counterparty maintains and reports separately an amount of dedicated own resources for the purposes mentioned in Article 45, paragraph 4 of Regulation (EU) No. 648/2012.
- The central counterparty calculates the minimum amount mentioned in paragraph 1 by multiplying by 25% the minimum capital requirement, including retained earnings and reserves for the purposes mentioned in Article 16 of Regulation (EU) No. 648/2012 and of Commission Delegated Regulation (EU) No. 152/2013 (1).

The central counterparty revises this minimum amount on an annual basis

Based on the above, as a recognized clearing house, ATHEXClear prepared in cooperation with consultants a report of “Methodology For Calculating Capital Requirements”, which describes the methodology applied in order to estimate the capital requirements for credit risk, counterparty risk, market risk, business interruption risk, operating risk and business risk. The methodology applied was based on the following:

(Amounts in thousands of Euro, unless otherwise indicated) 55

- Regulations (EU) 648/2012 and (EU) 152/2013 and (EU) 153/2013
- Regulation (EU) 575/2013
- FSA: Prudential Sourcebook for Banks, Building Societies and Investment Firms
    - BIPRU 13.4 CCR mark to market method
    - BIPRU 5.4 Financial collateral
    - BIPRU 3 Standardised credit risk

ATHEXClear regularly calculates on a quarterly basis and records in its financial reports and interim financial statements the capital requirements that are necessary in order for the Company to be able to fulfil its regulatory obligations.

ATHEXClear has in place procedures for the identification of all risk sources that may affect its current operations and examines the probability of potential adverse effects on its revenue or expenses and the level of its capital.

The capital requirements of ATHEXClear as at 31.12.2018 are broken down in the following table:

Capital Requirements (Euro '000) Type of Risk	**Capital Requirements on 31.12.2018**
Credit risk (total)	131
Derivatives Market	
Cash Market	0
Investment of Own Assets	131
Market Risk	0
Exchange Rate Risk	0
Operating Risk	115
Business Interruption Risk	3,177
Business Risk	1,588
Total Capital Requirements	**5,011**
Notification Threshold (110% of the above Capital Requirements)	5,512
Additional Special Resources (25% of Capital Requirements on 31.12.2018)	**1,253**

The capital requirements as estimated above are significantly lower than the amount of equity shown in the Statement of Financial Position of the Company of 31.12.2018. In addition, the capital requirements are significantly lower than the amount of cash balances held by ATHEXClear in accounts in commercial banks and at the Bank of Greece.

If the ATHEXClear equity is estimated to be less than 110% of the capital requirements, as calculated above, or less than 110% of the 7.5 million notification threshold, ATHEXClear will be required to notify immediately the relevant authority (Hellenic Capital Market Commission) and to update such authority at least on a weekly basis, until the amount of its equity exceeds again the notification threshold.

Of the additional special resources of €1,268 thousand, as those are calculated above and remain constant during 2018, 65.19% (€817 thousand) is allocated to the cash market and 34.81% (€436 thousand) is allocated to the derivatives market as at 31.12.2018.

(Amounts in thousands of Euro, unless otherwise indicated) 56

5.25. PROVISIONS

	31.12.2018	31.12.2017
Staff retirement obligations (note 5.10)	150	149
Compensation Provisions	0	20
Staff retirement obligations	**150**	**169**
Other provisions	20	20
Total other provisions	**20**	**20**

The Company has recorded provisions for other risks of a total amount of €20 thousand in order to be secured in the event of occurrence of such risks.

Changes in the provision for post-employment compensation are shown in detail in note 5.10.

Changes in the other provisions are shown in the following table:

ATHEXClear	Compensation Provisions	Provisions for other risks
Balance on 31.12.2016	**0**	**20**
Additional provision in the period	20	0
Balance on 31.12.2017	**20**	**20**

ATHEXClear	Compensation Provisions	Provisions for other risks
Balance on 31.12.2017	**20**	**20**
Used provision	(20)	0
Balance on 31.12.2018	**0**	**20**

5.26. SUPPLIERS AND OTHER TRADE LIABILITIES

All liabilities are short-term and, therefore, no discounting is required as at the date of the financial statements. The breakdown of suppliers and other liabilities is presented in the following table:

	31.12.2018	31.12.2017
Suppliers	131	57
Group Suppliers (1)	20	1,330
Hellenic Capital Market Commission Fee (2)	230	295
Accrued third party services	56	38
Payable contributions	1	38
Payroll tax	27	24
Other taxes	5	7
Sundry creditors	32	31
Total	**502**	**1,820**

(Amounts in thousands of Euro, unless otherwise indicated) 57

1. The amount of liabilities to the companies of the Group as at 31.12.2018 includes an amount of €20 thousand relating to liabilities from intra-group transactions in the year 2018 due by ATHEXClear to ATHEXCSD.
2. The Hellenic Capital Market Commission Fee (€230 thousand) is calculated on the value of trades in the cash and derivatives markets and is paid to the Hellenic Capital Market Commission within two months of the end of each six-month period. The above mentioned amount concerns the second half of 2018 (note 5.17).

The carrying amount of the above liabilities represents their fair value.

5.27. CURRENT INCOME TAX AND INCOME TAX PAYABLE

The Management of the Company, based on the possibilities offered by tax law, plans its policy so as to minimize its tax obligations. Under this assumption, it is assumed that the profits of the period realized by the Company and its subsidiaries shall be distributed to tax-free reserves at the maximum allowable amount.

Non-deductible expenses mainly include provisions, various expenses, as well as amounts considered non-justifiable as acceptable production expenses in a potential tax audit, which are reformed by management during the calculation of the income tax.

Income Tax Expense	**31.12.2018**	**31.12.2017**
Income tax	132	223
Deferred Tax	19	1
Income Tax Expense	**151**	**224**

The reconciliation of the income tax with profit before tax on the basis of the applicable rates and the tax expense is as follows:

Income Tax	**31.12.2018**	**31.12.2017**
Profit before tax	441	676
Income tax rate	29%	29%
Expected tax expense	128	196
Tax effect of non-deductible expenses	23	28
Income tax expense	**151**	**224**

Tax liabilities	**31.12.2018**	**31.12.2017**
Liabilities / (Claims) 31.12	(74)	(1,254)
Income Tax Expense	132	223
Taxes paid	(145)	0
Income tax rebates	0	957
Liabilities / (Claims)	**(87)**	**(74)**

In accordance with the tax legislation (Law 4334/2015), the income tax rate for legal entities was set at 29% for fiscal year 2018.

Under the same Law 4334/2015, the prepayment of corporate income tax has been increased from 80% to 100%.

(Amounts in thousands of Euro, unless otherwise indicated) 58

Tax Compliance Report

For fiscal years 2011 to 2015, the Greek Sociétés Anonymes and Limited Liability Companies, the annual financial statements of which are subject to statutory audit, are required to obtain an "Annual Certificate" in accordance with paragraph 5 of Article 82 of Law 2238/1994 and Article 65A of Law 4174/2013, which is issued upon the completion of a tax audit conducted by the Statutory Auditor or Audit Firm conducting the audit of the annual financial statements. Upon the completion of the tax audit, the Statutory Auditor or Audit Firm issues to the company a "Tax Compliance Report" and, subsequently, submits this report by electronic means to the Ministry of Finance.

From 2016 onwards the issuance of the "Annual Certificate" is optional. The tax authority reserves the right to conduct a tax audit within the statutory framework, as set out in Article 36 of Law 4174/2013.

Unaudited tax years

The Company has been audited for fiscal year 2011 by PricewaterhouseCoopers S.A. and for fiscal years 2012-2016 by Ernst & Young S.A. and has obtained unqualified "Tax Compliance Reports" in accordance with the applicable provisions (Article 82, paragraph 5 of Law 2238/1994 for fiscal years 2011-2013 and Article 65A of Law 4174/2013 for fiscal years 2014-2015).

For fiscal year 2017 the tax audit has already been performed by PricewaterhouseCoopers S.A. in accordance with Article 65A of Law 4174/2013 and the tax audit certificate was issued in October 2018.

5.28. DEFAULT FUND MANAGEMENT

CASH MARKET

Athens Exchange Clearing House S.A. (ATHEXClear) manages the Default Fund with the aim to protect the System from credit risks of the Clearing Members resulting from the clearing of the transactions.

The contribution of each Clearing Member to the Default Fund is determined based on each Share of the Clearing Member in it. The Share consists of the sum of the contributions of the Clearing Member that have been paid for its formation into the Default Fund and is increased by any revenue accruing from the rules of management and investment of the assets of the Default Fund, as well as by the cost for managing risk and margins, as determined by the ATHEXClear procedures. Revenues and expenses are allocated in respect of each Clearing Member Share in the Default Fund in proportion to its size.

The minimum size of the Default Fund is based on the amount of transactions carried out by each Clearing Member and is calculated according to the special method described in the decisions of the Hellenic Capital Market Commission and in Part 5, Section II of the ATHEXClear Regulation of Clearing of Transferable Securities Transactions in Book Entry Form, as applicable. For each month, the difference between the new balance and the previous balance for each Clearing Member Share is paid or refunded, accordingly, by the Manager of the Default Fund.

DERIVATIVES MARKET

The Board of Directors of ATHEXClear at its meeting No. 109/17.11.2014 approved the development of a set of risk management policies and practices due to the change of the clearing model in the derivatives market, the Regulation on the Clearing of Transactions on Derivatives and also due to the adaptations to the requirements of the EMIR Regulation.

In accordance with the new Regulation on the Clearing of Transactions on Derivatives and in particular Part 5 of Section II, a Default Fund for the Derivatives Market is calculated monthly. Calculation is made on a monthly basis. The management of the Default Fund in the derivatives market is not different from the management of the Default Fund in the cash market.

5.29. RELATED PARTY DISCLOSURES

The value of transactions and the balances of the Company with related parties are shown in detail in the following table:

	31.12.2018	31.12.2017
Remuneration of executives and managerial staff	104	97

The intra-group balances as at 31.12.2018 and 31.12.2017, as well as the intra-company transactions of the Companies of the Group as at 31.12.2018 and 31.12.2017, are shown in detail below.

INTRA-GROUP BALANCES (in €) 31.12.2018				
		ATHEX	ATHEXCSD	ATHEXClear
ATHEX	Receivables	0	404,920	0
	Payables	0	3,069	0
ATHEXCSD	Receivables	3,069	0	20,047
	Payables	404,920	0	1,611
ATHEXClear	Receivables	0	1,611	0
	Payables	0	20,047	0

INTRA-GROUP BALANCES (in €) 31.12.2017				
		ATHEX	ATHEXCSD	ATHEXClear
ATHEX	Receivables	0	569,926	68,090
	Payables	0	0	0
ATHEXCSD	Receivables	0	0	1,261,736
	Payables	569,926	0	6,637
ATHEXClear	Receivables	0	6,637	0
	Payables	68,090	1,261,736	0

INTRA-GROUP REVENUE-EXPENSES (in €) 31.12.2018				
		ATHEX	ATHEXCSD	ATHEXClear
ATHEX	Revenue	0	402,376	109,822
	Expenses	0	308,833	0
	Dividend income	0	802,600	0
ATHEXCSD	Revenue	308,833	0	5,085,351
	Expenses	402,376	0	16,258
ATHEXClear	Revenue	0	16,258	0
	Expenses	109,822	5,085,351	0

(Amounts in thousands of Euro, unless otherwise indicated) 60

INTRA-GROUP REVENUE-EXPENSES (in €) 31.12.2017				
		ATHEX	ATHEXCSD	ATHEXClear
ATHEX	Revenue	0	431,605	105,115
	Expenses	0	306,567	0
	Dividend income	0	802,600	0
ATHEXCSD	Revenue	306,567	0	5,258,875
	Expenses	431,605	0	14,893
ATHEXClear	Revenue	0	14,893	0
	Expenses	105,115	5,258,875	0

The intra-group transactions concern the flat settlement fee (Article 1 of Decision 1 regarding ATHEXCSD fees), the settlement instructions (Article 1 of Decision 1 regarding ATHEXCSD fees) as well as support services billed at prices similar to those in transactions carried out between third parties.

5.30. MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY

ATHENS EXCHANGE CLEARING HOUSE SOCIÉTÉ ANONYME	
Name	Position
Alexios Pilavios	Chairman, Non-Executive Member
Gkikas Manalis	Vice Chairman, Non-Executive Member
Socrates Lazaridis	Chief Executive Officer
Andreas Mitafidis	Independent Non-Executive Member
Nikolaos Pimplis	Executive Member
Charalambos Sachinis	Independent Non-Executive Member
Dionysios Christopoulos	Independent Non-Executive Member

5.31. CONTINGENT LIABILITIES

None. It is expected that all receivables will be collected in full.

5.32. EVENTS AFTER THE DATE OF THE FINANCIAL STATEMENTS

No event with material impact on the results of the Company occurred or was concluded after 31.12.2018, the date of the annual financial statements for 2018, and until the approval of the financial statements by the Board of Directors of the Company on 18.03.2019.

(Amounts in thousands of Euro, unless otherwise indicated) 61

Athens, 18 March 2019

THE CHAIRMAN OF THE BOARD

ALEXIOS PILAVIOS ___________________

THE CHIEF EXECUTIVE OFFICER

SOCRATES LAZARIDIS ___________________

THE CHIEF FINANCIAL OFFICER

VASILIS GOVARIS ___________________

THE DIRECTOR OF FINANCIAL MANAGEMENT

CHRISTOS MAYOGLOU ___________________

THE DEPUTY DIRECTOR OF FINANCIAL CONTROL, BUDGETING & INVESTOR RELATIONS

CHARALAMBOS ANTONATOS ___________________