ERB NEW EUROPE FUNDING III LIMITED

FINANCIAL STATEMENTS
For the year ended 31 December 2018

ERB NEW EUROPE FUNDING III LIMITED

FINANCIAL STATEMENTS
31 December 2018

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Michalis Louis Demetris Shakallis Spyridon Psychogyios
Company Secretary:	Demetris Shakallis
Independent Auditors:	KPMG Limited Certified Public Accountants and Registered Auditors 14 Esperidon Street 1087 Nicosia Cyprus
Registered office:	41 Arch. Makariou III Avenue 1065 Nicosia Cyprus

KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

ERB NEW EUROPE FUNDING III LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of ERB New Europe Funding III Limited (the "Company"), which are presented on page 5 to 34 and comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements"' section of our report. We are independent of the Company in accordance with the International Code of Ethics (including International Independence Standards) for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") together with the ethical requirements in Cyprus that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, 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 there is an intention to either liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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 the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Auditors' responsibilities for the audit of the financial statements (continued)

- 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 a true and fair view.

We communicate with the Board of Directors 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.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L.53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Comparative figures

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed a modified opinion on those financial statements on 3 November 2021.

Constantinos N. Kallis, FCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

01 November 2022

ERB NEW EUROPE FUNDING III LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
31 December 2018

	Note	**2018** **€**	2017 €
Interest income	4	**-**	100.545
Interest expense	5	**(1.614.637)**	(2.310.635)
Net interest expense		**(1.614.637)**	(2.210.090)
Fee and commission expense		**(1.001)**	(438.569)
Net fee and commission expense		**(1.001)**	(438.569)
Gains less losses from investment securities		**-**	664
Loss from sale of investment in subsidiary		**-**	(124.410)
Net trading (loss)/profit	7	**(34.783)**	398.096
Operating expenses	6	**(11.237)**	(46.807)
Operating loss		**(1.661.658)**	(2.421.116)
Impairment losses on loans and advances		**-**	(914.763)
Other impairment losses		**(20.827)**	(4.072)
Loss before tax		**(1.682.485)**	(3.339.951)
Tax	8	**(37.445)**	(8.910)
Net loss for the year		**(1.719.930)**	(3.348.861)
Other comprehensive income		**-**	-
Total comprehensive (expense) for the year		**(1.719.930)**	(3.348.861)

The notes on pages 9 to 34 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
31 December 2018

	Note	**2018** **€**	2017 €
ASSETS			
Current assets			
Cash at bank	9	**3.481.828**	4.177.868
Total assets		**3.481.828**	4.177.868
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**1.100**	1.100
Share premium	10	**18.900**	18.900
Accumulated losses		**(89.681.660)**	(87.961.730)
Total equity		**(89.661.660)**	(87.941.730)
Liabilities			
Loans payable	11	**93.113.727**	91.670.787
Other payables	12	**29.752**	448.802
Current tax liabilities	13	**9**	9
Total liabilities		**93.143.488**	92.119.598
Total equity and liabilities		**3.481.828**	4.177.868

On 1 November 2022 the Board of Directors of ERB NEW EUROPE FUNDING III LIMITED authorised these financial statements for issue.

....	....
Demetris Shakallis	Spyridon Psychogyios
Director	Director

STATEMENT OF CHANGES IN EQUITY
31 December 2018

	Share capital €	Share premium €	Accumulated losses €	Total €
Balance at 1 January 2017	**1.100**	**18.900**	**(84.612.869)**	**(84.592.869)**
Comprehensive expense				
Net loss for the year	-	-	(3.348.861)	(3.348.861)
Balance at 31 December 2017/ 1 January 2018	**1.100**	**18.900**	**(87.961.730)**	**(87.941.730)**
Comprehensive expense				
Net loss for the year	-	-	(1.719.930)	(1.719.930)
Balance at 31 December 2018	**1.100**	**18.900**	**(89.681.660)**	**(89.661.660)**

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders at the end of the period of two years from the end of the year of assessment to which the profits refer are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

ERB NEW EUROPE FUNDING III LIMITED

STATEMENT OF CASH FLOWS
31 December 2018

	Note	2018 €	2017 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(1.682.485)**	(3.339.951)
Adjustments for:			
Loss from the sale of investments in subsidiaries		-	124.410
Impairment losses on loans and advances		-	914.763
Other impairments		-	4.072
Debt securities lending portfolio		-	(23)
Accrued interest on Debt securities lending portfolio		-	52
		(1.682.485)	(2.296.677)
Changes in working capital:			
Decrease in Loans and advances to customers		-	29.289.055
(Decrease)/increase in other payables		**(419.050)**	301.847
Cash (used in)/generated from operations		**(2.101.535)**	27.294.225
Tax paid		**(37.445)**	(8.901)
Net cash (used in)/generated from operating activities		**(2.138.980)**	27.285.324
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments in subsidiaries		-	545.590
Proceeds from sale of Debt securities lending portfolio		-	106.887
Net cash generated from investing activities		-	652.477
CASH FLOWS FROM FINANCING ACTIVITIES			
Additions / (Repayments) of loans payable, net		**1.442.940**	(29.289.037)
Net cash generated from/(used in) financing activities		**1.442.940**	(29.289.037)
Net decrease in cash and cash equivalents		**(696.040)**	(1.351.236)
Cash and cash equivalents at beginning of the year		**4.177.868**	5.529.104
Cash and cash equivalents at end of the year	9	**3.481.828**	4.177.868

For the purposes of the cash flow statement, cash and cash equivalents comprise exclusively by Cash at bank, which has less than 90 days' maturity.

As at 31 December 2018, the Company holds deposits with the Bank and other Group's subsidiaries amounting to Euro 2.863.329 (2017: Euro 2.863.304) and Euro 618.499 (2017: Euro 1.314.564) respectively. Eurobank's Local Currency LT credit rating was upgraded to "B+" from "B" on 27 th April 2021, according to S&P Global Rating agency.

1. General

ERB NEW EUROPE FUNDING III LIMITED (the "Company") was registered in Cyprus on 25 November 2010 as a private limited liability Company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 41 Arch. Makariou III Avenue, 1065, Nicosia, Cyprus. As at 31 December 2018, Eurobank S.A. (the "Bank") owns indirectly 100% of ERB New Europe Funding III through its 100% subsidiary NEU Property Holdings Ltd.

Principal activities and nature of the operations of the Company

The principal activities of the Company are to invest into debt and equities securities and into portfolio of loans, both performing and non performing, granted to clients and originated by respective Bank's subsidiaries.

2. Principal accounting policies

The policies set out below have been consistently applied to the years 2018 and 2017, except as described below. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) issued by the IASB, as endorsed by the European Union (the 'EU') and the requirements of the Cyprus Companies Law, Cap.113.

On 20 March 2020, the demerger of "Eurobank Ergasias S.A." (Demerged Entity) through the banking sector's hive down and its transfer to a new credit institution that has been established under the corporate name "Eurobank S.A." (the Bank) was completed. Following the above, the corporate name of the Demerged Entity has been amended to "Eurobank Ergasias Services and Holdings S.A." (Eurobank Holdings).

The Company is not required by the Cyprus' Companies Law, Cap.113, to prepare consolidated financial statements because the ultimate parent company, Eurobank Ergasias Services and Holdings S.A. publishes consolidated financial statements in accordance with Generally Accepted Accounting Principles in Greece and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2018. The financial statements of Eurobank Ergasias Services and Holdings S.A. are available from its head office: 8 Othonos Street, 105 57 Athens, Greece, and from its website at www.eurobank.gr.

The policies set out below have been consistently applied to the years presented unless otherwise stated.

Going concern basis

The annual financial statements have been prepared on a going concern basis. In making their assessment at the Company's ability to continue as a going concern, the directors have taken into consideration the impact of the following factors directly related to the Parent entity's operations. The Company has shown negative capital for the period however the directors of the Company have the support of the Parent entity. The Parent entity has confirmed the continuing support so that to ensure that the Company will continue its operations in the foreseeable future.

2. Principal accounting policies (continued)

Macroeconomic environment

After a year of strong economic recovery from the pandemic-induced recession, Greece and the other countries, in which the Eurobank Group has a substantial presence, were ready to embark on a cycle of sustained growth. However, the current geopolitical upheaval caused by the Russian invasion in Ukraine has resulted in the deterioration of the macroeconomic outlook for the European and Greek economy, which are now confronted with a slowdown in growth and an increase in inflation. Specifically in Greece, according to Hellenic Statistical Authority (ELSTAT), the Harmonized Index of Consumer Prices (HICP) increased by 11.6% on an annual basis in June 2022, driven by the rise in energy, food, and transportation prices, compared to 0.6% in June 2021. The Greek economy exhibited notable resilience in the first quarter of 2022, growing by 2.3% on a quarterly basis (or 7.0% on an annual basis), while the seasonally adjusted unemployment rate stood at 12.5% in May 2022 (May 2021: 15.6%). The European Commission (EC), in its summer economic forecasts (July 2022), estimates that a) the Greek economy will grow by 4% in 2022 and by 2.4% in 2023 (2021: 8.3%) and b) the inflation rate will close at 8.9% in 2022 due to increased energy and fuel costs and their secondary impact on the other sectors of the economy, before declining to 3.5% in 2023. On the fiscal front, the EC in its spring forecasts (May 2022) expects the general government to post a primary deficit of 1.9% of GDP in 2022 and a primary surplus of 1.3% of GDP in 2023 (2021: primary deficit of 5%, including a pandemic stimulus and relief package of € 16 billion and additional support measures of € 1 billion). The gross public debt-to-GDP ratio is expected to decline to 185.7% and 180.4% in 2022 and 2023 respectively (2021: 193.3%). The above forecasts may change as a result of the actual size of the support measures, the impact of inflation on economic growth, and the repercussions of the energy price hikes on public finances. For instance, recent researches refer to a 2022 GDP growth at the area of 5% or above (Moody's analytics) and for debt-to-GDP ratio at ca. 177% and 166% for 2022 and 2023 respectively (Eurobank Research debt sustainability analysis).

A significant boost to growth is expected in Greece and in other countries of presence from the European Union (EU) funding mainly under the EC's Next Generation EU (NGEU) and the EU's Multiannual Financial Framework (MFF). Greece shall receive EU funds of more than € 30.5 billion (€ 17.8 billion in grants and € 12.7 billion in loans) up to 2026 from the Recovery and Resilience Facility (RRF) to finance projects and initiatives laid down in its National Recovery and Resilience Plan (NRRP) titled "Greece 2.0".

A pre-financing of € 4 billion was disbursed in August 2021, and the first regular payment of € 3.6 billion in April 2022. Greece has been also allocated about € 40 billion through EU's MFF 2021-2027. On the monetary policy front, although net bond purchases under the temporary Pandemic Emergency Purchase Programme (PEPP) ended in March 2022, as scheduled, the European Central Bank (ECB) will continue to reinvest principal from maturing securities at least until the end of 2024, including purchases of Greek Government Bonds (GGBs) over and above rollovers of redemptions. Furthermore, on 21 July 2022 the Governing Council of ECB, in line with its strong commitment to its price stability mandate, decided to raise the three key ECB interest rates by 50 basis points and approved a new instrument (Transmission Protection Instrument – TPI) aimed at preventing fragmentation in the sovereign bonds market. This year, the Greek State, through the Public Debt Management Agency (PDMA), issued a 10-year bond of € 3 billion at a yield of 1.836% on 19 January 2022, a bond of € 1.5 billion with 5 years to maturity (reopening of an older 7-year bond) at a yield of 2.366% on 17 April 2022, two bonds of € 0.25 billion and € 0.15 billion with 15-and 20 years to maturity (reopening of older 20 and 25-year bonds) at yields of 3.51% and 3.56% respectively on 30 May 2022, and a 10-year bond of € 0.5 billion (reopening of the bond issued on 19 January) at a yield of 3.67% on 11 July 2022. As of early June 2022, the cash reserves of the Greek State stood at nearly € 40 billion, and its sovereign rating was one notch below investment grade by two of the four major rating agencies accepted by the ECB (DBRS Morningstar: BB (high), S&P Ratings: BB+).

2. Principal accounting policies (continued)

Macroeconomic environment (continued)

Regarding the outlook for the next 12 months the major macroeconomic risks and uncertainties in Greece and our region are as follows:

the ongoing Russian - Ukraine war, and its ramifications on the regional and global stability and security, the European and Greek economy, and the energy sector in particular, (b) a prolongation of the disruptions in the global supply chain, which have been exacerbated by the war in Ukraine, the mobility restriction measures in China and the imbalances in the production process in many industries due to the Covid-19 outbreak, (c) a prolongation and/or exacerbation of the ongoing inflationary wave, especially in the energy and food sectors, and its impact on economic growth, employment, public finances, household budgets, firms' production costs, external trade and banks' asset quality, (d) the ongoing and potential upcoming increases in the interest rates worldwide, and in the Euro Area in particular, that may exert upwards pressures on sovereign and private borrowing costs and lead economies to slow down or recession, (e) the actual size and duration of the current and potentially new fiscal measures aimed at alleviating the impact of rising energy prices and living costs, and their impact on the long-term sustainability of the country's public debt, (f) the impact of the withdrawal of the temporary support measures on growth, employment and the continual service of household and corporate debt, (g) the prospect of the so-called "twin deficits" (i.e. fiscal and current account deficit) becoming more structural, although currently they appear to be more a repercussion of the pandemic and the energy crisis, (h) the evolution of the Covid-19 pandemic and its repercussions at a national and worldwide scale, and the probability of emergence of new Covid-19 variants that could further impact economic growth, fiscal balance and international trade, (i) the absorption capacity of the NGEU and MFF funds and the attraction of new investments in the country, (j) the implementation of the structural reforms and privatizations' agenda in order also to meet the RRF targets and milestones, (k) the geopolitical developments in the near region, and (l) the exacerbation of natural disasters due to the climate change and their effect on GDP, employment and fiscal balance.

Materialization of the above risks including those related to increased energy prices and inflation, would have potentially adverse effects on the fiscal planning of the Greek government, as it could decelerate the pace of expected growth and on the liquidity, asset quality, solvency and profitability of the Greek banking sector. The Russian invasion in Ukraine poses uncertainties in global economy and international trade with far-reaching and long-term consequences. However, the risks coming from the geopolitical upheaval could be potentially mitigated with coordinated measures at the European level, as per the pandemic precedent. In this context, the Group holds non-significant exposure in Russian or Ukrainian assets, is continuously monitoring the developments on the macroeconomic and geopolitical fronts as well as the evolution of its asset quality KPIs and has increased its level of readiness, so as to accommodate decisions, initiatives and policies to protect its capital and liquidity standing as well as the fulfilment, to the maximum possible degree, of its strategic and business goals in accordance with the business plan for 2022-2024.

As at 30 June 2022, the Eurobank Group's Total Adequacy Ratio (total CAD) and Common Equity Tier 1 (CET1) ratios, which include full year's transition effects, stood at 17.2% (31 December 2021: 16.1%) and 14.7% (31 December 2021: 13.7%) respectively. In accordance with the business plan for the period 2022-2024, the Group's NPE ratio is expected at 5.8% at the end of 2022 and to decline below 5% in 2024.

Eurobank Demerger

On 20.03.2020 Eurobank Ergasias S.A. announced that, following the decision of the Extraordinary General Meeting of its shareholders held on 31.01.2020 and after obtaining the necessary approvals by the competent Authorities, its demerger through sector's hive down and establishment of a new company-credit institution ("Demerger") under the corporate name "Eurobank S.A." ("Eurobank") was completed. Furthermore, on 23.03.2020 the amendment of its Articles of Association was announced, according to which its corporate name of Eurobank Ergasias S.A. was amended to "Eurobank Ergasias Services and Holdings S.A." ("Eurobank Holdings").

Following the above, Eurobank substitutes Eurobank Holdings, by way of universal succession, to all the transferred assets and liabilities, as set out in the transformation balance sheet of the hived down sector (as at 30.06.2019) and formed up to Demerger's completion on 20.03.2020.

2. Principal accounting policies (continued)

Eurobank Holdings, Eurobank's sole shareholder, ceases to be a credit institution and maintains activities, assets and liabilities that are not related to main banking activities, but are mainly related to the strategic planning of the administration of non-performing loans and the provision of services to the Group companies and third parties. Eurobank Holdings continues to be listed on the Athens Stock Exchange with its shares trading under its new name starting from 24.03.2020.

Liquidity risk
The gradual stabilization of the macroeconomic environment in Greece has enhanced Greece's credibility towards the international markets, improved the domestic economic sentiment and facilitated the return of deposits as well as the further relaxation of capital controls. The quick resolution of the uncertainty towards the post-program period will help further reinstating depositors' confidence, will accelerate the access to the markets for debt issuance and positively influence the financing of the economy.

As at 31 July 2018, Eurobank (the Bank) has managed to reduce its dependence on Eurosystem funding mainly through deposits inflows, assets deleveraging, increased market repos on Greek Government bonds and an asset backed securities issue.

Solvency risk
As at 30 June 2022, the Eurobank Group's Total Adequacy Ratio (total CAD) and Common Equity Tier 1 (CET1) ratios, which include full year's transition effects, stood at 17.2% (31 December 2021: 16.1%) and 14.7% (31 December 2021: 13.7%) respectively. In accordance with the business plan for the period 2022-2024, the Group's NPE ratio is expected at 5.8% at the end of 2022 and to decline below 5% in 2024.

In terms of liquidity, as at 30 June 2022, the Group deposits increased to € 54 billion (31 December 2021: € 53.2 billion), leading the Group's (net) loans to deposits (L/D) ratio to 75% (31 December 2021: 73.2%), while the funding from the targeted long term refinancing operations of the European Central Bank – TLTRO III programme amounted to € 11.6 billion (31 December 2021: € 11.7 billion). The rise in high quality liquid assets of the Group led the respective Liquidity Coverage ratio (LCR) to 174% (31 December 2021: 152%). In the context of the 2022 ILAAP (Internal Liquidity Adequacy Assessment Process), the liquidity stress tests results indicate that the Bank has adequate liquidity buffer to cover the potential outflows that could occur in all scenarios both in the short term (1 month horizon) and in the medium term (1 year horizon).

Adoption of new and revised International Financial Reporting Standards

During the year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. This adoption did not have a material effect on the accounting policies of the Company.

Standards and Interpretations effective for the current financial year

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

IAS 28 "Investments in Associates and Joint Ventures"

It is clarified that venture capital organizations, mutual funds, unit trusts and similar entities are allowed to elect measuring their investments in associates or joint ventures at fair value through profit or loss.

2. Principal accounting policies (continued)

Adoption of new and revised International Financial Reporting Standards (continued)

Standards and Interpretations effective for the current financial year (continued)

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

On 1 January 2018, the Company adopted IFRS 9 'Financial Instruments', which replaces IAS 39, 'Financial Instruments: Recognition and Measurement'. The adoption of IFRS 9 in 2018 resulted in changes in accounting policy in two principal areas, classification and measurement of financial assets and liabilities and impairment of financial assets. The Company elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

Differences arising from the adoption of IFRS 9 are recognized directly in reserves and retained earnings as of 1 January 2018. The Company has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9.

Changes in the classification and measurement

IFRS 9 applies a new classification and measurement approach for all types of financial assets that reflects the entity's business model for managing the assets and their contractual cash flow characteristics.

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. Reclassifications between categories are made only in rare circumstances.

In accordance with the IFRS 9 transition requirements, the Group performed an assessment of business model at the date of initial application i.e. 1 January 2018.

The IAS 39 categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity (HTM) and Loans and Receivables) have been replaced by:

- Debt instruments measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on de-recognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on de-recognition
- Financial assets measured at FVTPL

The Company may at initial recognition, designate a financial asset at FVTPL in order to eliminate or significantly reduce an accounting mismatch.

Furthermore, on initial recognition of an equity instrument that is not held for trading, an entity may irrevocably elect to present subsequent changes in fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis.

The IFRS 9 eligibility requirements for applying the fair value option to measure financial liabilities at FVTPL are consistent with those of IAS 39. However, for financial liabilities designated at FVTPL, gains or losses attributable to changes in own credit risk shall be presented in OCI and shall not be subsequently transferred to profit or loss unless such a presentation would create or enlarge an accounting mismatch.

Finally, under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

2. Principal accounting policies (continued)

Adoption of new and revised International Financial Reporting Standards (continued)

<u>Standards and Interpretations effective for the current financial year</u> (continued)

Changes to the impairment calculation

The adoption of IFRS 9 has changed significantly the Group's accounting for loan loss impairments by replacing IAS 39 incurred loss approach with a forward-looking expected credit loss (ECL) approach, which requires the use of complex models and significant judgment about future economic conditions and credit behavior. Credit losses are recognized earlier under IFRS 9 compared to IAS 39.

IFRS 9 requires the Group to record an allowance for credit loss for all loans and other financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, which are off-balance sheet items. The allowance is based on the ECL calculation on the basis of a related probability of default of the debtor in the next twelve months unless there has been a significant increase in credit risk since origination of the exposure, when lifetime ECL is measured. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECL over the life of the asset.

Hedge accounting under IFRS 9

IFRS 9 includes a new general hedge accounting model which aligns hedge accounting more closely with risk management. Under the new model, more hedging strategies may qualify for hedge accounting, new hedge effectiveness requirements apply and discontinuation of hedge accounting will be allowed only under specific circumstances. The IASB currently has a separate project for the accounting of macro hedging activities. Until the above project is completed, entities have an accounting policy choice to continue applying the hedge accounting requirements in IAS 39.

Consequential changes in disclosures (IFRS 7 'Financial Instruments: Disclosures')

Effective from 1 January 2018, due to IFRS 9 transition, these consolidated financial statements include transition disclosures, which provide qualitative and quantitative information about the impact from the revised classification and measurement and ECL principles. In addition, these consolidated financial statements include, the enhanced classification and measurement, impairment and hedge accounting disclosures as required by the related amendments to IFRS 7 'Financial Instruments: Disclosures'.

2. Principal accounting policies (continued)

Adoption of new and revised International Financial Reporting Standards (continued)

Standards and Interpretations effective for the current financial year (continued)

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

IFRS 15 establishes a single, comprehensive revenue recognition model for determining when and how much revenue to recognize and replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programs'.

IFRS 15 applies to all contracts with customers, except those in the scope of other standards such as:
• Financial instruments and other contractual rights or obligations within the scope of IFRS 9 'Financial Instruments', IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures';
• Lease contracts within the scope of IAS 17 'Leases' (or IFRS 16 'Leases'); and
• Insurance contracts within the scope of IFRS 4 'Insurance Contracts'.

Therefore, interest and fee income integral to financial instruments will continue to fall outside the scope of IFRS 15.

IFRS 15 specifies that revenue should be recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services. It introduces the concept of recognizing revenue for performance obligations as they are satisfied and the control of a good or service (i.e. the ability to direct the use of and obtain the benefits from them), is obtained by the customer. For services provided over time, such as management fee income earned for asset management services provided and variable performance fee income based on the return of the underlying asset at a particular date, consideration is recognized as the service is provided to the customer provided that it is probable that a significant reversal of consideration will not occur.

Extensive disclosures will be required in relation to revenue recognized and expected from existing contracts.

IFRS 15 was amended in April 2016 to provide several clarifications, including that in relation to the identification of the performance obligations within a contract.

The adoption of the amendment had no impact on the Company's financial statements as net interest income, which is a primary revenue stream of the Company, is not impacted by the adoption of IFRS 15 and the existing accounting treatment for revenue from contracts with customers, including fee and commission income, is generally in line with IFRS 15.

IFRIC 22 "Foreign currency transactions and advance consideration"
(effective for annual periods beginning on or after 1 January 2018)

IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions that involve an advance payment or receipt. The interpretation clarifies that in this case, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration, i.e. when the entity initially recognized the non-monetary asset (prepayment asset) or non-monetary liability (deferred income liability) arising from the advance consideration. If there are multiple payments or receipts in advance, the entity must determine a date of transaction for each payment or receipt.

2. Principal accounting policies (continued)

Adoption of new and revised International Financial Reporting Standards (continued)

Standards and Interpretations effective for the current financial year (continued)

IFRS 2 "Classification and Measurement of Share-based Payment Transactions "
(effective for annual periods beginning on or after 1 January 2018)

The amendment addresses (a) the measurement of cash-settled share-based payments, (b) the accounting for modifications of a share-based payment from cash-settled to equity-settled and c) the classification of share-based payments settled net of tax withholdings.

Specifically, the amendment clarifies that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments. It also clarifies that the liability of cash- settled share-based payment modified to equity-settled one is derecognized and the equity- settled share-based payment is recognized at the modification date fair value of the equity instrument granted and any difference is recognized in profit or loss immediately.

Furthermore, a share-based payment net by withholding tax on the employee's behalf (a net settlement feature) is classified as equity settled in its entirety, provided it would have been classified as equity-settled had it not included the net settlement feature.

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 amendment changes IFRS 9 requirements in order to allow measurement of a financial asset at amortized cost or at FVOCI, depending on the business model, even in the case of prepayment options which could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). Therefore, measurement of these financial assets will be regardless of the event or circumstance that caused the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination. Applying IFRS 9 before the amendment would probably result in the measurement of these financial assets at FVTPL.

The amendment also confirms the modification accounting of financial liabilities under IFRS 9. In specific, when a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss, calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognized in profit or loss.

2. Principal accounting policies (continued)

Adoption of new and revised International Financial Reporting Standards (continued)

Standards and Interpretations effective for subsequent periods (continued)

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

IFRS 16, which supersedes IAS 17 'Leases' and related interpretations, introduces a single, on-balance sheet lease accounting model for lessees, under which the classification of leases for a lessee, as either operating leases or finance leases, is eliminated and all leases are treated similarly to finance leases under IAS 17. The new standard provides for the recognition of a 'right-of-use-asset' and a 'lease liability' upon lease commencement in case that there is a contract, or part of a contract, that conveys to the lessee the right to use an asset for a period of time in exchange for a consideration.

The right-of-use-asset is, initially, measured at cost, consisting of the amount of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee and, subsequently, at cost less accumulated depreciation and impairment. The lease liability is initially recognized at an amount equal to the present value of the lease payments during the lease term that are not yet paid.

Accordingly, the typical straight line operating lease expense of operating leases under IAS 17 is replaced by the depreciation charge of the 'right-of-use-asset' and the interest expense on the 'lease liability'. The recognition of assets and liabilities by lessees, as described above, is not required for certain short term leases and leases of low value assets. Additionally, the accounting treatment for lessors is not substantially affected by the requirements of IFRS 16.

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

The amendment clarifies that IFRS 9 'Financial Instruments' including its impairment requirements, applies to long term interests in associates or joint ventures that form part of the entity's net investment in the associate or joint venture but are not accounted for using equity accounting.

According to the amendment, any adjustments to the carrying amount of long term interests resulting from the application of IAS 28 should not be considered when applying the IFRS 9 requirements which apply to long term interests before applying the loss allocation and impairment requirements of IAS 28.

2. Principal accounting policies (continued)

Adoption of new and revised International Financial Reporting Standards (continued)

Standards and Interpretations effective for subsequent periods (continued)

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

The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments. In such a circumstance, recognition and measurement of current or deferred tax asset or liability according to IAS 12 is based on taxable profit (tax loss), tax bases, unused tax losses and tax credits and tax rates determined applying IFRIC 23.

According to the interpretation, each uncertain tax treatment is considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty and the entity should assume that a tax authority with the right to examine tax treatments will examine them and will have full knowledge of all relevant information.

If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, it should determine its accounting for income taxes consistently with that tax treatment. If it concludes that it is not probable that the treatment will be accepted, the effect of the uncertainty in its income tax accounting should be reflected in the period in which that determination is made, using the method that best predicts the resolution of the uncertainty (ie the most likely amount or the expected value method). Judgments and estimates made for the recognition and measurement of the effect of uncertain tax treatments should be reassessed whenever circumstances change or new information that affects those judgments arise (eg actions by the tax authority, evidence that it has taken a particular position in connection with a similar item or the expiry of its right to examine a particular tax treatment). The adoption of the interpretation is not expected to impact the Group's consolidated financial statements.

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

The amendment clarifies that when a change to a defined benefit plan i.e. an amendment, curtailment or settlement takes place and a remeasurement of the net defined benefit liability or asset is required, the updated actuarial assumptions from the remeasurement should be used to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Additionally, the amendment includes clarifications about the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

Amendments to References to the Conceptual Framework in IFRS Standards
(effective for annual periods beginning on or after 1 January 2020)

The IASB issued amendments to the definition of a business in IFRS 3 "Business Combinations" to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, and add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

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

The amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both.

2. Principal accounting policies (continued)

Adoption of new and revised International Financial Reporting Standards (continued)

Standards and Interpretations effective for subsequent periods (continued)

Amendments to References to the Conceptual Framework in IFRS Standards
(effective for annual periods beginning on or after 1 January 2020)

In March 2018, the IASB issued its revised Conceptual Framework. This replaces the previous version of the Conceptual Framework issued in 2010. Revisions performed by IASB introduced a new chapter of measurement, updated defintions of an asset/liability and recognition criteria, as well as clarifications on important areas.

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

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2015-17 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements': The amendments clarified how an entity accounts for increasing its interest in a joint operation that meets the definition of a business. Specifically:
  - If a party obtains control of a business that is a joint operation, then the transaction constitutes a business combination achieved in stages and the acquiring party re-measures the entire previously held interest in the assets and liabilities of the joint operation at fair value.
  - If a party obtains joint control, then the previously held interest is not re-measured.

- IAS 12 'Income Taxes': IASB clarified that all income tax consequences of dividends, including payments on financial instruments classified as equity, should be recognized in profit or loss, other comprehensive income or equity, depending on where the originating transaction or event that generated distributable profits giving rise to the dividend, was recognized.

- IAS 23 'Borrowing costs': The amendments clarified that any borrowing originally made to develop a qualifying asset should be treated as part of general borrowings when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

Foreign currency translation

(1) Functional and presentation currency
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Interest income and expense

Interest income and expenses for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the income statement on an accruals basis, using the effective interest rate method.

2. Principal accounting policies (continued)

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

Fee and commissions

Fees and commissions are generally recognised in the income statement on an accruals basis.

Financial assets

Financial assets - Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, the classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

2. Principal accounting policies (continued)

Financial assets (continued)

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "other income". Foreign exchange gains and losses are presented in "other gains/(losses)" and impairment expenses are presented as separate line item in the statement of profit or loss and other comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's Management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment, any related balance within the FVOCI reserve is reclassified to retained earnings. The Company's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "other gains/(losses)" in the statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTPL are not reported separately from other changes in fair value.

2. Principal accounting policies (continued)

Financial assets (continued)

Financial assets - impairment - credit loss allowance for ECL

From 1 January 2018, the Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost and FVOCI and exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets. Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Debt instruments carried at amortised cost are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

For trade receivables and contract assets, including trade receivables and contract assets with a significant financing component, and lease receivables the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the financial assets.

For all other financial instruments that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets.

Financial assets -Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

2. Principal accounting policies (continued)

Financial assets (continued)

Financial assets - modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank with maturity of three months or less. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Taxation

(i) Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense for the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

(ii) Deferred income tax

2. Principal accounting policies (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the balance sheet and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to items recognised in other comprehensive income, is also recognised in the other comprehensive income and subsequently in the income statement together with the deferred gain or loss.

Provisions

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

Related party transactions

Related parties include associates, fellow subsidiaries, directors and key management personnel, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of similar nature are disclosed on an aggregate basis. All transactions entered into with related parties are in the normal course of business and on an arm's length basis.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share Capital.

Critical accounting estimates and judgments

In the process of applying the Company’s accounting policies, the Company’s management makes various judgments, estimates and assumptions that affect the reported amounts of assets and liabilities recognized in the financial statements within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Principal accounting policies (continued)

Critical accounting estimates and judgments (continued)

(a) Impairment losses on loans and advances

The Company reviews its loan portfolios to assess impairment continuously. In determining whether an impairment loss should be recorded in the statement of income, the Company makes judgments as to whether there is any observable data indicating there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Company. Managementuses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience (see notes 3.1.).

(b) Initial recognition of acquisition of debt securities lending, held to maturity and available-for-sale portfolio from group entities

The Company acquired a portfolio of debt securities lending, held to maturity investments and available-for-sale from Group companies and at the same time the Bank provided a credit enhancement to the Company in the form of a lien arrangement in relation to these debt securities.

The consideration paid by the Company to group entities for the acquisition of these debt securities consisted of the fair value of the securities acquired as well as a consideration for the fair value of the financial guarantee provided by the ultimate Parent company in relation to these securities.

As both transactions, the acquisition of the debt securities from group companies and the provision of the financial guarantee by the Bank were entered into at the same time and in contemplation of one another, the management has concluded that it would be more appropriate on initial recognition to recognise the fair value of the financial guarantee as a single asset together with the underlying debt securities it relates to and classified as debt securities lending, held to maturity investments and available-for-sale portfolio as this would reflect the commercial substance of the transactions. As a result, the subsequent measurement of the financial guarantee forming part of these securities has been amortised on the same basis as the underlying debt securities it relates to and has been reported as an adjustment to interest income.

Had the two transactions not been treated as a single transaction, the Company would have recognised the debt securities and the financial guarantee as two separate assets and would have reported these separately. The debt securities would have been reported at their fair value on initial recognition and the financial guarantee would have been recognised as a prepayment asset which would be amortised over the life of the guarantee which is equivalent to the expected life of the guaranteed debt instruments. The financial guarantee asset would be tested for impairment under IAS36 and the amortisation and potential impairment charges would be accounted for as a reduction of interest income. However, no P&L impact would have been reported for the period due to the presentation of two separated assets.

In May 2017, the Company transferred the whole DSL portfolio of €0,1 million book value to the Bank, with no significant impact in Company's capital position.

(c) Tax

The Company is subject to income tax in Cyprus. In order to establish the current and deferred tax, as presented in the Statement of Financial Position, significant assumptions are required. For specific transactions and calculations, the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. Financial risk management

Use of financial instruments
By their nature the Company's activities are principally related to the use of financial instruments including derivatives.

Financial risk factors
The Company is exposed to a variety of financial risks: market risk (including currency risk and interest rate risk) and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Company's financial performance, financial position and cash flows.

3.1 Liquidity risk
The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for a company in the financial services industry to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Company.

Maturity analysis of liabilities

The amounts disclosed in the table below are the contractual undiscounted cash flows for the period ended 31 December 2018 and 31 December 2017. Liabilities without contractual maturities are presented in the "less than 1 month" time bucket.

It should be noted that this table represents the worst case scenario since it is based on the assumption that all liabilities will be paid earlier than expected. The recent experience shows that even in a period of a systemic financial crisis the likelihood of such an event is remote. Additionally, these liabilities are towards related parties, which facilitates liquidity management and the avoidance of such an event.

31 December 2018	Carrying amounts	Contractual cash flows	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year
	€	€	€	€	€	€
Loans payable	93.113.727	93.113.727	11.922.388	81.191.339	-	-
	93.113.727	**93.113.727**	**11.922.388**	**81.191.339**	**-**	**-**

31 December 2017	Carrying amounts	Contractual cash flows	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year
	€	€	€	€	€	€
Loans payable	91.670.787	91.670.787	11.823.769	79.847.018	-	-
Other payables	448.802	448.802	448.802	-	-	-
	92.119.589	92.119.589	12.272.571	79.847.018	-	-

3.2 Capital risk management
The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company’s policy is to maintain a capital base so as to support operations and sustain future development of the business as necessary. Capital consists of share capital, share premium and retained earnings. The Company is not regulated and hence not required to comply with any capital requirements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018

4. Interest income

	2018	2017
	€	€
Interest from loans and advances to customers	**-**	100.522
Interest from debt securities lending	**-**	23
	-	100.545

5. Interest expense

	2018	2017
	€	€
Interest on loans payable	**1.614.637**	2.310.635
	1.614.637	2.310.635

6. Operating expenses

	2018	2017
	€	€
Auditor's remuneration	**3.570**	23.220
Other expenses	**7.667**	23.587
	11.237	46.807

7. Net trading (loss) / profit

	2018	2017
	€	€
Revaluation of foreign exchange positions	**(34.783)**	398.096
	(34.783)	398.096

8. Tax

	2018	2017
	€	€
Corporation tax - current year	**-**	9
Corporation tax - prior years	**37.445**	8.901
Charge for the year	**37.445**	8.910

8. Tax (continued)

The tax on the Company's results before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	2018 €	2017 €
Loss before tax	**(1.682.485)**	(3.339.951)
Tax calculated at the applicable tax rates	**(210.311)**	(417.494)
Tax effect of expenses not deductible for tax purposes	**208.906**	467.347
Tax effect of allowances and income not subject to tax	**-**	(49.845)
Tax effect of tax loss for the year	**1.405**	-
10% additional charge	**-**	1
Prior year tax	**37.445**	8.901
Tax charge	**37.445**	8.910

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

9. Cash at bank

As of 31.12.2018, the Cash at Bank balances of the company were with Eurobank Ergasias S.A. of amount €2.863.329 (2017: €2.863.304), with Eurobank Cyprus Ltd of amount €618.499 (2017: €926.566), and with Bancpost S.A. of amount €Nil (2017: €387.998).

10. Share capital and share premium

	2018 Number of shares	2018 €	2017 Number of shares	2017 €
Authorised				
Ordinary shares of €1 each	**90.000**	**90.000**	90.000	90.000

Issued and fully paid	Number of shares	Share capital €	Share premium €	Total €
Balance at 1 January 2017	1.100	1.100	18.900	20.000
Balance at 31 December 2017/ 1 January 2018	**1.100**	**1.100**	**18.900**	**20.000**
Balance at 31 December 2018	**1.100**	**1.100**	**18.900**	**20.000**

11. Loans payable

	2018	2017
	€	€
Current borrowings		
Loans from related companies - Euro	**89.502.995**	81.570.016
Loans from related companies - USD	**658.518**	3.435.725
Loans from related companies - CHF	**2.952.214**	4.137.939
Loans from related companies - RON	**-**	2.527.107
	93.113.727	91.670.787

Borrowings are issued at variable rates. During the year 2018, the Company's interest rate on the loans payable was based on EURIBOR/ LIBOR plus a margin ranging from 0,57% to 2,25% (2017: from 0,57% to 2,25%).

12. Other payables

	2018	2017
	€	€
Accruals	**29.752**	35.227
Other creditors	**-**	413.575
	29.752	448.802

13. Current tax liabilities

	2018	2017
	€	€
Corporation tax	**9**	9
	9	9

14. Related party transactions

The Bank's shareholding structure

Eurobank Ergasias Services and Holdings S.A. (Eurobank Holdings) is the parent company of Eurobank S.A. (the Bank). The Board of Directors (BoD) of Eurobank Holdings is the same as the BoD of the Bank and part of the key management personnel (KMP) of the Bank provides services to Eurobank Holdings according to the terms of the relevant agreement between the two entities.

As at 30 June 2022, the percentage of the Company's ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF) stands at 1.40%. The HFSF is considered to have significant influence over the Company pursuant to the provisions of the Law 3864/2010, as in force and the Tripartite Relationship Framework Agreement (TRFA) between the Bank, the Company and the HFSF signed on 23 March 2020 and amended on 3 February 2022. Fairfax Group, which holds 33% of Eurobank Holdings voting rights as of 30 June 2022 (31 December 2021: 33%), is considered to have significant influence over the Eurobank Holdings.

14. Related party transactions (continued)

14.1 The following transactions were carried out with related parties:

	Within the Bank 2018 €	**Within the Group 2018 €**	Within the Bank 2017 €	Within the Group 2017 €
Cash at bank	**2.863.329**	**618.499**	2.863.304	1.314.564
Loans payable	**(81.191.339)**	**(11.922.388)**	(79.847.018)	(11.823.769)
Interest income	**-**	**-**	522	-
Interest expense	**(1.344.319)**	**(270.318)**	-	(552.449)
Fees and commission expense	**-**	**(1.001)**	-	(438.569)

14.2 Key management personnel

Key management personnel includes directors of the Company and their close family members. No transactions have taken place between the Company and key management personnel.

The ultimate parent entity which prepares the consolidated financial statements of the largest body of undertakings of which the Company forms part as a subsidiary undertaking, is the Bank, incorporated in Greece with registered office 8 Othonos Street, Athens 105 57, Greece. Its consolidated financial statements are available at the website www.eurobank.gr. The Bank is also the parent entity, which prepares the consolidated financial statement of the smallest body of undertakings of which the Company forms part as a subsidiary undertaking.

15. Contingent liabilities and commitments

The Company had no contingent liabilities as at 31 December 2018 and as at 31 December 2017.

16. Accounting policies up to 31 December 2017

Accounting policies applicable to the comparative period ended 31 December 2017 that were amended by IFRS 9, are as follows.

Financial assets

The Company classifies its financial assets in the following IAS 39 categories: financial assets at fair-value-through-profit-or-loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

- Loans and receivables

  Loans and receivables are non-derivative investments with fixed or determinable payments that are not quoted in an active market, other than those that the Company upon initial recognition designates as at fair-value-through-profit-or-loss and those that the Company upon initial recognition designates as available-for-sale. Securities classified in this category are presented in Investment Securities under Debt Securities Lending portfolio.

- Held-to-maturity investments

  Held to maturity investments are non-derivative investments with fixed or determinable payments and fixed maturities that the Company's Management has the positive intention and ability to hold to maturity. The Company did not hold such investments.

16. Accounting policies up to 31 December 2017 (continued)

Financial assets (continued)

- Available-for-sale financial assets

  Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Accounting treatment

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Loans originated by the Company are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair-value-through-profit-or-loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair-value-through profit-or-loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest rate method is recognised in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Company tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral (shares and bonds) furnished by the Company under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Company retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Company retains a portion of the risks.

Impairment of financial assets

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

16. Accounting policies up to 31 December 2017 (continued)

Financial assets (continued)

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
- adverse changes in the payment status of borrowers in the portfolio; or
- national or local economic conditions that correlate with defaults on the assets in the portfolio.

Assets carried at amortised cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held to maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Company's grading processthat considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

16. Accounting policies up to 31 December 2017 (continued)

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

Impairment charges relating to loans and advances to customers are classified in "impairment losses on loans and advances".

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Available-for-sale assets

In case of equity and debt investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity investments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

Financial liabilities

The Company measures its financial liabilities at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

Trade payables

Trade payables are initially recognised at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Securities lending

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

17. Events after the reporting period

COVID-19 developments

During 2020 and the first quarter of 2021, the outbreak of Covid-19 pandemic and the measures adopted to contain the virus expansion defined the economic environment in Greece and globally. More specifically, the Covid-19 pandemic posed substantial uncertainties and risks for both the macroeconomic environment and the ability of numerous businesses to operate under the restrictive measures, including countywide and local lockdowns, adopted to contain the virus expansion.

The extent to which COVID-19 impacts our business will depend on future developments, which are highly uncertain and cannot be predicted at this point in time.

17. Events after the reporting period (continued)

We are closely monitoring the situation and its potential impact on our business and we do not expect a material one. The Company follows guidance from the local health authorities and adheres to the requirements and actions as implemented by the Cypriot government. The Company is proactively executing risk strategies to mitigate the potential adverse impact on the Company's employees and operations.

Current conflict between Russia and Ukraine developments

The current geopolitical upheaval caused by the Russian invasion in Ukraine in February 2022 has resulted in the deterioration of the macroeconomic outlook for the European and Greek economy, which are now confronted with a slowdown in growth and an increase in inflation.

Regarding the outlook for the next 12 months the major macroeconomic risks and uncertainties in Greece and our region are as follows:

the ongoing Russian - Ukraine war, and its ramifications on the regional and global stability and security, the European and Greek economy, and the energy sector in particular, (b) a prolongation of the disruptions in the global supply chain, which have been exacerbated by the war in Ukraine, the mobility restriction measures in China and the imbalances in the production process in many industries due to the Covid-19 outbreak, (c) a prolongation and/or exacerbation of the ongoing inflationary wave, especially in the energy and food sectors, and its impact on economic growth, employment, public finances, household budgets, firms' production costs, external trade and banks' asset quality, (d) the ongoing and potential upcoming increases in the interest rates worldwide, and in the Euro Area in particular, that may exert upwards pressures on sovereign and private borrowing costs and lead economies to slow down or recession, (e) the actual size and duration of the current and potentially new fiscal measures aimed at alleviating the impact of rising energy prices and living costs, and their impact on the long-term sustainability of the country's public debt, (f) the impact of the withdrawal of the temporary support measures on growth, employment and the continual service of household and corporate debt, (g) the prospect of the so-called "twin deficits" (i.e. fiscal and current account deficit) becoming more structural, although currently they appear to be more a repercussion of the pandemic and the energy crisis, (h) the evolution of the Covid-19 pandemic and its repercussions at a national and worldwide scale, and the probability of emergence of new Covid-19 variants that could further impact economic growth, fiscal balance and international trade, (i) the absorption capacity of the NGEU and MFF funds and the attraction of new investments in the country, (j) the implementation of the structural reforms and privatizations' agenda in order also to meet the RRF targets and milestones, (k) the geopolitical developments in the near region, and (l) the exacerbation of natural disasters due to the climate change and their effect on GDP, employment and fiscal balance.

Materialization of the above risks including those related to increased energy prices and inflation, would have potentially adverse effects on the fiscal planning of the Greek government, as it could decelerate the pace of expected growth and on the liquidity, asset quality, solvency and profitability of the Greek banking sector. The Russian invasion in Ukraine poses uncertainties in global economy and international trade with far-reaching and long-term consequences. However, the risks coming from the geopolitical upheaval could be potentially mitigated with coordinated measures at the European level, as per the pandemic precedent. In this context, the Group holds non-significant exposure in Russian or Ukrainian assets, is continuously monitoring the developments on the macroeconomic and geopolitical fronts as well as the evolution of its asset quality KPIs and has increased its level of readiness, so as to accommodate decisions, initiatives and policies to protect its capital and liquidity standing as well as the fulfilment, to the maximum possible degree, of its strategic and business goals in accordance with the business plan for 2022-2024.

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 2 to 4