ERB Hellas PLC

Annual Report

For the year ended 31 December 2019

Company's registration number: 3798157

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Strategic Report

The directors present their Strategic Report of the Company for the year ended 31 December 2019.

i) Business review and principal activities

The Company was incorporated as part of the funding strategy of its Parent Company Eurobank Ergasias S.A. (the "Parent Company" or the "Bank") (note 12) in order to establish a programme for the issuance of medium term debt instruments (EMTN). The EMTN programme is listed on the Luxembourg Stock Exchange. This programme was last updated in September 2019. The Prospectus of EMTN programme is available at the Parent Company's website (https://www.eurobank.gr/en/group/investor-relations/debt-investors). The outstanding issues of debt instruments are guaranteed by the Parent Company (note 10). The net proceeds of each issuance are used by the Company to meet part of the general financing requirements of the Parent Company and its subsidiaries. As at 31 December 2019, the Parent Company held notes issued by the Company of carrying amount of € 616 ths (note 12).

The net profit for the year amounted to € 667 thousand (ths), attributable to the reversal of IFRS 9 expected credit losses (ECL) (2018 profit: € 55 ths). No dividend was paid in 2019 and there is no subsequent decision of the Board of Directors (BOD) for distribution of dividend (2018: nil). During the year, the Company proceeded with the partial redemption of loan notes of nominal value of € 2,280 ths (note 10).

ii) Business environment, strategy and future outlook

The Company's business strategy and activities are linked to those of its Parent Company. In 2019, the Parent Company's Group has operated in an environment of positive growth rates both in Greece and the other countries, in which it has a substantial presence. In this context, the Parent Company's Group demonstrated positive operating results, strengthened its capital base, improved further its liquidity position and reduced substantially the Non Performing Exposures (NPEs) stock. On 28 June 2019, the BoD of the Parent Company decided the initiation of the hive down process of the banking business sector of Eurobank and its transfer to a new company-credit institution that will be established (note 12).

In 2019, real GDP growth was at 1.9% according to the Hellenic Statistical Authority (ELSTAT) data (2018: 1.9%). 2020 had begun with positive medium-term prospects for the economy in Greece and the other countries where the Group operates, however the coronavirus (covid-19) outbreak posed substantial uncertainties and risks for both macroeconomic environment and the ability of lots of businesses to operate under the restrictive measures adopted to contain the virus's expansion.

The following risks and challenges were identified in the ultimate Parent Company's interim financial statements for the period ended 31 March 2020, which were approved on 27 May 2020:

The global economic slowdown from the recent coronavirus pandemic is mainly related with the disruption of trade and global supply chains and the risks that the local lockdowns in the majority of countries from mid-March 2020 create for the 2020 world growth and beyond. The lockdown in Greece started in mid-March 2020 and a gradual relief takes place according to the Greek government's plan from 4 May 2020 onwards. Greece's real GDP in 2020 is expected to recede significantly, with the notable negative economic impact expected within the 1st half of 2020. The European and Greek economy are expected to rebound in the 2nd half of 2020, if the virus is contained. The effects of covid-19 on the economic activity depend heavily on the timing of the curbing of its expansion and of lift of lockdown measures, the nature and size of fiscal and monetary support measures, the virus' epidemiological behavior and the impact on consumer and investor behavior post-crisis in the second half of the year. A significantly adverse impact on certain sectors of the Greek economy is expected, including a) lower tourism revenues, b) reductions in the demand for the manufacturing sector's products, as a result of the slowdown in key markets, c) disruptions in the manufacturing sector's supply chains and d) decrease in shipping activity due to the expected decline in global

Strategic Report (continued)

trade. The European Commission (EC), in its recent 2020 Spring forecasts (8 May 2020), estimates a -9.7% drop of real GDP in Greece in 2020, followed by a 7.9% recovery in 2021 and predicts a rise in the 2020 unemployment rate to 19.9% from 17.3% in 2019. On the fiscal front, according to the recently published 6th Review of the Enhanced Surveillance, Greece's primary balance is expected to register a deficit of -3.5% of GDP in 2020 from a surplus of 3.5% of GDP in 2019, due to reduced public revenue and to the public support measures, aimed in addressing the economic effects of the covid-19 pandemic. The primary balance is expected to register a surplus of 0.7% of GDP in 2021. On 15 April 2020, amid the COVID19 lockdown, the Greek Public Debt Management Agency (PDMA) issued a 7-year bond of €2 bn at a yield of 2.013%.

In response to the covid-19 outbreak, there has been a monetary, fiscal and regulatory support to the economy and the banking system by both Greek Government and European authorities:

In particular, the Eurogroup meeting held on 4 March 2020, decided that non-permanent deviations of member states from the agreed fiscal paths due to unusual effects outside the control of their governments, i.e. the effects of the pandemic, are acceptable. At the same time, the ECB introduced a Temporary Framework for State Aid, i.e. a deviation from the strict state aid rules that the member states can use in order to support their economy during the covid-19 outbreak. A number of additional tools and initiatives at the European Union (EU) / Eurozone level aim at mitigating the negative effects of the coronavirus epidemic including the Coronavirus Response Investment Initiative, the Solidarity Fund financial support, the Emergency Support Instrument for the health-sector, the SURE instrument for employment, the EIB pan-European guarantee fund for SMEs and the ESM Pandemic Crisis Support. The Greek government from mid-March 2020 announced a series of fiscal measures aiming to smooth the negative effect of the covid-19 outbreak.

In addition, on 12 March 2020, the ECB announced a number of temporary capital and operational relief measures to ensure that its directly supervised banks can continue to fulfil their role in funding the real economy. Banks will be allowed to use capital and liquidity buffers and cover Pillar 2 requirements with other than CET 1 instruments. On the same date the European Banking Authority decided to postpone the EU-wide stress test exercise to 2021 to allow banks to focus on and ensure continuity of their core operations, including support for their customers. Furthermore, the ECB on 24 March 2020 established a temporary pandemic emergency purchase programme (PEPP). The PEPP will last until the end of 2020 and the marketable debt securities issued by the Hellenic Republic will be eligible too. The PEPP came on top of the ECB liquidity measures of 12 March 2020.

Regarding the outlook for the next 12 months, the covid-19 outbreak poses significant challenges to a number of activities and initiatives critical for the medium-term economic prospects of the country, indicatively: (i) the implementation of the reforms and privatizations' program, (ii) the implementation of the Public Investments Program, (iii) the attraction of new investments in the country. Materialization of the above risks would have potentially adverse effects on the fiscal planning of the Greek sovereign and on the liquidity, solvency and profitability of the Greek banking sector, as well as on the realization of their Non Performing Exposures (NPE's) reduction plans.

Going concern

The following factors were also considered by the Parent Company in their going concern assessment:

The Parent Company is continuously monitoring the developments on the covid-19 front 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 for the quarters ahead, focusing primarily to the support of its viable clients, the protection of its asset base quality, the resilience of its pre-provision profitability and the completion of its transformation plan. In

Strategic Report (continued)

addition, the Parent Company, under the extraordinary circumstances of the covid-19 pandemic, has proceeded with the successful implementation of its Business Continuity Plan to ensure that business is continued and critical operations are unimpededly performed.

The total CAD and CET1 ratios at 31 March 2020 stood at 17.8% and 15.4% respectively. In addition, the Parent Company has been profitable over the last 4 years (2016-2019). The Parent Company's deposits have further increased leading the (net) loans to deposits (L/D) ratio to 83.4% as at 31 March 2020 while the use of ELA has been eliminated from end of January 19.

As at 31 March 2020, the Parent Company's Group's NPEs' stock amounted to € 13 billion, remaining relatively stable compared to 31 December 2019. On 25 February 2020, Eurobank submitted to the Ministry of Finance two applications for opting-in to the Hellenic Asset Protection Scheme ("HERCULES") of the Cairo I and Cairo II securitizations and on 15 May 2020 of the Cairo III securitization. The aforementioned three securitizations and the agreement with an international investor on the projects Cairo and the sale of the Group's subsidiary Eurobank Financial Planning Services ('FPS'), (completed in early June 2020) are key components of the forward-looking strategy of Eurobank Holdings Group (ultimate Parent Company), aiming at reducing the NPE ratio in the 15% region from 29% as at 31 March 2020.

In making the going concern assessment for the Company, the directors of the Company, in addition to the above have also considered the ILAAP (Internal Liquidity Adequacy Assessment Process) liquidity stress test results of the Parent Company as follows.

One of the main quantitative tools that the Bank utilizes in order to confirm the soundness of its liquidity adequacy, is the liquidity stress-testing framework. The Bank runs the liquidity stress tests on a monthly basis and the results are reviewed by Group ALCO.

In the 2020 ILAAP, the Bank applied the following types of liquidity stress tests:

- Five different short-term stress tests (one-month horizon) which incorporate the effect on liquidity buffer of a series of market related and idiosyncratic events applicable to the Bank at the current period.
- A medium-term stress test (twelve-month horizon), which is also a survival period analysis.

The results of the stress tests indicate that Eurobank has adequate liquidity to withstand to all stress test scenario effects.

The directors monitor the progress of the Company by reference to financial and non-financial data available to them on a regular basis. Particular attention is paid to net interest income and the balances of debt instruments outstanding and the total equity at the reporting date. The assessment by the directors of the Company's ongoing business model is closely associated with the business decisions and operations of the Parent Company. Considering the above, the Board of Directors have made an assessment of the Company covering at least 12 months from the date of approval of these financial statements. The directors are satisfied that this assessment, which takes into account reasonably possible downsides including the effect of the coronavirus outbreak, shows that the capital and liquidity position of the Parent Company are sufficient to allow it to repay the deposits as they fall due. Extreme events, whereby the Parent Company could not repay the deposits are considered by the directors to be remote. Therefore, the directors are confident that the Company will be able to meet its obligations as they fall due for at least a 12 month period from the signing of these accounts. Close to the expiry of the last of the existing issues in June 2022, the Directors in cooperation with the Parent Company, will consider various options for the future financing needs of the Group and there is a possibility that financing activity within this company will cease. These circumstances represent a material uncertainty that may cast significant doubt upon the company's future business activities and consequently its ability to continue as a going concern and that it may therefore be unable to

Strategic Report (continued)

realise its assets and discharge its liabilities in the normal course of business. Based on all of the above, the Directors believe it remains appropriate to prepare the financial statements on a going concern basis.

iii) Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. All of the key business risks affecting the Company, including credit risk, are managed in coordination with the Parent Company, and are set out in notes 2 and 3.

The Company is a finance vehicle whose principal purpose is to raise debt to be deposited with the Parent Company and its financial position is influenced by the Parent Company's financial condition. It is wholly reliant on these deposits being repaid on time to be able to repay issued notes as they fall due. Further information for the financial position of the Parent Company, are discussed in the Directors' Report and the notes to the consolidated financial statements included in the 2019 Annual Financial Report of Eurobank Ergasias S.A., which was signed on 12 March 2020 (available at website: www.eurobank.gr).

On behalf of the Board

Anastasios Ioannidis
Director
Company's registration number: 3798157
26 June 2020

Directors' Report

The directors submit their report and the audited financial statements of the Company for the year ended 31 December 2019.

i) General Information

The Company is a public, limited by shares company, with registered number 3798157 and registered office 2nd floor, Devonshire House, 1 Mayfair Place, London W1J 8AJ, United Kingdom, is incorporated and domiciled in UK and is a wholly owned subsidiary of Eurobank Ergasias S.A., a bank incorporated in Greece.

ii) Creditor payment policy

The Company's policy concerning the payment of its creditors and service providers is to pay in accordance with its contractual and other legal obligations.

iii) Future Developments

The Company's future developments are linked to the Parent Company's operations, further discussed in the Strategic Report.

iv) Financial Risk Management

The Company's Financial Risk Management is disclosed in the Strategic Report on page 6, section (iii).

v) Dividends

Information on the Company's dividends is included in the Strategic Report on page 3.

vi) Directors

The directors of the Company who were in office during the year and up to the date of signing the Financial Statements were as follows:

Anastasios Ioannidis

Nikolaos Laios

Dimosthenis Archontidis (resigned on June 30, 2019)

Dimitra Spyrou (resigned on July 1, 2019)

None of the directors has or had any notifiable interest in the shares of the Company.

vii) Corporate governance

The directors have been charged with governance in accordance with the offering circular describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles governed by the transaction documents.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling the directors to comply with their regulatory obligations.

Due to the nature of the securities that have been issued, the Company is largely exempt from the disclosure requirements of the Financial Conduct Authority pertaining to the Disclosure and Transparency Rules (DTR) as detailed in DTR 7.1, audit committees and 7.2, corporate governance statements (save for DTR 7.2.5 a requiring description of the features of the internal control and risk management systems), which would otherwise require the Company respectively, to have an audit committee in place and include a corporate

Directors' Report (continued)

governance statement in the Directors' Report.

The directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee or to publish a corporate governance statement.

viii) Parent Company

The Parent Company is Eurobank Ergasias S.A., incorporated in Greece. On 20 March 2020, following the completion of the hive down of the banking sector of Eurobank Ergasias S.A. and its transfer to a new company credit institution, Eurobank S.A., the latter became the immediate parent company of ERB Hellas PLC (note 12).

ix) Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;

- make judgements and accounting estimates that are reasonable and prudent; and

- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Report (continued)

x) Independent Auditors

KPMG LLP was appointed as the auditor of the Company at its Annual General Meeting on July 31, 2019 for a year. In accordance with Section 489 of the Companies Act of 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

The Directors' Report was approved by the Board of Directors on 16 June 2020 and was signed on its behalf by:

Anastasios Ioannidis

Director

26 June 2020

KPMG

Independent auditor's report

to the members of ERB Hellas PLC

1. Our opinion is unmodified

We have audited the financial statements of ERB Hellas PLC ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cashflow Statement, and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the board of directors.

We were first appointed as auditor by the directors on 10 July 2019. The period of total uninterrupted engagement is for the 2 financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: financial statements as a whole		€ 316,800 (2018: € 332,970) 1% (2018: 1%) of Total Assets
Key audit matters		**vs 2018**
Recurring risks	Going Concern	▲
	Expected credit losses on deposits held with the Parent Company	◀▶

2. Material uncertainty related to going concern

	The risk	Our response
Going Concern We draw attention to note 2 to the financial statements which indicates that close to the expiry of the last of the existing issues in June 2022, the Directors in cooperation with the Parent Company, will consider various options for the future financing needs of the Group and there is a possibility that financing activity within this company will cease. These events and conditions, along with the other matters explained in note 2, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.	**Disclosure Quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Company. That judgement is based on an evaluation of the intentions for the future use of the Company and inherent risks to the Company's business model, including the impact of Brexit, and how those risks might affect the Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risk for our audit is whether or not those risks are such that they amount to a material uncertainty that may cast significant doubt about the ability to continue as a going concern. If so, that fact is required to be disclosed (as has been done) and, along with a description of the circumstances, is a key financial statement disclosure.	Our procedures included: — **Evaluating Director's intent:** We evaluated the going-concern assessment performed by management, including the intentions for the future use of the Company, the impact of COVID-19, management's stress scenarios over the capital, liquidity and results of the Parent Company. — **Sensitivity analysis:** We evaluated the Parent Company's capital and liquidity position and financial results, and we assessed the impact of stress analysis testing performed by the Parent Company in its most recent regulatory returns to assess its ability to repay the deposits (held by the Company) as they fall due. — **Assessing transparency:** We considered the adequacy of disclosures relating to going concern in the financial statements, whether they were fair and balanced and highlighted the material uncertainty over going concern. **Our results** — We found the disclosure of the material uncertainty to be acceptable (2018 result: disclosure of the going concern assumption acceptable).

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3. Key audit matter: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a significant key audit matter and is described in section 2 of our audit report. We summarise below the other key audit matters (unchanged from 2018), in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Level of Expected Credit Losses (ECL) on deposits held with the Parent Company € 0.30 million; 2018 € 1.0 million Refer to note 2.6 of the Accounting policies and note 9 for detail.	**Risk of incorrect determination of the ECL on deposits held with the Parent Company** **Subjective Estimate** IFRS 9 requires the Company to recognise an ECL on financial instruments, which involves significant judgement and estimates. The key area where we identified greater levels of management judgement and therefore increased levels of audit focus was the sourcing of inputs for the probability of default (PD) and Loss Given Default (LGD) ratios used in the calculation of the ECL on deposits with the Parent Company. The Company uses PDs provided by an external credit rating agency, and takes a three month average of daily annualised PDs. It also sources LGDs externally. The deposit is treated as a Stage 1 loan in current and prior year. **Disclosure quality** The disclosures regarding the Company's application of IFRS 9 are key to explaining the key judgements and material inputs to the IFRS 9 ECL calculation.	Our procedures included: — **Test of details:** Understanding and challenged the ECL methodology adopted by the Company. Inspected key inputs into the ECL calculation such as PD and LGD from the external credit rating agency and re-performed calculations of the ECL. We tested the tenure of the loan to the parent is same as the tenure of the PDs used in the calculation of the ECL. — **Benchmarking:** We benchmarked the PD and LGD to acceptable industry proxies for similar counterparties as the Parent Company. — **Our sector experience:** We evaluated the appropriateness of the criteria for determining the stages of impairment using our knowledge of the industry. — **Assessing transparency**: We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the ECL. In addition, we assessed whether the disclosure of the key judgements and assumptions made is sufficiently clear. **Our results** — The results of our testing were satisfactory and we considered the ECL credit and provision recognised, and the related disclosures, to be acceptable (2018: acceptable).

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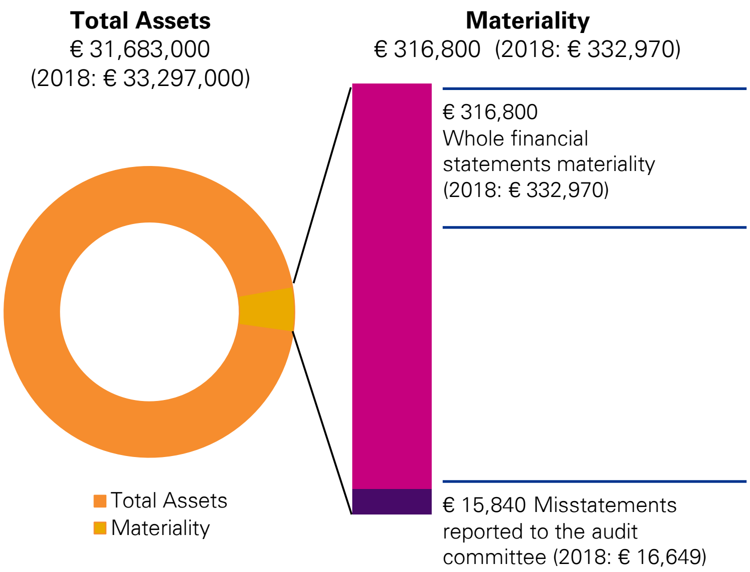
4. **Our application of materiality and an overview of the scope of our audit**

Materiality for the financial statements as a whole was set at € 316,800 (2018: € 332,970), determined with reference to a benchmark of Total Assets, of which it represents 1% (2018: 1%).

We agreed to report to the Board of Directors any uncorrected identified misstatements exceeding € 15,840 (2018: € 16,649), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the Company's offices in London and Athens.



5. **We have nothing to report on the strategic report and the directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

— we have not identified material misstatements in those reports;

— in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. **We have nothing to report on the other matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

— adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

— the financial statements are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 8, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: specified areas of money laundering, sanctions list and financial crime, market abuse regulations and certain aspects of Company legislation recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mike Heath (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

E14 5GL

London

26 June 2020

Statement of Comprehensive Income

	Note	Year ended 31 December 2019 € ths	2018 € ths
Interest income	5	**937**	1,691
Interest expense and similar charges	6	**(903)**	(1,657)
Net interest income		**34**	34
Foreign exchange gains/(losses)		**1**	(1)
Impairment losses reversal	9	**705**	161
Operating expenses	7	**(73)**	(139)
Profit before income tax		**667**	55
Income tax expense	8	**-**	-
Total comprehensive income for the year		**667**	55

All revenue is derived from continuing operations in both the current and preceding years.

There have been no gains or losses during the year recorded in other comprehensive income.

The notes on pages 19 to 36 form an integral part of these financial statements.

Balance Sheet

	Note	As at 31 December 2019 € ths	2018 € ths
Assets			
Deposits with banks	9	**31,683**	33,297
Total assets		**31,683**	33,297
Liabilities			
Liabilities evidenced by paper at amortised cost	10	**30,915**	33,202
Other liabilities		**99**	93
Total liabilities		**31,014**	33,295
Equity			
Share capital	11	**19**	19
Retained earnings		**650**	(17)
Total equity		**669**	2
Total equity and liabilities		**31,683**	33,297

The financial statements on pages 15 to 36 were approved by the Board of Directors on 26 June 2020 and were signed on its behalf by:

Anastasios Ioannidis

Director

Company's registration number: 3798157

The notes on pages 19 to 36 form an integral part of these financial statements.

Statement of Changes in Equity

	Share capital € ths	Retained earnings € ths	Total € ths
Balance at 1 January 2018	19	1,097	1,116
Impact of adopting IFRS 9 at 1 January 2018	-	(1,169)	(1,169)
Balance at 1 January 2018, as restated	19	(72)	(53)
Profit for the year	-	55	55
Total comprehensive income for the year ended 31 December 2018	-	55	55
Balance at 31 December 2018	19	(17)	2
Balance at 1 January 2019	**19**	**(17)**	**2**
Profit for the year	-	667	667
Total comprehensive income for the year ended 31 December 2019	-	**667**	**667**
Balance at 31 December 2019	**19**	**650**	**669**

The notes on pages 19 to 36 form an integral part of these financial statements.

Cash Flow Statement

	Note	Year ended 31 December 2019 € ths	2018 € ths
Cash flows from operating activities			
Interest and similar income received		**944**	2,645
Interest and similar charges paid		**(910)**	(2,597)
Cash payments to suppliers		**(66)**	(115)
Net increase in other liabilities		**-**	4
Net decrease in deposits with banks		**2,281**	24,551
Net cash generated from operating activities		**2,249**	24,488
Cash flows from financing activities			
Proceeds from issue of loan notes		**-**	23,338
Repayments of loan notes		**(2,280)**	(47,889)
Net cash used in financing activities		**(2,280)**	(24,551)
Net decrease in cash and cash equivalents		**(31)**	(63)
Cash and cash equivalents at beginning of period		**1,103**	1,166
Cash and cash equivalents at end of period	9	**1,072**	1,103

The notes on pages 19 to 36 form an integral part of these financial statements.

Notes to the Financial Statements

1. General information

ERB Hellas PLC (the "Company"), is a public limited company. The Company is a subsidiary of Eurobank Ergasias S.A. (note 12) (the "Parent Company" or the "Bank"). ERB Hellas PLC is a finance company, whose sole business is raising debt for the Parent Company via medium term notes listed on the Luxemburg Stock Exchange, purchased by institutional and private investors. The listed medium term notes outstanding are guaranteed by the Parent Company (note 10). The Company, which has no employees or audit committee, is governed by its Directors who are executives of the Parent Company, in conjunction with the competent bodies and divisions of the Bank.

2. Accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the IASB, as endorsed and adopted by the European Union (EU) and in particular with those standards and interpretations issued and effective or issued and early adopted as at the time of preparing these financial statements, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies used in the preparation of the financial statements have been consistently applied to the years 2019 and 2018, after taking into account the amendments in IFRSs described in sections 2.1.a & b "New and amended standards and interpretations".

The preparation of financial statements in accordance with IFRS requires the use of estimates and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The Company's presentation currency is the Euro (€) being the functional currency of the Company. Except as indicated, financial information presented in Euros has been rounded to the nearest thousand.

Going concern considerations

The financial statements have been prepared on a going concern basis. In making their assessment of the Company's ability to continue as a going concern, the directors have taken into account that the assets of the Company represent inter-company deposit balances with the Parent Company. The recovery of these assets is required for the Company to meet its obligations. The settlement dates of the inter-company deposit assets are aligned with those of the Company's obligations.

The Parent Company is a bank systemically linked to the Greek economy, which has also substantial presence, through its local subsidiaries, in Bulgaria, Cyprus, Serbia and Luxembourg. In 2019, the Parent Company's group operated in an environment of positive growth rates with real GDP growth in Greece amounting to 1.9% according to the Hellenic Statistical Authority (ELSTAT) data. 2020 had begun with positive medium-term prospects for the economy in Greece and the other countries where the Group operates, however the coronavirus (covid-19) outbreak posed substantial uncertainties and risks for both macroeconomic environment and the ability of lots of businesses to operate under the restrictive measures adopted to contain the virus's expansion.

The following risks and challenges were identified in the ultimate Parent Company's interim financial statements for the period ended 31 March 2020, which were approved on 27 May 2020:

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

The global economic slowdown from the recent coronavirus pandemic is mainly related with the disruption of trade and global supply chains and the risks that the local lockdowns in the majority of countries from mid-March 2020 create for the 2020 world growth and beyond. The European and Greek economy are expected to rebound in the 2nd half of 2020, if the virus is contained. The effects of covid-19 on the economic activity depend heavily on the timing of the curbing of its expansion and of lift of lockdown measures, the nature and size of fiscal and monetary support measures, the virus' epidemiological behavior and the impact on consumer and investor behavior post-crisis in the second half of the year. A significantly adverse impact on certain sectors of the Greek economy is expected, including a) lower tourism revenues, b) reductions in the demand for the manufacturing sector's products, as a result of the slowdown in key markets, c) disruptions in the manufacturing sector's supply chains and d) decrease in shipping activity due to the expected decline in global trade. The European Commission (EC), in its recent 2020 Spring forecasts (8 May 2020), estimates a -9.7% drop of real GDP in Greece in 2020, followed by a 7.9% recovery in 2021 and predicts a rise in the 2020 unemployment rate to 19.9% from 17.3% in 2019. On the fiscal front, according to the recently published 6th Review of the Enhanced Surveillance, Greece's primary balance is expected to register a deficit of -3.5% of GDP in 2020 from a surplus of 3.5% of GDP in 2019, due to reduced public revenue and to the public support measures, aimed in addressing the economic effects of the covid-19 pandemic. The primary balance is expected to register a surplus of 0.7% of GDP in 2021. In 15 April 2020, amid the COVID19 lockdown, the PDMA issued a 7-year bond of € 2 bn at a yield of 2.013%.

In response to the covid-19 outbreak, there has been a monetary, fiscal and regulatory support to the economy and the banking system by both Greek Government and European authorities. Relevant information is provided in the Strategic Report.

Regarding the outlook for the next 12 months, the covid-19 outbreak poses significant challenges to a number of activities and initiatives critical for the medium-term economic prospects of the country, indicatively: (i) the implementation of the reforms and privatizations' program, (ii) the implementation of the Public Investments Program, (iii) the attraction of new investments in the country. Materialization of the above risks would have potentially adverse effects on the fiscal planning of the Greek sovereign and on the liquidity, solvency and profitability of the Greek banking sector, as well as on the realization of their Non Performing Exposures (NPE's) reduction plans.

The following factors were also considered in the going concern assessment of the Parent Company:

The Parent Company is continuously monitoring the developments on the covid-19 front 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 for the quarters ahead, focusing primarily to the support of its viable clients, the protection of its asset base quality, the resilience of its pre-provision profitability and the completion of its transformation plan. In addition, the Parent Company, under the extraordinary circumstances of the covid-19 pandemic, has proceeded with the successful implementation of its Business Continuity Plan to ensure that business is continued and critical operations are unimpededly performed.

The total CAD and CET1 ratios at 31 March 2020 stood at 17.8% and 15.4% respectively. In addition, the Parent Company has been profitable over the last 4 years (2016-2019). The Parent Company's deposits have further increased leading the (net) loans to deposits (L/D) ratio to 83.4% as at 31 March 2020 while the use of ELA has been eliminated from end of January 19.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

As at 31 March 2020, the Parent Company's Group's NPEs' stock amounted to € 13 billion, remaining relatively stable compared to 31 December 2019. On 25 February 2020, Eurobank submitted to the Ministry of Finance two applications for opting-in to the Hellenic Asset Protection Scheme ("HERCULES") of the Cairo I and Cairo II securitizations and on 15 May 2020 of the Cairo III securitization. The aforementioned three securitizations and the agreement with an international investor on the projects Cairo and the sale of the Group's subsidiary Eurobank Financial Planning Services ('FPS'), completed in early June 2020, are key components of the forward-looking strategy of Eurobank Holdings Group (ultimate Parent Company), aiming at reducing the NPE ratio in the 15% region from 29% as at 31 March 2020.

In making the going concern assessment for the Company, the directors of the Company, in addition to the above have also considered the ILAAP (Internal Liquidity Adequacy Assessment Process) liquidity stress test results of the Parent Company as follows.

One of the main quantitative tools that the Bank utilizes in order to confirm the soundness of its liquidity adequacy, is the liquidity stress-testing framework. The Bank runs the liquidity stress tests on a monthly basis and the results are reviewed by Group ALCO.

In the 2020 ILAAP, the Bank applied the following types of liquidity stress tests:

- Five different short-term stress tests (one-month horizon) which incorporate the effect on liquidity buffer of a series of market related and idiosyncratic events applicable to the Bank at the current period.
- A medium-term stress test (twelve-month horizon), which is also a survival period analysis.

The results of the stress tests indicate that Eurobank has adequate liquidity to withstand to all stress test scenario effects.

Going concern assessment

Considering the above, the Directors have made an assessment of the Company covering at least 12 months from the date of approval of these financial statements. The directors are satisfied that this assessment, which takes into account reasonably possible downsides including the effect of the coronavirus outbreak, shows that the capital and liquidity position of the Parent Company are sufficient to allow it to repay the deposits as they fall due. Extreme events, whereby the Parent Company could not repay the deposits are considered by the directors to be remote. Therefore, the directors are confident that the Company will be able to meet its obligations as they fall due for at least a 12 month period from the signing of these accounts. Close to the expiry of the last of the existing issues in June 2022, the Directors in cooperation with the Parent Company, will consider various options for the future financing needs of the Group and there is a possibility that financing activity within this company will cease. Based on the above, the Directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt upon the company's future business activities and consequently its ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

(a) New and amended standards and interpretations as of 1 January 2019

New standards, amendments to standards and new interpretations, as issued by the IASB and the IFRS Interpretations Committee (IC), which are effective from 1 January 2019 and have been endorsed and adopted by the EU, are not included in these Financial Statements since they are not relevant to the Company.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards, amendments to standards and interpretations not yet adopted by the Company

A number of amendments to existing standards are effective after 2019, as they have not yet been endorsed by the European Union or have not been early applied by the Company. The amendments listed below, are relevant to the Company and are not expected to impact the Company:

- Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards (effective 1 January 2020).
- Amendments to IAS 1 and IAS 8: Definition of Material (effective 1 January 2020) and;
- IAS 1, Amendments, Classification of Liabilities as Current or Non-Current (effective 1 January 2022, not yet endorsed by EU).

2.2 Interest income and expense

Interest income and expense is recognized in the statement of comprehensive income for all interest bearing financial instruments on an accrual basis, using the effective interest rate (EIR) method. 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 gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the EIR for financial instruments other than purchased or originated credit-impaired, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses.

The amortized cost of a financial asset or liability is the amount at which it is measured upon initial recognition minus principal repayments, plus or minus cumulative amortization using the EIR (as described above) and for financial assets it is adjusted for the expected credit loss allowance. The gross carrying amount of a financial asset is its amortized cost before adjusting for ECL allowance.

The EIR calculation includes all fees and points paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

The Company calculates interest income and expense by applying the EIR to the gross carrying amount of non-impaired financial assets (exposures in Stage 1 and 2) and to the amortized cost of financial liabilities respectively.

Once a financial asset becomes credit-impaired subsequent to initial recognition (exposures in Stage 3), the Company calculates interest income by applying the effective interest rate to the amortized cost of the financial asset (i.e. gross carrying amount adjusted for the expected credit loss allowance). If the asset is no longer credit-impaired, then the EIR is applied again to the gross carrying amount.

Interest income and expense is presented separately in the income statement for all interest bearing financial instruments within net interest income.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.3 Transactions in Foreign currency

Foreign currency transactions 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 are recognised in the profit or loss.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at each reporting date and exchange differences are recognised in the profit or loss. Exchange differences on financial assets and liabilities measured at fair value through profit or loss are reported as part of the fair value gain or loss.

The called up share capital denominated in sterling has been translated into euro on the exchange rate at 31 December 2002, being the date the Company changed its functional and reporting currency from sterling to euro.

2.4 Financial assets

The Company classifies financial assets based on the business model for managing those assets and their contractual cash flow characteristics. Accordingly, financial assets are classified into one of the following measurement categories: amortized cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Purchases and sales of financial assets are recognized on trade date, which is the date the Company commits to purchase or sell the assets.

The Company classifies and measures a financial asset at amortized cost only if both of the following conditions are met and is not designated as at fair value through profit or loss:

(a) The financial asset is held within a business model whose objective is to collect contractual cash flows (hold-to-collect business model) and

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

These financial assets are recognized initially at fair value plus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest rate (EIR) method.

Interest income, realized gains and losses on derecognition, and changes in expected credit losses from assets classified at AC, are included in the income statement.

The Company does not hold assets that are classified and measured at FVOCI or at FVTPL, please refer to the assessment below.

Business model and contractual characteristics assessment

Business model assessment

The business model assessment determines how the Company manages a group of assets to generate cash flows, whether the Company's objective is solely to collect contractual cash flows from the asset, to realize cash flows from the sale of assets, or both to collect contractual cash flows and cash flows from the sale of assets.

The business model is determined by the Company consistently with the operating model, considering how financial assets are managed in order to generate cash flows, the objectives and how performance of each group of financial assets is monitored and reported and any available information on past sales and on future

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.4 Financial assets (continued)

sales' strategy, where applicable.

The Company's business models may fall into three categories, the hold-to-collect (HTC) business model, the hold-to-collect-and-sell business model (HTC&S) and the residual category of other business models.

Cash flow characteristics assessment

For a financial instrument to be measured at AC or FVOCI, its contractual terms must give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding i.e. whether the contractual cash flows of the instrument are consistent with a basic lending arrangement meaning that the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin

Following the business model and cash flow characteristics assessments, the Company has a single group of assets that it falls in the HTC model and their contractual cash flows meets the definition of SPPI. Consequently, all Company's financial assets are classified and measured at amortized cost.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual cash flows expire, or the rights to receive those cash flows are transferred in an outright sale in which substantially all risks and rewards of ownership have been transferred. In addition, a financial asset is derecognized even if all the risks and rewards are neither transferred nor retained but the Company has transferred control of the asset. Control is transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to unrelated third party. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received (including any new asset obtained less any new liability assumed), is recognized in income statement.

2.5 Fair value measurement of financial instruments

Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company has elected to use mid-market pricing as a practical expedient for fair value measurements within a bid-ask spread adjusted where necessary.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received unless the Company determines that the fair value at initial recognition differs from the transaction price. In this case, if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets, a day one gain or loss is recognised in the profit or loss.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.5 Fair value measurement of financial instruments (continued)

On the other hand, if the fair value is evidenced by a valuation technique that uses unobservable inputs, the financial instrument is initially measured at fair value adjusted to defer the difference between the fair value at initial recognition and the transaction price (day one gain or loss). Subsequently the deferred gain or loss is amortised on an appropriate basis over the life of the instrument or released earlier if a quoted price in an active market or observable market data become available or the financial instrument is closed out.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole (note 3).

For assets and liabilities that are measured at fair value on a recurring basis, the Company recognises transfers into and out of the fair value hierarchy levels at the beginning of the year in which a financial instrument's transfer was effected.

2.6 Impairment of financial assets

The Company recognizes allowance for expected credit losses (ECL) that reflect changes in credit quality since initial recognition to financial assets that are measured at AC and FVOCI. As at 31 December 2019 and in the comparative period all of the Company's financial assets were classified as at AC.

ECL are a probability-weighted average estimate of credit losses that reflects the time value of money. Upon initial recognition of the financial instruments in scope of the impairment policy, the Company records a loss allowance equal to 12-month ECL, being the ECL that result from default events that are possible within the next twelve months. Subsequently, for those financial instruments that have experienced a significant increase in credit risk (SICR) since initial recognition, a loss allowance equal to lifetime ECL is recognized, arising from default events that are possible over the expected life of the instrument.

Accordingly, ECL are recognized using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – When there is no significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12-months ECL is recorded. The 12 – month ECL represent a portion of lifetime losses, that result from default events that are possible within the next 12 months after the reporting date and is equal to the expected cash shortfalls over the life of the instrument or group of instruments, due to loss events probable within the next 12 months. Not credit-impaired financial assets that are either newly originated or purchased, as well as, assets recognized following a substantial modification accounted for as a derecognition, are classified initially in Stage 1.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. Lifetime ECL represent the expected credit losses that result from all possible default events over the expected life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Definition of default

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that exposure have occurred:

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.6 Impairment of financial assets (continued)

- The borrower faces a significant difficulty in meeting his financial obligations.
- There has been a breach of contract, such as a default or past due event.
- The Company, for economic or contractual reasons relating to the borrower's financial difficulty, has granted to the borrower a concession(s) that the Company would not otherwise consider.
- There is a probability that the borrower will enter bankruptcy or other financial re-organization.

Significant increase in credit risk (SICR) and staging allocation

Determining whether a loss allowance should be based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk (SICR) of the financial assets, since initial recognition.

At each reporting date, the Company performs an assessment as to whether the risk of a default occurring over the remaining expected lifetime of the exposure has increased significantly from the expected risk of a default estimated at origination for that point in time.

The assessment for SICR is performed on an individual basis using both qualitative and quantitative criteria based on reasonable and supportable information that is available without undue cost or effort including forward looking information and macroeconomic scenarios as well as historical experience.

As a primary criterion for SICR assessment, the Company compares the residual lifetime probability of default (PD) at each reporting date to the residual lifetime PD for the same point in time which was expected at the origination.

Transfers from Stage 2 to Stage 1

A financial asset, which is classified to Stage 2 due to Significant Increase in Credit Risk (SICR), is reclassified to Stage 1, as long as it does not meet anymore any of the Stage 2 Criteria.

Transfers from Stage 3 to Stage 2

A financial asset is transferred from Stage 3 to Stage 2, when the criteria based on which the financial asset was characterized as credit impaired, are no longer valid.

Measurement of Expected Credit Losses

The measurement of ECL is an unbiased probability-weighted average estimate of credit losses that reflects the time value of money, determined by evaluating a range of possible outcomes. A credit loss is the difference between the cash flows that are due to the Company in accordance with the contractual terms of the instrument and the cash flows that the Company expects to receive (i.e. cash shortfalls) discounted at the original effective interest rate (EIR) of the same instrument. In measuring ECL, information about past events, current conditions and reasonable and supportable forecasts of future conditions are considered.

The Company estimates expected cash shortfalls, which reflect the cash flows expected from all possible sources.

ECL are calculated over the maximum contractual period over which the Company is exposed to credit risk, which is determined based on the substantive terms of the instrument.

Notes to the Financial Statements (continued)

2.6 Impairment of financial assets (continued)

ECL Key Inputs

The Company uses for the ECL calculations the term structures of the probability of default PD (12-month PD & Lifetime PD), the loss given default (LGD) and the exposure at default (EAD). Generally, these parameters are based on observed point-in-time and historical data obtained by international rating agencies, that maximize the use of objective non-judgmental variables and market data.

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about reasonable and supportable forecasts of future events and macroeconomic conditions. The estimation and application of forward-looking information requires significant judgment.

Presentation of impairment allowance

For financial assets measured at amortized cost, impairment allowance is recognized as a loss allowance reducing the gross carrying amount of the financial assets in the balance sheet. The respective ECL for the above financial items is recognised within impairment losses.

Write-off of financial assets

Where the Company has no reasonable expectations of recovering a financial asset either in its entirety or a portion of it, the gross carrying amount of that instrument is reduced directly, partially or in full, against the impairment allowance. The amount written-off is considered as derecognized. Subsequent recoveries of amounts previously written off decrease the amount of the impairment losses in the income statement.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

2.7 Financial liabilities

The Company classifies its financial liabilities at amortized cost category since they are not held for trading purposes and the fair value through profit and loss designation is not applied.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

2.8 Cash and cash equivalents

Cash and cash equivalents include sight accounts and deposits held with banks with original maturities of three months or less.

2.9 Related party transactions

Related parties of the Company include:

(a) the Parent Company and entities controlled, jointly controlled or significantly influenced by the Parent Company;

(b) an entity that has control over the Parent Company and entities controlled, jointly controlled or significantly influenced by this entity;

(c) an entity that has significant influence over the Parent Company and entities controlled or jointly controlled by this entity;

Notes to the Financial Statements (continued)

2.9 Related party transactions (continued)

(d) Directors of the Company and the key management personnel of the Company or its Parent, their close family members and entities controlled or jointly controlled by the above mentioned persons.

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 are conducted on an arm's length basis.

2.10 Income tax

Income tax payable on profits is based on the applicable tax law and is recognised as an expense in the period.

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Dividend distribution on shares is recognised as a deduction in the Company's equity when approved by the General Meeting of the Company's shareholders. Interim dividends are recognised as a deduction in the Company's equity when approved by the Directors.

2.12 IFRS 9 'Financial Instruments' – Impact of adoption

The Company adopted IFRS 9 in 2018. The Standard's requirements were applied retrospectively by adjusting the Company's balance sheet on the date of transition on 1 January 2018. The effect on the carrying amounts of financial assets and liabilities at the date of transition to IFRS 9 was recognised as an adjustment to opening retained earnings as further discussed below.

The impact of transitioning to IFRS 9 amounted to € 1,169 ths, which was recognised as an opening balance adjustment at 1 January 2018 and it was attributed to the impairment for ECL of the deposits with banks carried at amortised cost with total gross amount of € 59,873 ths and allocated at Stage 1.

The table below presents the impact of transition to IFRS 9 to Retained earnings on 1 January 2018:

	IFRS 9 impact €ths
Retained earnings	
Closing balance under IAS 39	1,097
Remeasurement under IFRS 9 ECL impairment	(1,169)
Opening balance under IFRS 9	**(72)**

3. Principal risks and uncertainties

The directors are responsible for the overall financial risk approach of the Company. In this regard, the directors coordinate all financial risk management activities closely with the Parent Company's risk managers to ensure that all significant financial risks are minimised. The directors have a financial risk management programme in place, the main objective of which is minimising such risks, as follows:

(a) Credit Risk: The Company takes on exposure to credit risk, which is the risk that the counterparty will be unable to pay amounts in full when due. The cash proceeds generated from the EMTN programmes are placed on deposits with the Parent Company. The aggregate carrying amount of these deposits approximates the maximum credit risk exposure of the Company.

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

(b) Market risk: The Company takes on exposure to interest rate and currency risk. The management has a policy of minimising such risks as follows:

- Interest rate risk: The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The interest rate risk is eliminated by placing funds on deposits with the Parent Company at rates which change on the same basis as the interest rates applied on loan notes.

- Currency risk: The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Currency risk is eliminated by placing funds on deposits at the same currency as the loan notes issued.

(c) Liquidity Risk: The Company is not exposed to liquidity or cash flow risk because the maturity of its assets and liabilities match, and the underlying cash flows are substantially the same. The cash proceeds generated from the EMTN programmes are placed on deposits with the Parent Company, on the same terms and in the same currency.

The amounts disclosed in the table below are the contractual undiscounted cash flows of financial liabilities by remaining contractual maturities at the balance sheet date.

	2019				
	Less than 1 month € ths	**1 - 3 months € ths**	**3 months to 1 year € ths**	**Over 1 year € ths**	**Gross nominal inflow € ths**
Financial liabilities:					
- Liabilities evidenced by paper	-	-	**4,599**	**27,512**	**32,111**
- Other liabilities	-	-	**99**	-	**99**
	-	-	**4,698**	**27,512**	**32,210**

	2018				
	Less than 1 month € ths	1 - 3 months € ths	3 months to 1 year € ths	Over 1 year € ths	Gross nominal inflow € ths
Financial liabilities:					
- Liabilities evidenced by paper	-	-	911	34,490	35,401
- Other liabilities	-	-	93	-	93
	-	-	1,004	34,490	35,494

(d) 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 the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt. The Parent Company will provide support to the Company with the use of any means required, including a share capital increase. The Company is not subject to any external capital requirements except for the minimum requirement of an allotted share capital with a nominal value of at least £ 50,000, under the Companies Act 2006. The Company has not breached the minimum requirement.

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

Interest Rate Benchmark reform – IBOR reform

As a result of the global regulators' decision to replace in the near future the existing Interbank Offered Rates (IBORs) with alternative reference rates in several currency jurisdictions ('IBOR reform project'), uncertainties may arise related to the long-term viability of the current IBORs. The Management will monitor any market developments and regulatory guidance relating to the IBOR Reform and adjust its implementation plans accordingly in order to achieve mitigation of the risks resulting from the transition.

Fair value of financial assets and liabilities

The Company's financial instruments carried at amortized cost for which fair value is disclosed, are categorised into the three levels of fair value hierarchy based on whether the inputs to their fair values are market observable or unobservable, as follows:

- Level 1 - Financial instruments are measured based on quoted prices (unadjusted) in active markets for identical financial instruments that the Company can access at the measurement date. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. None of the Company's financial instruments are categorised into Level 1 of the fair value hierarchy.
- Level 2 – Financial instruments are measured using valuation techniques with inputs other than level 1 quoted prices, observable either directly or indirectly, such as (i) quoted prices for identical financial instruments in markets that are not active, (ii) inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers and (iii) other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments include less liquid loan notes at amortised cost and deposits with the Parent Company.
- Level 3 - Financial instruments are measured using valuation techniques with significant unobservable inputs. When developing unobservable inputs, best information available is used, including own data, while at the same time market participants' assumptions are reflected (e.g. assumptions about risk). None of the Company's financial instruments are categorised into Level 3 of the fair value hierarchy.

<u>Company's valuation processes</u>

For determining the fair value of financial instruments that are not quoted in an active market, the Company uses quotes for identical financial instruments provided by Bloomberg, or widely recognized valuation models that use market data and require little management estimation and judgment. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values.

Where valuation techniques are used to determine the fair values of financial instruments that are not quoted in an active market, they are validated against historical data and, where possible, against current or recent observed transactions in different instruments, and periodically reviewed by qualified personnel of the Parent Company, independent of the personnel that created them.

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

The valuation models used by the Company have been developed by the Parent Company's appropriate personnel, who also have established the processes and procedures governing the fair valuations. Valuation controls may include verification of observable pricing, re-performance of model valuations, a review and approval process for new models and/or changes to models, calibration, analysis of significant valuation movements, for example.

The assumptions and methodologies underlying the calculation of fair values of financial instruments are presented below. In particular, as at 31 December 2019 and 2018:

- For loan notes issued by the Company, the fair values are determined either based on quotes for identical debt securities in markets that are not active, or by using valuation techniques. In particular, for fixed rate loan notes prices are obtained from Bloomberg, while for the floating rate loan notes which are not quoted in an active market, the Company has elected to use a methodology based on the Hellenic republic's mid-level cds spreads within a bid-ask spread, plus an additional spread according to the duration of the notes. As the unobservable input (i.e. the additional spread) is insignificant to the fair value measurement in its entirety, these notes have been categorized as level 2.
- Deposits with banks include long term fixed and floating rate deposits with the Parent Company, whose fair value is determined based on quotes and valuation models for the mirror loan notes, respectively.

Financial instruments carried at amortised cost

The fair value hierarchy categorisation of the Company's financial assets and liabilities not carried at fair value on the balance sheet is presented in the following tables:

	2019				
	Level 1 € ths	Level 2 € ths	Level 3 € ths	Fair Value € ths	Carrying amount € ths
Financial assets not carried at fair value:					
Deposits with the Parent Company	-	31,449	-	31,449	30,611
	-	31,449	-	31,449	30,611
Liabilities evidenced by paper at amortised cost	-	31,449	-	31,449	30,915
	-	31,449	-	31,449	30,915

	2018				
	Level 1 € ths	Level 2 € ths	Level 3 € ths	Fair Value € ths	Carrying amount € ths
Financial assets not carried at fair value:					
Deposits with the Parent Company	-	31,754	-	31,754	32,194
	-	31,754	-	31,754	32,194
Liabilities evidenced by paper at amortised cost	-	31,754	-	31,754	33,202
	-	31,754	-	31,754	33,202

There were no transfers between levels during the year ended 31 December 2019.

Notes to the Financial Statements (continued)

4. Critical accounting estimates and judgment

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

Deposits with banks

The asset of the Company is deposits with the Parent Company. The directors' assessment of the recoverability of this asset is closely associated with the operations of the Parent Company and includes reviews of liquidity and solvency (see note 2.1 Going concern considerations and note 9).

The ECL calculations for the Company's deposits with the Parent Company are outputs of models with a number of underlying assumptions regarding the choice of the input parameters i.e. the EAD, PDs, and LGDs. These parameters are determined based on market data provided by international rating agencies and are monitored and evaluated by Group's Market Risk Sector. A reasonably possible change in the PD used, by +1%/-1% would increase/decrease the total ECL charge by € 145 ths.

5. Interest income

	2019 **€ ths**	2018 € ths
Interest income on deposits with the Parent Company	**937**	1,691
	937	1,691

6. Interest expense and similar charges

	2019 **€ ths**	2018 € ths
Interest expense on liabilities evidenced by paper	**(903)**	(1,657)
	(903)	(1,657)

7. Operating expenses

	2019 **€ ths**	2018 € ths
Fees payable to the auditors for the statutory audit of the Company's annual financial statements	**(48)**	(48)
Non audit fees payed to the auditors	**-**	-
EMTN update costs, tax services and other	**(25)**	(91)
	(73)	(139)

The auditors' remuneration for the year ended 31 December 2019 has been agreed to be € 40 ths excluding VAT (2018: € 40 ths excluding VAT).

Notes to the Financial Statements (continued)

8. Income tax

The standard rate of Corporation Tax in the UK from 1 January 2018 until 31 December 2019 was 19%.

Analysis of the Company's income tax in the year and reconciliation of the effective tax rate:

	2019 **€ ths**	2018 € ths
Profit before tax	**667**	55
Tax rate at 19%	**(127)**	(10)
Tax effect of:		
- income not subject to tax	**134**	30
- current year losses for which no deferred tax asset is recognised	**(7)**	(20)
	-	-

The Company's profit for the year ended 31 December 2019, amounting to € 667 ths, is attributed to the ECL reversal, calculated for the deposits with the Parent Company, which is not taxable according to UK tax law.

As a result, there was no tax obligation for the year ended 31 December 2019, as well as for 2018 since the Company had recorded losses.

The Company has not recognized deferred tax assets on cumulative losses, as it is not expected to have sufficient future taxable profits against which tax losses amounting to € 253 ths as of 31 December 2019 can be utilized.

9. Deposits with banks

	2019 **€ ths**	2018 € ths
Deposits with the Parent Company at amortised cost		
Gross Carrying amount	**31,986**	34,305
Cumulative 12-month ECL allowance	**(303)**	(1,008)
Total carrying amount	**31,683**	33,297
Maturing over 1 year	**26,773**	32,129
With original maturity of less than 90 days (cash and cash equivalents)	**1,072**	1,103

Deposits with the Parent Company are unsecured, on a rolling basis and earn interest at a margin above the relevant currency floating or fixed rates payable on loan notes. The maturities of the Company's term deposits match the respective loan notes (note 10).

During the year ended 31 December 2019, the ECL adjustment decreased by € 705 ths, totalling to € 303 ths, due to the improvement of the credit quality of the Parent Company.

The credit rating of the Parent Company (Eurobank Ergasias S.A) as of the end of December 2019 according to Moody's was Caa1, improved compared to the previous year (Caa2). Following the Demerger of Eurobank Ergasias on 20 March 2020 (note 12), and up to early June 2020, the credit rating of the immediate Parent Eurobank S.A., had not been altered and remained stable at Caa1.

Notes to the Financial Statements (continued)

10. Liabilities evidenced by paper at amortised cost

				2019		2018	
	Interest rate %	Currency	Maturity Date	**Face amount € ths**	**Carrying amount € ths**	Face amount € ths	Carrying amount € ths
Fixed rate loan notes	3.00	EUR	28/6/2021	7,000	7,001	7,500	7,502
	3.00	EUR	17/5/2021	14,058	14,108	15,838	15,893
	6M Euribor plus 2.5	EUR	19/6/2020	3,800	3,803	3,800	3,803
Floating rate loan notes	6M Euribor plus 2.5	EUR	20/6/2022	1,200	1,201	1,200	1,201
	6M Euribor plus 2.25	EUR	21/12/2021	4,800	4,802	4,800	4,803
				30,858	**30,915**	33,138	33,202

The loan notes currently issued are on an unsubordinated basis, are listed on the Luxembourg Stock Exchange and carry interest at relevant currency floating rates plus an additional margin or at fixed rates. Under the programme for issuance of debt instruments, loan notes are unconditionally and irrevocably guaranteed by the Parent Company on a subordinated or an unsubordinated basis, as specified in the relevant Final Terms.

The Company has not had any defaults on principal, interest or any other breaches with respect to its liabilities during 2019 and 2018.

During the year, the Company proceeded with the partial redemption of loan notes of nominal value of € 2,280 ths.

Post balance sheet events

1) Upon the completion of the Parent Company's hive down on 20 March 2020 (note 12) and pursuant to the new deed of guarantee established, Eurobank S.A. will unconditionally and irrevocably guarantee to the holders of the Company's issues, the obligations of the demerged entity to the holders, under the relevant existing deed of guarantee.
2) On 19 June 2020 a loan note of face value of € 3,800 ths matured.

11. Share capital

	2019 Number	**2019 £ ths**	2018 Number	2018 £ ths
Authorised ordinary shares of £1 each	**50,000**	**50**	50,000	50
Issued, allotted and paid up at 25p per ordinary share of £1 each	**50,000**	**13**	50,000	13

The paid up share capital of £ 12,500 is reflected in the financial statements as € 19,216 based on the prevailing exchange rate at 31 December 2002 (€/£ 0.6505) being the date the Company changed its functional and reporting currency from sterling to Euros.

Notes to the Financial Statements (continued)

12. Related party transactions

The Company's results have been included in the consolidated financial statements for the year ended 31 December 2019 of Eurobank Ergasias S.A., its immediate and ultimate parent undertaking, which is incorporated in Greece.

As of May 2019, following the increase of the share capital of the Parent company, the percentage of the Bank's ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF) stands at 1.40%.

The HFSF is still considered to have significant influence over the Bank pursuant to the provisions of the Law 3864/2010, as in force, and the Relationship Framework Agreement (RFA) the Bank has entered into with the HFSF.

Further information in respect of the HFSF rights based on the aforementioned framework is provided in the section "Report of the Directors and Corporate Governance Statement" of the Annual Financial Report of the Parent Company for the year ended 31 December 2019.

In addition, following the completion of the merger in May 2019 of Eurobank with Grivalia Properties REIC, a real estate company, by absorption of the latter by the Bank, Fairfax group, which before the merger held 18.40% and 54.02% in Eurobank and Grivalia, respectively, has increased its percentage holding in the Bank's share capital, which as at 31 December 2019 stands at 31.27%. Fairfax obtained the required regulatory approvals in relation to the aforementioned increase of its shareholding in December 2019.

The financial statements of Eurobank Ergasias S.A. are available from its head office: 8 Othonos Street, 105 57 Athens, Greece, and from its website at www.eurobank.gr.

The outstanding balances of the related party transactions and the related income and expenses are as follows:

	31 December 2019		31 December 2018	
	Parent Company	**Parent Company's subsidiaries [1]**	Parent Company	Parent Company's subsidiaries [1]
	€ ths	**€ ths**	€ ths	€ ths
Deposits with Banks	**31,683**	**-**	33,297	-
Liabilities evidenced by paper at amortised cost	**616**	**9,806**	-	9,807
Interest and similar income	**937**	**-**	1,691	-
Interest expense and similar charges	**7**	**210**	26	209

[1] Eurobank Bulgaria A.D.

Emoluments of directors

The directors provide services to a number of Group companies for which are compensated by the Parent Company. Accordingly, these financial statements include no emoluments in respect of any director as it is not practicable to apportion the salary element. The Company employed no staff during 2019 and 2018.

As at 31 December 2019 there is no loan note held by key management personnel (2018: nil ths).

Post balance sheet event

On 28 June 2019, the BoD of the Bank ("Demerged Entity") decided the initiation of the hive down process of the banking business sector of Eurobank and its transfer to a new company-credit institution that will be established ("the Beneficiary").

Notes to the Financial Statements (continued)

12. Related party transactions (continued)

On 31 July 2019, the BoD of the Bank approved the Draft Demerger Deed and on 31 January 2020, the Bank's Extraordinary General Meeting (EGM) resolved, among others: a) the approval of the aforementioned demerger of Eurobank through the business banking sector's hive down and the establishment of a new company-credit institution under the corporate name "Eurobank S.A.", b) the approval of the Draft Demerger Deed as well as the Articles of Association of the Beneficiary, as they were approved by the Bank's BoD and c) the adjustment of the Articles of Association of the Demerged Entity which will cease to be a credit institution by amending its object and corporate name, as was also approved by the Bank's BoD.

On 20 March 2020, the demerger was approved by virtue of the decision of the Ministry of Development and Investments No 31847/20.03.2020, which has been registered on the same day in the General Commercial Registry.

Following the approval of the Demerger the following consequences occur:

a) the Demerged Entity (Eurobank Holdings) becomes the shareholder of the Beneficiary (Eurobank S.A.) by acquiring all the shares issued by the Beneficiary, and

b) the Beneficiary substitutes the Demerged Entity, by way of universal succession, to all the transferred assets, including the shareholding of the Company and liabilities, as set out in the transformation balance sheet of the hived down sector (as at 30 June 2019) and formed up to 20 March 2020, day of the Demerger's completion.

Following the completion of the Demerger, the Beneficiary (Eurobank S.A.) becomes the immediate Parent Company of ERB Hellas PLC, while the Demerged entity (ultimate parent company) ceases to be a credit institution and maintains activities, assets and liabilities that are not related to main banking activities.

Further information is available in the regulatory announcement on the Parent Company's website (www.eurobank.gr) dated 20 March 2020.

13. Segmental reporting

The Company operates one business segment i.e. providing funding to its immediate Parent Company, Eurobank Ergasias S.A., through loan notes issued to a wide range of investors.

14. Dividends

No dividend was paid in 2019 and there is no subsequent decision of the Board of Directors for distribution of dividend (2018: nil ths).