ERB Hellas (Cayman Islands) Limited

Annual Report

For the year ended 31 December 2019

Company's registration number: CR-117363

Index to the Annual report

Directors' Report

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

i) Business review and principal activities

The Company was incorporated under the laws of the Cayman Islands on 26 April 2002 as an exempted company with limited liability. The Company's registered number is CR-117363 and its registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company was incorporated as part of the funding strategy of Eurobank Ergasias S.A. in order to establish a program for the issuance of medium term debt instruments (EMTN). 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 (the "Parent Company" or the "Bank") of ERB Hellas (Cayman islands) Limited and Eurobank Ergasias S.A. was renamed to Eurobank Holdings (ultimate parent company) (note 15). The Company was not included in the last update of the EMTN program in November 2020 and therefore it will not be able to proceed with the issuance of new notes at least until its next update. The Prospectuses of the EMTN program are available at the Parent Company's website (www.eurobank.gr). The outstanding issues of debt instruments are guaranteed by the Parent Company (note 13). The net proceeds of each issuance are applied by the Company to meet part of the general financing requirements of Eurobank Holdings and its subsidiaries (the "Group").

The net profit for the year amounted to € 64 ths (2018: € 97 ths profit), attributable to the reversal of IFRS 9 expected credit losses (ECL). As at 31 December 2019 the total equity of the Company amounted to € 343 ths (2018: € 279 ths). During the year loan notes of face value of € 6,725 ths matured, while the Company proceeded with the issue of loan notes of face value of € 2,000 ths. No dividend was paid to shareholders during 2019 (2018: nil).

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 Eurobank Ergasias S.A. decided the initiation of the hive down process of the banking business sector and its transfer to a new company-credit institution that would be established (note 15).

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 has a substantial presence, however the coronavirus (Covid-19) outbreak posed substantial uncertainties and risks for both the macroeconomic environment and the ability of numerous businesses to operate under the restrictive measures, including lockdowns, adopted to contain the virus expansion.

The following risks and challenges were identified in Group's interim financial statements for the period ended 30 September 2020, which were approved on 18 November 2020:

The first lockdown in Greece started in mid-March 2020 and was lifted through a gradual relief from 4 May 2020 onwards according to the Greek government's plan. The second, countrywide, lockdown started on 7

Directors' Report

November 2020 and is expected to be gradually eased from 14 December 2020. Based on Hellenic Statistical Authority (ELSTAT) provisional data, the real GDP growth rate in the third quarter of 2020 was at -11.7% on an annual basis, as a result of a significant drop in total consumption expenditure, investments and exports, while the respective figure for the first and the second quarter of 2020 was at 0.4% and -14.2% respectively. According to the 2021 Budget, the estimate for the 2020 real GDP growth is at - 10.5% while the respective forecast for 2021 is at 4.8%. The European Commission (EC), in its 2020 autumn economic forecasts published in early November 2020 and thus without the negative economic effect of the second lockdown, estimated a real GDP drop of 9.0% in Greece in 2020, followed by a 5.0% increase in 2021. According to the 2021 Budget, the unemployment rate was expected at 18.9% and 17.9% for 2020 and 2021 respectively. According to the EC autumn forecasts, the unemployment rate is expected to increase to 18.0% in 2020 and then to fall to 17.5% in 2021 from 17.3% in 2019. Based on ELSTAT data, unemployment stood at 16.8% in August 2020 on an annual basis (August 2019: 16.9%). On the fiscal front, the fiscal primary balance in the 2021 Budget is expected to register a deficit of 7.2% and 3.9% of GDP for 2020 and 2021 respectively. According to the EC autumn economic forecasts, Greece's fiscal primary balance in ESA2010 terms, was expected to register in 2020 and 2021 a deficit of 3.8% and 3.6% of GDP respectively, taking into account the public support measures as of 22 October 2020. The deviation from the Enhanced Surveillance (ES) primary surplus target of 3.5% of GDP for both 2020 and 2021 will not be considered a violation of Greece's commitments undertaken in the ES framework, as on 4 March 2020 Eurogroup decided that non-permanent deviations from the agreed fiscal paths of the member-states, due to unusual effects outside the control of their governments (i.e. the effects of the pandemic), are acceptable. The aforementioned primary balance figures for 2020 and 2021 might change significantly as a result of the actual size of the public sector's support measures and the reduction in tax revenues due to the Government's relevant moratoria and the decline of economic activity. According to the 2021 Budget, the gross public debt is expected at 208.9% and 199.6% of GDP for 2020 and 2021 while the respective EC autumn economic forecasts were at 207.1% and 200.7% of GDP for 2020 and 2021.

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, according to the 2021 Budget, the Greek government's planned total measures for 2020 and 2021 aiming to address the economic effects of the Covid-19 pandemic amount to €31.4 bn. The latter figure includes leverage of €5.7 bn for 2020 to be provided by the banking system on top of the €2.6 billion of the Public Investment Budget for state guarantees and the co-financing of loans to small and medium size enterprises. From the aforementioned amount €23.9 bn correspond to 2020 and €7.6 bn to 2021, respectively, including the cost of the ruling of the Council of State on pension cuts. These measures include, among others: (a) the reduction of the private sector's social security contributions by 3 percentage points and the abolishment of the Special Solidarity levy for the private sector (only for 2021); the reduction of advanced income tax payment for firms and freelancers, (b) the payment by the government of the social security contributions for employees under labour suspension, (c) the suspension of VAT payments for firms affected by the Covid-19 pandemic, the social security and the tax related debt instalments for firms and freelancers, (d) the temporary economic support to wage earners under labour suspension, to seasonal employees (tourism sector), and to certain scientific sectors, (e) the Easter and Christmas bonus state contribution for employees under labour suspension; the employment subsidy under "synergasia" programme; the extension of the regular and long-term unemployment benefit, interest rates subsidies for firms that remained closed during the lock down period as well as mortgage loans subsidies to households.

On top of the above, the European Council on 21 July 2020 agreed a recovery package amounted to € 750

Directors' Report

billion under the EC's Next Generation EU (NGEU) recovery instrument, in order to support the recovery and resilience of the member states' economies, out of which ca € 32 billion will be available for Greece, provisionally divided to € 19.4 billion in grants and € 12.7 billion in loans. The Greek government already put to public consultation the National Recovery and Resilience Plan, the submission of which constitutes a prerequisite for any disbursement from the NGEU instrument. In addition, the total amount of the Multiannual Financial Framework 2021-2027 (MFF) is at € 1,100 billion, of which ca € 40 billion will be available for Greece. Furthermore the ECB, on 24 March 2020 established a temporary Pandemic Emergency Purchase Programme (PEPP) with an overall financial envelope of € 750 billion which has increased to € 1,350 billion, out of which ca € 28 billion will be available for the purchase of Greek public and private sector securities. The PEPP came on top of the ECB liquidity measures of 12 March 2020 (additional Long Term Financing operations, more favourable terms for the Targeted Long Term Operations, new Asset Purchase Programme of € 120 billion).

In such an environment the Greek government managed to achieve continuous market access after the pandemic outbreak. On 15 April 2020, amid the Covid-19 lockdown, the Greek Public Debt Management Agency (PDMA) issued a 7-year bond of € 2 billion at a yield of 2.013% and on 9 June 2020, a 10-year bond of € 3 billion at a yield of 1.568%. On 2 September 2020, the PDMA raised € 2.5 billion via the re-opening of the aforementioned 10-year bond at a historic low yield of 1.187%. On 29 October 2020, the PDMA raised € 2.0 billion via the re-opening of the 15-year bond initially issued in early February 2020, at a yield of 1.152%. The yield of the 10YR bond was at 0.7% in early December 2020.

Regarding the outlook for the next 12 months, the major macroeconomic risks and uncertainties in Greece mainly relate with the outbreak of Covid-19 pandemic and are as follows: (a) the evolution of the health crisis including the probability of the continuation of the second pandemic wave well after the end of 2020, and its negative effect on the domestic, regional and / or global economy, (b) the progress on the development, approval, production and the widespread distribution of a safe and effective Covid-19 vaccine, (c) the actual size of the fiscal measures aiming to address the effect of the pandemic on the real economy and their effect on the long-term sustainability of the country's public debt, (d) the pace of the economy's downturn in 2020 and the recovery in 2021, (e) the effective utilization of the NGEU and MFF funds and the attraction of new investments in the country, (f) the implementation of the reforms and privatizations' agenda in order to meet the ES targets and milestones, and (g) the geopolitical conditions in the near or in broader region.

Going concern

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

The Group 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 on the support of its clients to overcome the challenging juncture, the mitigation of "cliff effects" when the moratoria measures begin to expire, the protection of its asset base and the resilience of its pre-provision profitability. In addition, the Group, 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.

Within this challenging external environment, the Group proceeded with its accelerated NPE reduction plan announced in the fourth quarter of 2018. As at 30 September 2020, the Group's NPEs' were reduced to € 6.1 billion (31 December 2019: € 13 billion), driving the NPE ratio to 14.9% (31 December 2019: 29.2%) and

Directors' Report

the NPE coverage ratio to 62.5% (31 December 2019: 55.3%).

The total CAD and CET1 ratios at 30 September 2020 stood at 15.6% and 13.2%, respectively. In addition, the Parent Company has been profitable over the last 4 years (2016-2019). The Group's deposits have further increased to € 46.2 billion (2019: € 44.8 billion), while the rise in high quality liquid assets led the respective Liquidity Coverage ratio (LCR) to 122%. The Parent Company has eliminated the use of ELA from end of January 19.

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. Before the expiry of the last of the existing issues in July 2023, 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 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 will be influenced by the Parent Company's financial condition.

Directors' Report

The principal risks and uncertainties of the Parent Company, which include those of the Company, are discussed in the Report of Directors' 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).

iv) 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.

v) 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
- Dimosthenis Archontidis (resigned on July 1, 2019)
- Nikolaos Laios
- Dimitra Spyrou (resigned on July 1, 2019)

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

vi) Parent company

The Parent Company as at 31 December 2019 was 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 (Cayman islands) Limited (note 15).

vii) Directors' responsibilities in relation to the financial statements

The Directors have prepared these non statutory financial statements so as to provide a true and fair view of the state of affairs of the Company and of the profit or loss for that period. The Directors have prepared the financial statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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. They 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.

Directors' Report

viii) Statement of disclosure of information to auditors

Each director acted during the year and up to the date of the directors' report confirms that:

- so far as the directors are 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 directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

ix) Independent Auditors

KPMG Certified Auditors S.A. (KPMG) was appointed as the auditor of the Company for the financial year 2019, at its Annual General Meeting on 3 December 2019.

The Directors' Report was approved by the Board of Directors on 17 December 2020 and was signed on its behalf by:

Anastasios Ioannidis

Director
17 December 2020

KPMG Certified Auditors S.A.
3 Stratigou Tombra Street
Aghia Paraskevi
153 42 Athens, Greece
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Independent Auditor's Report

To the Directors of ERB Hellas (Cayman Islands) Limited

Opinion

We have audited the Financial Statements of ERB Hellas (Cayman Islands) Limited (the "Company") which comprise the Balance Sheet as at 31 December 2019 the Statement of Comprehensive Income, Changes in Equity and Cash Flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the Financial Statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the ethical requirements that are relevant to our audit of the financial statements in Greece and we have fulfilled our other ethical responsibilities in accordance with the requirements of the applicable legislation and the aforementioned Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

KPMG Certified Auditors S.A.

KPMG Certified Auditors S.A.
Athens, Greece
17 December 2020

Statement of Comprehensive Income

	Note	Year ended 31 December 2019 €'000	2018 €'000
Interest and similar income	5	**322**	920
Interest expense and similar charges	6	**(322)**	(919)
Net Interest Income		**0**	1
Net gains/(losses) from financial instruments	7	**3**	(3)
Foreign exchange gains		**0**	19
Impairment (losses)/reversal	10,11	**107**	147
Operating expenses	8	**(46)**	(67)
Profit before income tax		**64**	97
Income tax expense	9	**-**	-
Total comprehensive income for the year attributable to the owners of the Parent Company		**64**	97

Notes on pages 15 to 36 form an integral part of these financial statements

Balance Sheet

	Note	At 31 December 2019 €'000	2018 €'000
Assets			
Deposits with banks	10	**6.712**	4.670
Investment securities at amortised cost	11	**-**	6.660
Derivative financial instruments	12	**609**	208
Other assets		**6**	6
Total assets		**7.327**	11.544
Liabilities			
Liabilities evidenced by paper at amortised cost	13	**6.300**	11.003
Derivative financial instruments	12	**660**	240
Other liabilities		**24**	22
Total liabilities		**6.984**	11.265
Equity			
Share capital	14	**16**	16
Reserves and retained earnings		**327**	263
Total equity		**343**	279
Total equity and liabilities		**7.327**	11.544

The financial statements on pages 11 to 36 were approved by the Board of Directors on 17 December 2020 and were signed on its behalf by:

Anastasios Ioannidis

Director

Notes on pages 15 to 36 form an integral part of these financial statements

Statement of Changes in Equity

	Share capital €'000	Reserves and retained earnings €'000	Total €'000
Balance at 1 January 2018	**16**	**487**	**503**
Impact of adopting IFRS 9 at 1 January 2018 (note 2.12)	**-**	(321)	(321)
Balance at 1 January 2018, as restated	**16**	**166**	**182**
Profit for the year	-	97	97
Total Comprehensive Income for the year ended 31 December 2018	-	97	97
Balance at 31 December 2018	**16**	**263**	**279**
Balance at 1 January 2019	**16**	**263**	**279**
Profit for the year		64	64
Total Comprehensive Income for the year ended 31 December 2019	-	64	64
Balance at 31 December 2019	**16**	**327**	**343**

Notes on pages 15 to 36 form an integral part of these financial statements

Cash Flow Statement

	Note	Year ended 31 December 2019 €'000	2018 €'000
Cash flows from operating activities			
Interest and similar income received		**227**	722
Interest and similar charges paid		**(227)**	(722)
Cash payments to suppliers		**(46)**	(66)
Cash flows from operating activities before changes in operating assets and liabilities		**(46)**	(66)
Changes in operating assets and liabilities			
Net decrease/(increase) in deposits with banks		**(2.000)**	2.769
Net cash generated from (used in) operating activities		**(2.046)**	2.703
Cash flow from investing activities			
Sales and redemptions of investment securities		**6.725**	50
Net cash generated from investing activities		**6.725**	50
Cash flows from financing activities			
Proceeds from issue of loan notes		**2.000**	1.500
Repayments of loan notes	13	**(6.725)**	(4.300)
Net cash used in financing activities		**(4.725)**	(2.800)
Net decrease in cash and cash equivalents		**(46)**	(47)
Cash and cash equivalents at beginning of year		**473**	520
Cash and cash equivalents at end of year	10	**427**	473

Notes on pages 15 to 36 form an integral part of these financial statements

Notes to the Financial Statements

1. General information

ERB Hellas (Cayman Islands) Limited (the "Company"), is a public limited company. The Company as at 31 December 2019 was a subsidiary of Eurobank Ergasias S.A. 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 (the "Parent Company" or the "Bank") of ERB Hellas (Cayman islands) Limited and Eurobank Ergasias S.A. was renamed to Eurobank Holdings (ultimate parent company) (note 15). ERB Hellas (Cayman Islands) Limited is a finance company, whose sole business is raising debt for the Parent Company via medium term notes, purchased by institutional and private investors. The medium term notes outstanding are guaranteed by the Parent Company (note 13). The Company has no employees, or audit committee.

2. Accounting policies

2.1 Basis of preparation

The non statutory financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as endorsed by the European Union (EU) and in particular with those IFRSs and IFRS Interpretation Committee's (IC) interpretations issued and effective as at the time of preparing these statements.

The financial statements are prepared under the historical cost convention except for the financial assets and financial liabilities (including derivative instruments) measured at fair value through profit or loss. The accounting policies for the preparation of the financial statements have been consistently applied to the years 2019 and 2018, after taking into account the amendments in IFRS as described in this section.

The preparation of financial statements in accordance with IFRS as adopted by the European Union, requires the use of estimates and assumptions 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 Euro has been rounded to the nearest thousand (ths).

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 has a substantial presence, however the coronavirus (Covid-19) outbreak posed substantial uncertainties and risks for both the macroeconomic environment and the ability of numerous businesses to operate under the restrictive measures, including lockdowns, adopted to contain the virus expansion.

Notes to the Financial Statements (continued)

The following risks and challenges were identified in the ultimate Parent Company's Group (the "Group") interim financial statements for the period ended 30 September 2020, which were approved on 18 November 2020:

The first lockdown in Greece started in mid-March 2020 and was lifted through a gradual relief from 4 May 2020 onwards according to the Greek government's plan. The second, countrywide, lockdown started on 7 November 2020 and is expected to be gradually eased from 14 December 2020. Based on Hellenic Statistical Authority (ELSTAT) provisional data, the real GDP growth rate in the third quarter of 2020 was at -11.7% on an annual basis, as a result of a significant drop in total consumption expenditure, investments and exports, while the respective figure for the first and the second quarter of 2020 was at 0.4% and -14.2% respectively. According to the 2021 Budget, the estimate for the 2020 real GDP growth is at - 10.5% while the respective forecast for 2021 is at 4.8%. The European Commission (EC), in its 2020 autumn economic forecasts published in early November 2020 and thus without the negative economic effect of the second lockdown, estimated a real GDP drop of 9.0% in Greece in 2020, followed by a 5.0% increase in 2021. According to the 2021 Budget, the unemployment rate was expected at 18.9% and 17.9% for 2020 and 2021 respectively. According to the EC autumn forecasts, the unemployment rate is expected to increase to 18.0% in 2020 and then to fall to 17.5% in 2021 from 17.3% in 2019. Based on ELSTAT data, unemployment stood at 16.8% in August 2020 on an annual basis (August 2019: 16.9%). On the fiscal front, the fiscal primary balance in the 2021 Budget is expected to register a deficit of 7.2% and 3.9% of GDP for 2020 and 2021 respectively. According to the EC autumn economic forecasts, Greece's fiscal primary balance in ESA2010 terms, was expected to register in 2020 and 2021 a deficit of 3.8% and 3.6% of GDP respectively, taking into account the public support measures as of 22 October 2020. The deviation from the Enhanced Surveillance (ES) primary surplus target of 3.5% of GDP for both 2020 and 2021 will not be considered a violation of Greece's commitments undertaken in the ES framework, as on 4 March 2020 Eurogroup decided that non-permanent deviations from the agreed fiscal paths of the member-states, due to unusual effects outside the control of their governments (i.e. the effects of the pandemic), are acceptable. The aforementioned primary balance figures for 2020 and 2021 might change significantly as a result of the actual size of the public sector's support measures and the reduction in tax revenues due to the Government's relevant moratoria and the decline of economic activity. According to the 2021 Budget, the gross public debt is expected at 208.9% and 199.6% of GDP for 2020 and 2021 while the respective EC autumn economic forecasts, were at 207.1% and 200.7% of GDP for 2020 and 2021.

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 Directors Report.

Regarding the outlook for the next 12 months, the major macroeconomic risks and uncertainties in Greece mainly relate with the outbreak of Covid-19 pandemic and are as follows: (a) the evolution of the health crisis including the probability of the continuation of the second pandemic wave well after the end of 2020, and its negative effect on the domestic, regional and / or global economy, (b) the progress on the development, approval, production and the widespread distribution of a safe and effective Covid-19 vaccine, (c) the actual size of the fiscal measures aiming to address the effect of the pandemic on the real economy and their effect on the long-term sustainability of the country's public debt, (d) the pace of the economy's downturn in 2020 and the recovery in 2021, (e) the effective utilization of the NGEU and MFF funds and the attraction of new investments in the country, (f) the implementation of the reforms and privatizations' agenda in order to meet the ES targets and milestones, and (g) the geopolitical conditions in the near or in broader region.

Notes to the Financial Statements (continued)

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

The Group 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 on the support of its clients to overcome the challenging juncture, the mitigation of “cliff effects” when the moratoria measures begin to expire, the protection of its asset base and the resilience of its pre-provision profitability. In addition, the Group, 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.

Within this challenging external environment, the Group proceeded with its accelerated NPE reduction plan announced in the fourth quarter of 2018. As at 30 September 2020, the Group’s NPEs’ were reduced to € 6.1 billion (31 December 2019: € 13 billion), driving the NPE ratio to 14.9% (31 December 2019: 29.2%) and the NPE coverage ratio to 62.5% (31 December 2019: 55.3%).

The total CAD and CET1 ratios at 30 September 2020 stood at 15.6% and 13.2% respectively. In addition, the Parent Company has been profitable over the last 4 years (2016-2019). The Group’s deposits have further increased to € 46.2 billion (2019: € 44.8 billion), while the rise in high quality liquid assets led the respective Liquidity Coverage ratio (LCR) to 122%. The Parent Company has eliminated the use of ELA from end of January 19.

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.

<u>Going concern assessment</u>

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. Before the expiry of the last of the existing issues in July 2023, 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 all of the above, the Directors

Notes to the Financial Statements (continued)

believe it remains appropriate to prepare the financial statements on a going concern basis.

New standards and interpretations adopted by the Company.

The following amendments as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), which are relevant to the Company, apply from 1 January 2019:

IFRS 9, Amendments–Prepayment Features with Negative Compensation

The amendments in IFRS 9 requirements allow the measurement of a financial asset at amortised cost, or at fair value through other comprehensive income (FVOCI), depending on the business model, even in the case of prepayment options which could result in the party that triggers the early termination, receiving compensation from the other party (negative compensation). Therefore, these financial assets can now be measured at amortised cost or at FVOCI, regardless of the event or circumstance that caused the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination. Applying IFRS 9 before the amendments would probably result in these financial assets failing the "Solely Payments of Principal and Interest" criterion and thus being measured at FVTPL.

The amendments also confirm the modification accounting of financial liabilities under IFRS 9. Specifically, when a financial liability measured at amortised cost is modified without this to result in derecognition, a gain or loss, calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognized in profit or loss.

The adoption of the amendments had no impact on the Company's financial statements.

(a) 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 to existing standards listed below, that are relevant to the Company, are not expected to have a material impact to 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, 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.

Notes to the Financial Statements (continued)

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 and to the amortized cost of financial liabilities respectively.

For financial assets that may become credit-impaired subsequent to initial recognition, 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.

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 paid up share capital denominated in US dollars has been translated into euro on the exchange rate at the date of issue.

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, fair value through other comprehensive income or fair value through profit or loss.

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

Financial Assets measured at Amortized Cost (‘AC’)

The Company classifies and measures a financial asset at AC 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.

Notes to the Financial Statements (continued)

Financial Assets measured at Fair Value through Profit and Loss (“FVTPL”)

The Company classifies and measures all other financial assets that are not classified at AC or FVOCI, at FVTPL.

Financial assets measured at FVTPL are initially recorded at fair value and any unrealized gains or losses arising due to changes in fair value are included in the income statement.

The Company does not hold financial assets other than derivative financial instruments that are classified and measured at FVTPL or assets that are classified and measured at FVOCI (please refer to the assessment below).

Business model and contractual characteristics assessment

The business model assessment determines how the Company manages a group of assets to generate cash flows. That is, whether the Company's objective is solely to collect contractual cash flows from the asset (hold-to-collect, HTC), both to collect contractual cash flows and cash flows from the sale of assets (hold-to-collect-and-sell, HTC&S) or to realize cash flows from the sale of assets (trading). In addition, the business model is determined after aggregating the financial assets into groups (business lines) which are managed similarly rather than at an individual instrument’s level.

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 portfolio is monitored and reported and any available information on past sales and on future sales’ strategy, where applicable.

Accordingly, in making the above assessment, the Company will consider a number of factors including the risks associated with the performance of the business model and how those risks are evaluated and managed and the frequency, volume and reasons of past sales, as well as expectations about future sales activity, where applicable.

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.

In assessing whether the contractual cash flows are SPPI, the Company will consider whether the contractual terms of the instrument are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin. On the initial recognition of a financial asset, an assessment is performed of whether the financial asset contains a contractual term that could change the amount or timing of contractual cash flows in a way that it would not be consistent with the above condition. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is considered to have failed the SPPI assessment and will be measured at FVTPL.

For the purpose of the SPPI assessment, the Company considers the existence of various features, including among others, contractually linked terms, prepayment terms, deferred interest-free payments, extension and equity conversion options and terms that introduce leverage including index linked payments. The Company performs the SPPI assessment for its financial assets on an individual basis.

Following the business model and cash flow characteristics assessment the Company’s financial assets, other than the derivative financial instruments, fall into the category of HTC model and are classified and measured at amortized cost.

Notes to the Financial Statements (continued)

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 rights to receive cash flows are retained but at the same time the Company assumes an obligation to pay the received cash flows without a material delay (pass through agreement) or when substantially all the risks and rewards are neither transferred nor retained but the Company has transferred control of the asset. Control is considered to be 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 sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI for financial assets at FVOCI, 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.

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.

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

Notes to the Financial Statements (continued)

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.

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, 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:

- 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.

For debt securities, the Company determines the risk of default using an internal credit rating scale. The Company considers debt securities as credit impaired if the internal rating of the issuer/counterparty corresponds to a rating equivalent to "C" (Moody's rating scale) or the external rating of the issuer/counterparty at the reporting date is equivalent to “C” (Moody’s rating scale) and its internal rating is not available.

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.

Notes to the Financial Statements (continued)

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 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.

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, which 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. For debt instruments

Notes to the Financial Statements (continued)

measured at FVOCI, impairment allowance is recognized in other comprehensive income and does not reduce their carrying amount in the balance sheet. The respective ECL for the above financial items is recognized 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.

2.7 Financial liabilities

The Company may classify its financial liabilities in the following categories: financial liabilities measured at amortized cost and financial liabilities measured at fair-value-through-profit-or-loss (FVTPL).

Financial liabilities FVTPL comprise two sub categories: financial liabilities held for trading and financial liabilities designated at FVTPL upon initial recognition.

Financial liabilities held for trading are those liabilities that the Company incurs principally for the purpose of repurchasing in the near term for short term profit.

The Company may, at initial recognition, irrevocably designate financial liabilities at FVTPL when one of the following criteria is met:

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis; or
- the financial liability contains one or more embedded derivatives as components of a hybrid contract which significantly modify the cash flows that otherwise would be required by the contract.

Financial liabilities designated at FVTPL are initially recognized at fair value. Changes in fair value are recognized in the income statement, except for changes in fair value attributable to changes in the Company's own credit risk, which are recognized in OCI and are not subsequently reclassified to the income statement upon derecognition of the liabilities. However, if such treatment creates or enlarges an accounting mismatch in the income statement, all gains or losses of this financial liability, including the effects of changes in the credit risk, are recognized in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability of the Company is replaced by another from the same counterparty on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability, and any difference arising is recognised in the profit or loss.

The Company considers the terms to be substantially different, if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Notes to the Financial Statements (continued)

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Similarly, when the Company repurchases any debt instruments issued by the Company, it accounts for such transactions as an extinguishment of debt.

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 Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Fair values of derivatives are determined using valuation techniques, as appropriate. Changes in the fair value of any derivative financial instrument are recognized immediately in the profit or loss. The principles for the fair value measurement of financial instruments, including derivative financial instruments, are described in notes 2.5 and 3.

Embedded derivatives

Financial assets that contain embedded derivatives are recognised in the balance sheet in their entirety in the appropriate classification category, following instruments' assessment of their contractual cash flows and their business model as described in note 2.4.

On the other hand, derivatives embedded in financial liabilities, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement.

2.10 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;

(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.

Notes to the Financial Statements (continued)

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 € 321 ths, which was recognised as an opening balance adjustment at 1 January 2018 and it was attributed to the impairment for ECL of the investment securities at amortised cost and the time deposits with the Parent Company, with total gross amount of € 6,521 ths and € 3,332 ths, respectively, 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	**487**
Remeasurement under IFRS 9 ECL impairment	**(321)**
Opening balance under IFRS 9	**166**

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 program are placed on deposits with the Parent Company. The aggregate carrying amount of these deposits approximates the maximum credit risk exposure of the Company. Financial assets are neither past due nor impaired.

(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 positions and cash flows. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

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, or by the use of interest

Notes to the Financial Statements (continued)

rate swaps.

- 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 largely managed 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, 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.

The amounts disclosed in the table below are the contractual undiscounted cash flows of financial liabilities by remaining contractual maturities (or call/put dates where applicable) at the balance sheet date. The cash flows of derivative financial instruments are grouped together with those for the loan notes.

	2019				
	Less than 1 month €' 000	**1 - 3 months €' 000**	**3 months to 1 year €' 000**	**Over 1 year €' 000**	**Gross nominal outflow €' 000**
Financial liabilities:					
- Loan notes	**-**	**-**	**28**	**6.703**	**6.731**
Other liabilities	**-**	**-**	**24**	**-**	**24**
	-	**-**	**52**	**6.703**	**6.755**

	2018				
	Less than 1 month €' 000	**1 - 3 months €' 000**	**3 months to 1 year €' 000**	**Over 1 year €' 000**	**Gross nominal outflow €' 000**
Financial liabilities:					
- Loan notes	19	6.891	68	4.608	11.586
Other liabilities	-	-	22	-	22
	19	6.891	90	4.608	11.608

(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 Company is not subject to any external capital requirement.

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date, under current market conditions (i.e. an exit price). When a quoted price for an identical asset or liability is not observable, fair value is measured using another valuation technique that is appropriate in the circumstances, and maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect assumptions that market participants would use when pricing financial instruments, such as quoted prices in active markets for similar instruments, interest rates and yield curves, implied volatilities and credit spreads.

Notes to the Financial Statements (continued)

The Company's financial instruments carried at fair value or 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 categorized 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 recognized 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 issued or held by the Company, deposits with the Parent Company and over-the-counter (OTC) derivatives.
- 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 categorized into Level 3 of the fair value hierarchy.

The fair value hierarchy categorization of the Company's financial assets and liabilities carried at fair value/amortized cost at 31 December 2019 and 2018 is presented in the following tables:

	2019				
	Level 1 €' 000	**Level 2 €' 000**	**Level 3 €' 000**	**Fair Value**	**Carrying amount**
Financial assets measured at fair value:					
Derivative financial instruments	-	609	-	609	609
	-	609	-	609	609
Financial assets not measured at fair value:					
-Term deposits with Banks at amortized cost	-	6.960	-	6.960	6.284
	-	6.960	-	6.960	6.284
Financial liabilities measured at fair value:					
Derivative financial instruments	-	660	-	660	660
	-	660	-	660	660
Financial liabilties not measured at fair value:					
Liabilities evidenced by paper at amortised cost	-	6.909	-	6.909	6.300
	-	6.909	-	6.909	6.300

Notes to the Financial Statements (continued)

	2018				
	Level 1 €' 000	Level 2 €' 000	Level 3 €' 000	Fair Value	Carrying amount
Financial assets measured at fair value:					
Derivative financial instruments	-	208	-	208	208
	-	208	-	208	208
Financial assets not measured at fair value:					
- Investment securities at amortised cost	-	6.831	-	6.831	6.660
-Term deposits with Banks at amortized cost	-	3.750	-	3.750	4.197
	-	10.581	-	10.581	10.857
Financial liabilities measured at fair value:					
Derivative financial instruments	-	240	-	240	240
	-	240	-	240	240
Financial liabilties not measured at fair value:					
Liabilities evidenced by paper at amortised cost	-	10.581	-	10.581	11.003
	-	10.581	-	10.581	11.003

There were no transfers between Level 1 and 2 and vice versa, as well as, no changes in valuation techniques used, during the year ended 31 December 2019.

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

For determining the fair value of financial instruments that are not quoted in an active market, the Company uses quotes for identical or similar financial instruments provided by Bloomberg or widely recognized valuation techniques, including counterparty valuations derived from recognized international institutions, that use mainly observable 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.

The models which have been developed by Parent Company's appropriate personnel, are certified before they are used and are calibrated to ensure that outputs reflect actual data and comparative market prices. Fair values estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that market participants would take them into account in pricing the instrument. 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, etc.

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 certain loan notes issued by the Company and their respective mirror assets (investment securities at amortized cost), the fair values are determined based on quotes for identical or similar investment securities in markets that are not active, derived from Bloomberg.
- The fair value of interest rate swaps is provided by recognized international institutions, using mainly observable market data.

Notes to the Financial Statements (continued)

- The fair value of long term deposits with banks and the remaining loan notes issued by the Company, is determined by using valuation models that use only observable market data such as equity/index level implied volatilities and yield curves. Fair values reflect also the credit risk of the financial instrument and include adjustments to take into account the credit risk of the Parent Company, where appropriate. The credit risk of the Parent Company is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Parent Company's subsidiaries or other Greek issuers.

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.

4. Critical accounting estimates and judgments

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 recognized in the financial statements within the next financial year. Estimates and judgments are continually evaluated and based on current conditions, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are recognized prospectively. The most significant areas in which the Company makes judgements, estimates and assumptions in applying its accounting policies are set out below:

4.1 Deposits with banks and investment securities at amortised cost

The Company's proceeds from loan notes have been placed in deposits with the Parent Company and in investment securities at amortized cost issued by the Parent Company. The directors' assessment of the recoverability of these assets 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 10).

ECL measurement

The ECL measurement requires management to apply significant judgment, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in significant changes to the timing and amount of allowance for credit loss to be recognized. The ECL calculations for the Company's financial assets 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 in deposits with the Parent Company by € 22 ths.

4.2 Fair value of financial instruments

The fair values of financial instruments that are not quoted in an active market are determined either by using valuation techniques, or by market quotes for identical or similar securities. In addition, for financial

Notes to the Financial Statements (continued)

instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or by using models.

The valuation techniques used include present value methods and other models based mainly on observable inputs and to a lesser extent to non-observable inputs, in order to maintain the reliability of the fair value measurement.

Valuation techniques are used to value deposits with banks, derivative instruments and loan notes issued or held by the Company.

The main assumptions and estimates, considered by management when applying a valuation model include:

(a) the likelihood and expected timing of future cash flows;
(b) the selection of the appropriate discount rate, which is based on an assessment of what a market participant would regard as an appropriate spread of the rate over the risk-free rate; and
(c) judgment to determine what model to use in order to calculate fair value.

To the extent practicable, models use only observable data, however areas such as credit risk, volatilities and correlations require management to make estimates to reflect uncertainties in fair values resulting from the lack of market data inputs. Valuation techniques used to calculate fair values are further discussed in note 3.

Given the uncertainty and subjectivity inherent in the estimation of fair value of financial instruments, changes in management assumptions and estimates could affect the reported fair values.

4.3 Classification of financial instruments

The Company applies significant judgment in assessing the classification of its financial instruments and especially, in the below areas:

Business model assessment

Judgment is exercised in order to determine the appropriate level at which to assess the business model. This assessment is based on the financial instruments' characteristics, and the way these are managed in order to achieve the Company's business objectives.

In assessing the business model for financial instruments, the Company performs a past sales evaluation of the financial instruments and assesses their expected evolution in the future. Judgment is exercised in determining the effect of sales to a "hold to collect" business model depending on their objective and their acceptable level and frequency.

Contractual cash flow characteristics test (SPPI test)

The Company performs the SPPI assessment of financial assets (deposits and investment securities) by considering all the features which might potentially lead to SPPI failure. Judgment is applied when considering whether certain contractual features significantly affect future cash flows.

The Company has established a robust framework to perform the necessary assessments in accordance with Company's policies in order to ensure appropriate classification of financial instruments, including reviews by Group's experienced staff.

Notes to the Financial Statements (continued)

5. Interest and similar income

	Year ended 31 December	
	2019	2018
	€' 000	€' 000
Interest income on investment securities	**173**	840
Interest income on deposits with the Parent Company	**149**	80
	322	920

6. Interest expense and similar charges

	Year ended 31 December	
	2019	2018
	€' 000	€' 000
Interest expense on liabilities evidenced by paper	**(173)**	(839)
Interest expense on derivative financial instruments	**(149)**	(80)
	(322)	(919)

7. Net gains/ (losses) from financial instruments

	Year ended 31 December	
	2019	2018
	€' 000	€' 000
Changes in fair value of derivative financial instruments managed with liabilities evidenced by paper	**(817)**	(176)
Changes in fair value of derivative financial instruments managed with deposits	**820**	173
	3	(3)

8. Operating expenses

	Year ended 31 December	
	2019	2018
	€' 000	€' 000
Fees payable to the auditor for the non statutory audit of the Company's annual financial statements	**(23)**	(23)
EMTN update and other costs	**(23)**	(44)
	(46)	(67)

9. Income tax expense

The Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, accordingly, has no liability to taxation in the Cayman Islands. In addition, the Company is non-UK resident and therefore not liable to corporation tax in the UK or any other country.

Notes to the Financial Statements (continued)

10. Deposits with banks

	2019	2018
	€' 000	€' 000
Deposits with the Parent Company at amortised cost		
- Gross carrying amount	**6.779**	4.801
- Cumulative 12-month ECL allowance	**(67)**	(131)
Total carrying amount	**6.712**	4.670
Maturing over 1 year	**6.300**	4.300
With original maturity of less than 90 days (cash and cash equivalents) - gross carrying amount	**427**	473

During the year ended 31 December 2019, the ECL adjustment decreased by € 64, totaling to € 67 ths, due to the improvement of the credit quality of the Parent Company.

The credit rating of the Parent Company as of the end of December 2019 (Eurobank Ergasias S.A.) according to Moody's was Caa1, improved compared to the previous year (Caa2). Following the demerger of Eurobank Ergasias on 20 March 2020 (note 15) and up to the end of November 2020, the credit rating of the immediate Parent Eurobank S.A., had not been altered and remained stable at Caa1.

11. Investment securities at amortised cost

	2019	2018
	€' 000	€' 000
Investment securities carried at amortised cost		
- Gross carrying amount	**-**	6.703
- Cumulative 12-month ECL allowance	**-**	(43)
	-	6.660

During the year ended 31 December 2019, all of the investment securities issued by the Parent Company and held by the Company of total face amount of € 6,725 ths, matured. Consequently, the cumulative ECL of these investment securities was reversed.

12. Derivative financial instruments

The Company's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligations. The Company utilizes interest rate swaps in order to exchange loan notes cash flows for interest payments derived from deposits with the Parent Company, as set out in note 3.

The fair values of derivative financial instruments held are set out in the following table:

	2019			2018		
	Contract/ notional amount	**Fair values**		Contract/ notional amount	Fair values	
		Assets	**Liabilities**		Assets	Liabilities
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Derivatives held for trading						
-Interest rate swaps	**12.600**	**609**	**660**	10.600	208	240
	12.600	**609**	**660**	10.600	208	240

Notes to the Financial Statements (continued)

13. Liabilities evidenced by paper at amortised cost

	Interest rate %	Currency	2019 Face amount €' 000	2019 Carrying amount €' 000	2018 Face amount €' 000	2018 Carrying amount €' 000
Fixed rate loan notes	9.0	EUR	-	-	6.725	6.703
Fixed rate loan notes	0,0	EUR	6.300	6.300	4.300	4.300
			6.300	6.300	11.025	11.003

Under the program 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. All loan notes issued as at 31 December 2019 are on an unsubordinated basis.

As part of the Company's risk management strategy, these notes are managed by placing deposits with the Parent Company (note 3).

During the year loan notes of face value of € 6,725 ths matured, while the Company proceeded with the issue of loan notes of face value of € 2,000 ths.

The loan notes mature in 2021, 2022 and 2023.

Post balance sheet event

Upon the completion of the Eurobank Ergasias S.A. hive down on 20 March 2020 (note 15) 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.

14. Share capital

	2019 Number	2019 US$'000	2018 Number	2018 US$'000
Authorised ordinary shares of US$ 1 each	50.000	50	50.000	50
Authorised preference shares of US$ 100,000 each	1.500	150.000	1.500	150.000
Issued ordinary shares of US$ 1 each	50.000	50	50.000	50
Allotted and paid up 49,999 ordinary shares at US$ 0.30 per ordinary share and 1 ordinary share at US$ 1	50.000	15	50.000	15

The paid up share capital of US$ 15,001 is reflected in the non statutory financial statements as € 16,436 based on the exchange rate at the date of issue.

15. 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., which was the Company's immediate and ultimate parent undertaking, incorporated in Greece.

As of May 2019, following the increase of the share capital of the Eurobank Ergasias S.A., the percentage of its ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF) stands at 1.40%.

Notes to the Financial Statements (continued)

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 Eurobank Ergasias S.A. 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 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	Parent Company & Parent Company's subsidiaries
	€' 000	€' 000
Deposits with banks	**6.712**	4.670
Invetsment securities	**-**	6.660
Liabilities evidenced by paper at amortised cost	**-**	459
Derivative financial instruments (liabilities)	**660**	240
Interest and similar income	**322**	920
Interest expense and similar charges	**(158)**	(117)

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 Eurobank Ergasias S.A. ("Demerged Entity") decided the initiation of the hive down process of the banking business sector and its transfer to a new company-credit institution that will be established ("the Beneficiary").

On 31 July 2019, the BoD of Eurobank Ergasias S.A. approved the Draft Demerger Deed and on 31 January 2020, Eurobank Ergasias S.A. 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 Eurobank Ergasias S.A. BoD.

Notes to the Financial Statements (continued)

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.

16. Segmental reporting

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

17. Post balance sheet events

Note 2.1- Basis of preparation

Note 10- Deposits with banks

Note 13- Liabilities evidenced by paper at amortised cost

Note 15- Related party transactions