

Company Registration Number: 07715233

KARTA II PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

KARTA II PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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KARTA II PLC

OFFICERS AND PROFESSIONAL ADVISERS

Directors	Wilmington Trust SP Services (London) Limited D J Wynne
Company secretary	Wilmington Trust SP Services (London) Limited
Company number	07715233
Registered office	Wilmington Trust SP Services (London) Limited Third Floor 1 King's Arms Yard London EC2R 7AF
Independent auditors	KPMG LLP, Statutory Auditor Chartered Accountants 15 Canada Square Canary Wharf London E14 5GL

KARTA II PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and the audited financial statements of Karta II PLC (the "Company" or the "Issuer") for the year ended 31 December 2018. In accordance with IFRSs, and particularly IFRS 10 - Consolidated financial statements, the Company is considered to be controlled by Eurobank Ergasias S.A. (the "Transferor" or the "Originator" or the "Servicer"), a bank incorporated in Greece. The Company was incorporated in England and Wales together with Karta II Holdings Limited (the "Holdings") to take part in the Karta II securitisation transaction (the "Securitisation Transaction") as described in the Strategic Report. In addition to the information in the Strategic Report regarding the Securitisation Transaction, the directors manage the Company's affairs in accordance with the Offering Circular (the "Offering Circular") dated 15 August 2011 which was further amended by the Global Amendment Deed and Noteholder Consent on the 25 September 2013, 8 February 2016, 13 October 2017 and 29 January 2019.

On 29 January 2019 the 'Bullet Maturity Date' was extended to February 2021 and the 'Final Maturity Date' to February 2023. The Bullet maturity date signifies the end of the securitization's revolving period. During the revolving period, receivables can be transferred out of (receivables prior denouncement) and into (replenishments of loans with higher credit quality) the securitization scheme.

From the Bullet Maturity Date, the amortization period begins, lasting up to the Final Maturity Date. During the amortization period, collections are used to repay the notes, while no further transfers of receivables in the perimeter (replenishments) are performed.

The offering circular can be obtained from the Originator at www.eurobank.gr.

The principal activities of the Company, Results and Dividends, Future Developments, Key Performance Indicators, Principal Risks and Uncertainties are detailed in the Strategic Report.

CORPORATE GOVERNANCE STATEMENT

The directors are responsible for the Company's internal control environment and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud. The procedures enable the Company to comply with any regulatory obligations. For further details, refer to the notes to the financial statements particularly note 14 on financial risk management.

CREDITOR PAYMENT POLICY

The Company's policy concerning the payment of its trade creditors is to pay in accordance with its contractual and other legal obligations. All creditors are paid in accordance with the priority of payments set out in the Offering Circular.

DIRECTORS

The directors who served the Company during the year and up to the date of signing the financial statements were as follows:

Wilmington Trust SP Services (London) Limited
D J Wynne

THIRD PARTY INDEMNITIES

Third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the annual reports and financial statements.

DIVIDENDS

The directors have not recommended a dividend (2017: €nil).

FUTURE DEVELOPMENTS

Information on future developments is included in the "Future Developments" section of the Strategic report.

FINANCIAL RISK MANAGEMENT

Information on Financial Risk Management is included in the "Principal Risks and Uncertainties" section of the Strategic report.

KARTA II PLC

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

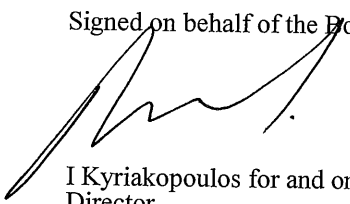
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Signed on behalf of the Board



I Kyriakopoulos for and on behalf of Wilmington Trust SP Services (London) Limited
Director
30 October 2019

KARTA II PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report of Karta II PLC (“the Company”) for the year ended 31 December 2018.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the Company is set by the Offering Circular and is that of a special purpose company incorporated for the securitisation of a portfolio of receivables (the “Receivables”). The Receivables consist of credit card agreements selected from the total portfolio of agreements entered into by the Transferor with obligors in Greece and originated by Eurobank Ergasias S.A.

The Offering Circular sets out the details of the Securitisation Transaction.

On 16 August 2011 the Company issued €900,000,000 Class A Asset Backed Floating Rate Notes due 2019 (the “Class A Notes” or “Notes”) and used the entire proceeds to purchase the Receivables. The Notes are listed on the Irish Stock Exchange.

Interest on the Notes is payable monthly in arrears on the 25th day of each month subject to adjustment for non-business days. The interest rate for the Notes is 1.00 per cent per annum above the one month EURIBOR rate. The first interest payment date was on 25 September 2011.

A partial repayment of €200,000,000 was made on 25 September 2013 followed by €300,000,000 on 13 December 2017.

On 29 January 2019 the ‘Bullet Maturity Date’ was extended to February 2021 and the ‘Final Maturity Date’ to February 2023. The Bullet Maturity Date signifies the end of the securitization’s revolving period. During the revolving period, receivables can be transferred out of (receivables prior denouncement) and into (replenishments of loans with higher credit quality) the securitization scheme.

The Bullet Maturity Date is in February 2021 and the amortization period begins after this date, lasting up to the Final Maturity Date. During the amortization period, collections are used to repay the notes, while no further transfers of receivables in the perimeter (replenishments) are performed.

The transaction is to close on the Final maturity date, i.e. in 2023, however an earlier closing (on the Bullet Maturity Date) or a further extension cannot be excluded based on market circumstances and The Originator’s needs at that date.

The Directors are currently assessing the potential impact of Euribor reform due in 2021.

The sale of the Receivables to the Company is considered to fail the derecognition criteria of IFRS 9 financial instruments and therefore they are retained on the statement of financial position of the Originator. The Company records in its statement of financial position a receivable from the Originator (the “Deemed Loan to the Originator”), rather than the Receivables it has legally purchased.

In accordance with the Offering Circular, the Company will only retain €400 in respect of any interest payment date and the resulting difference is included in arriving at the deferred consideration payable to the originator.

The Company’s only sources of funds for the payment of principal and interest due on the Notes are the principal and interest collections which the Company will be entitled to receive from the Receivables.

Credit enhancement is provided to the Notes mainly through deferred consideration and a reserve fund account funded through a subordinated loan from the Originator.

The Originator, in its capacity as an active servicer of the Company, has opted to proactively repurchase any Receivables prior to their designation as uncollectible, also considering the credit enhancement structure of the transaction that brings all relevant credit risks to the Originator, at a price equal to the outstanding balance of the relevant Receivable i.e. Principal Balance & Finance Charges (unpaid interest, fees and expenses) at the time of repurchase. Furthermore, receivables repurchased as per the aforementioned process are periodically replaced by those with higher credit quality, further strengthening the Company’s financial position.

KARTA II PLC

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

RESTATEMENT

The Company has restated the prior year's financial statements in respect of the presentation of interest received in the cash flow statement. The effect of the change was to present interest received gross of accrued deferred consideration payment. The income statement, the statement of financial position and the equity statement are not affected by this change in presentation.

RESULTS AND DIVIDENDS

The results for the year and the Company's financial position at the end of the year are shown in the attached financial statements. The profit for the year was €3,888 (2017: €3,876). At the year end, the Company had net assets of €42,075 (2017: €38,187). The directors have not recommended a dividend (2017: €nil).

FUTURE DEVELOPMENTS

No changes are expected to the Company's operations in the future as the Company's operations are governed by the transaction documents. The future performance of the Company depends on the performance of the Receivables.

KEY PERFORMANCE INDICATORS

The key financial performance indicators of the business are considered to be the credit quality of the underlying Receivables as detailed in note 7, the Company's cash position and the credit enhancements in place, namely the subordinated loan and the deferred purchase consideration. Details of other performance indicators are included in the Investor reports which are publicly available on the following website: www.eurobank.gr.

PRINCIPAL RISKS AND UNCERTAINTIES

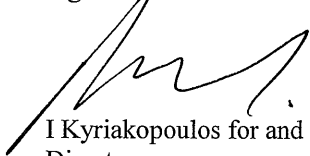
The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks affecting the Company and its management are set out in note 14 to the financial statements. Market liquidity constraints, limited availability of credit and difficult trading conditions continue to pose challenges to the borrowers with whom the Company has exposure through the Deemed Loan to the Originator. A detailed consideration of the risk factors relevant to the Securitisation Transaction is included in the section "Risk Factors" of the Offering Circular.

On 23 June 2016, the UK voted to exit the European Union. The UK is currently scheduled to leave the EU on 31 October 2019. As no exit deal has been currently reached, it is difficult to determine the likely economic financial impact at this stage. However, general market conditions may slow in the short to medium term which could impact the performance of the Deemed Loan to the Originator. This is not expected to have any effect on the Company's ability to continue as a going concern, given the credit enhancement in the structure. In addition, although the directors of the Company are based in the UK, the underlying collateral is in the European Union. At the date of signing these financial statements, the Directors do not foresee any immediate risks crystallising. However, the directors will continue to closely monitor the impact of the decision on the market and therefore on the Company.

The Originator's own going concern assessment is important for the Company as the Originator is responsible for servicing and administering the Receivables. The factors affecting the Originator's going concern are set out in note 1 to the financial statements.

Signed on behalf of the Board



I Kyriakopoulos for and on behalf of Wilmington Trust SP Services (London) Limited

Director

30 October 2019

KARTA II PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KARTA II PLC

Report on the audit of the financial statements

1 Our opinion is unmodified

We have audited the financial statements of Karta II PLC ("the Company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cashflow Statement, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We were first appointed as auditor by the directors on 5 August 2019. The audit for the year ended 31 December 2018 was our first. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

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

The Key Audit Matter		Our response
Recoverability of deemed loan to Originator <i>€Nil provision</i> <i>Accounting Policy</i> <i>Note 2 for detail</i>	Accounting Judgement The Company has a deemed loan to the Originator. The loan is collateralised on a portfolio of credit card receivables sold to the Company by the Originator. There is substantial credit enhancement in the structure via a subordinated loan and deferred consideration. In addition the Originator re-purchases receivables prior to their designation as uncollectible. As a result the Company has not incurred any credit losses since inception.	Our procedures included: - Understanding and challenging the ECL methodology adopted by the Company - Obtain written confirmation from the Originator that it intends to continue purchasing receivables prior to their designation as uncollectible for the remaining life of the transaction - Verify the existence of the subordinated loan - Verify the accuracy of the of the deferred consideration by validating

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF KARTA II PLC

	<p>IFRS 9 was implemented by the Company on 1 January 2018. This new and complex standard requires Company to recognise expected credit losses (“ECL”) on financial instruments which involves significant judgement and estimates. The Company recorded no transition impact as at 1 January 2018 and there is no ECL recorded in the accounts at the year end due to management’s assertion that a combination of repurchase of Receivables prior to their designation as uncollectible and the credit enhancements available means that the risk of future credit losses is negligible.</p> <p>The key area where we identified greater levels of management judgement and therefore increased levels of audit focus in the Company’s implementation of IFRS 9 is inappropriate ECL provision.</p> <p>Disclosure quality</p> <p>The disclosures regarding the Company’s application of IFRS 9 are key to explaining the key judgements and material inputs to the IFRS 9 ECL results</p>	<p>movements during the year</p> <ul style="list-style-type: none"> - Verify Company’s right to be able to use the subordinated loan and deferred consideration to absorb losses, via the Offering Circular - Comparison of credit enhancements to repurchases of Receivables by Originator in prior years, and the level of ECL in underlying portfolio. - Comparison of the ageing of the Receivables portfolio post year end to that at year end to ascertain if the quality has fallen, which in turn could impact recoverability. - Challenge management to provide a stress test on the ECL of the Receivables portfolio, and consider impact on recoverability. - Comparison of treatment to other similar securitisation vehicles in the market. - Utilise IT testing to validate that all loans that are due to be designated as uncollectible are de-designated and re-purchased by the Originator. <p>Assessing transparency</p> <p>We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the expected credit losses. In addition, we assessed whether the disclosure of the key judgements and assumptions made was sufficiently clear.</p> <p>Our results:</p> <p>The results of our testing were satisfactory and we consider the nil ECL charge and the related disclosures to be acceptable.</p>
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3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at Euro 3,201,493, determined with reference to a benchmark of Total Assets of Euro 400.19 million (of which it represents 0.80%).

We consider Total Assets to be the most appropriate benchmark for materiality as the Company is a special purpose entity incorporated for the securitisation of a portfolio of receivables (the “Receivables”). The

KARTA II PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KARTA II PLC

Receivables consist of credit card agreements selected from the total portfolio of agreements entered into by the Transferor with obligors in Greece and originated by Eurobank Ergasias S.A. Accordingly, the Company is not established with the objective of profit maximisation but rather its main purpose is to act as funding vehicle for the Parent Company. As such, total assets are deemed to be the benchmark which users of the financial statements focus their attention on.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The most likely causes for the Company not to be able to continue as a going concern are that the Originator exercises its call option in the Receivables Securitisation Deed, or that the Note Trustee gives notice to the Company that there is an event of default (as described in the Offering Circular, section 9) that will mean that all of the Notes then outstanding shall immediately become due and repayable.

As these were risks that could potentially cast significant doubt on the Company's ability to continue as a going concern, we obtained written confirmation from the Originator that they did not intend to exercise the call option, and that they had received no notification from the Note Trustee that there was an event of default. In addition we verified that the stress scenarios undertaken by management over the ECL calculation for the underlying portfolio of receivables did not indicate an event of default.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the strategic report and directors report

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

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

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or

KARTA II PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KARTA II PLC

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 3, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities – ability to detect

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KARTA II PLC

intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

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



Mike Heath (Senior Statutory Auditor)
for and on behalf of **KPMG LLP, Statutory Auditor**
Chartered Accountants
15 Canada Square
London
E14 5GL

30 October 2019

KARTA II PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

CONTINUING OPERATIONS	Note	2018 €	2017 €
Interest income	3	2,864,132	4,622,946
Interest expense	4	<u>(2,554,933)</u>	<u>(4,356,661)</u>
Net interest income		309,199	266,285
Administrative expenses	5	<u>(304,399)</u>	<u>(261,485)</u>
Profit before tax		4,800	4,800
Income tax charge	6	<u>(912)</u>	<u>(924)</u>
Profit for the year and total comprehensive income		<u>3,888</u>	<u>3,876</u>

The result for the year was derived from continuing operations.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital €	Retained Earnings €	Total Equity €
Balance as at 1 January 2017	14,385	19,926	34,311
Profit for the year and total comprehensive income	<u>-</u>	<u>3,876</u>	<u>3,876</u>
Balance as at 1 January 2018	14,385	23,802	38,187
Profit for the year and total comprehensive income	<u>-</u>	<u>3,888</u>	<u>3,888</u>
Balance as at 31 December 2018	<u>14,385</u>	<u>27,690</u>	<u>42,075</u>

The notes on pages 14 to 28 form part of these financial statements.

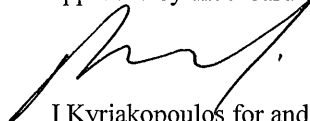
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STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 €	2017 €
Assets			
Deemed Loan to the Originator	7	294,116,651	305,615,987
Other receivables	8	2,026	2,026
Cash and cash equivalents	9	<u>106,067,893</u>	<u>94,509,610</u>
Total assets		<u>400,186,570</u>	<u>400,127,623</u>
Equity			
Share capital	10	14,385	14,385
Retained earnings		<u>27,690</u>	<u>23,802</u>
Total equity		<u>42,075</u>	<u>38,187</u>
Liabilities			
Liabilities evidenced by paper held at amortised cost	11	400,000,000	400,000,000
Other liabilities	12	143,583	88,512
Tax payable	6	<u>912</u>	<u>924</u>
Total liabilities		<u>400,144,495</u>	<u>400,089,436</u>
Total equity and liabilities		<u>400,186,570</u>	<u>400,127,623</u>

These financial statements of Karta II PLC, company registration number 07715233, on pages 11 to 28 were approved by the Board of directors on 30 October 2019 and are signed on its behalf by:



I Kyriakopoulos for and on behalf of Wilmington Trust SP Services (London) Limited
Director

The notes on pages 14 to 28 form part of these financial statements.

KARTA II PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 €	Restated 2017 €
Cash flows from operating activities		
Profit before tax	4,800	4,800
<i>Adjustments for:</i>		
Interest income	(2,864,132)	(4,622,946)
Interest expense	2,554,933	4,356,661
Increase in accruals and deferred income	<u>54,885</u>	<u>1,862</u>
Cash used in operating activities	(249,514)	(259,623)
Income tax paid	<u>(924)</u>	<u>(960)</u>
Net cash used in operating activities	<u>(250,438)</u>	<u>(260,583)</u>
Cash flows generated from investing activities		
Interest received	5,233,469	14,549,342
Deemed loan to the Originator movements	<u>9,130,000</u>	<u>(73,727,325)</u>
Net cash generated from/(used in) investing activities	<u>14,363,469</u>	<u>(59,177,983)</u>
Cash flows used in financing activities		
Interest paid	(2,554,748)	(4,369,270)
Loan Note repayments	-	(300,000,000)
Net cash used in financing activities	<u>(2,554,748)</u>	<u>(304,369,270)</u>
Net increase/(decrease) in cash and cash equivalents	11,558,283	(363,807,836)
Cash and cash equivalents at start of year	<u>94,509,610</u>	<u>458,317,446</u>
Cash and cash equivalents at end of year	<u>106,067,893</u>	<u>94,509,610</u>

All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements.

The notes on pages 14 to 28 form part of these financial statements.

KARTA II PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. PRINCIPAL ACCOUNTING POLICIES

General information

Karta II PLC is a public limited company, limited by shares incorporated and domiciled in the United Kingdom with registered number 07715233. The principal activity of the Company is set by the Offering Circular and is that of a special purpose company incorporated for the securitisation of a portfolio of Receivables. The Receivables consist of credit card agreements selected from the total portfolio of agreements entered into by the Transferor with obligors in Greece and originated by Eurobank Ergasias S.A.

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below.

The financial statements have been prepared on a going concern basis, as the Board of the Directors considered as appropriate. Please also refer to the Going Concern section below.

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs), IFRS Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The Company mainly transacts in Euros ("€"), therefore, the Euro is its functional and presentational currency.

Going Concern

The annual financial statements have been prepared on a going concern basis, as the Board of the Directors considered as appropriate, taking into consideration the following:

The Company's structure

The Directors of the Company have concluded that the Originator has retained substantially all the risks and rewards of the securitised Receivables Portfolio and, as a consequence, the Company does not recognise the Receivables on its Statement of Financial Position, but rather a Deemed Loan to the Originator.

The deferred purchase consideration (representing the excess of the Company's collections regarding the Receivables over the Company's payments as determined by the Offering Circular), and the subordinated loan provided by the Originator to the Company, act in combination as credit enhancements to the Company's structure.

The Directors have reviewed data and information relating to the credit quality of the credit card agreements underlying the Deemed loan to the Originator and are satisfied that the level of impairment of the underlying assets does not exceed the amount of the aforementioned credit enhancements. In addition they have confirmed that the Originator, in its capacity as an active servicer of the Company, has opted to proactively repurchase certain Receivables prior to their designation as uncollectible and, furthermore, that receivables removed as per the aforementioned process are periodically replenished using new ones with higher credit quality, further strengthening the Company's financial position. The Originator has confirmed its intention to continue this practice for the remainder of the transaction, up to the full repayment of the Notes.

On 29 January 2019 the 'Bullet Maturity Date' was extended to February 2021 and the 'Final Maturity Date' to February 2023. The Bullet maturity date signifies the end of the securitization's revolving period. During the revolving period, receivables can be transferred out (receivables prior denouncement) and in (replenishments of loans with higher credit quality) the securitization scheme.

The Bullet Maturity Date is in February 2021 and the amortization period begins after this date, lasting up to the Final Maturity Date. During the amortization period, collections are used to repay the notes, while no further transfers of receivables in the perimeter (replenishments) are performed.

KARTA II PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

1. PRINCIPAL ACCOUNTING POLICIES (continued)

The transaction is to close on the Final Maturity Date, i.e. in 2023, however an earlier closing (on the Bullet Maturity Date) or a further extension cannot be excluded based on market circumstances and Group's needs at that date.

In addition, the terms and conditions of the Notes state that the Transferor is entitled to an optional early redemption of the Notes, exercisable in full on any interest payment date on or after 25 September 2011 or on the occurrence of a Regulatory Event which materially affects the amount of capital which the Originator is required to allocate in respect of the Portfolio or if it becomes unlawful for the Issuer to perform its obligations under the Notes. The Company has obtained confirmation by the Transferor that it does not currently have any intention to exercise the aforementioned option.

Macroeconomic environment and Parent Company position

The Parent Company has faced significant challenges over recent years and it still has a large non-performing loan portfolio. In addition, it is systemically linked to the Greek economy, which itself has had very significant and well publicised difficulties, including high unemployment and slow growth. Whilst the position of both the Parent Company and the Greek economy have improved, there remain challenges ahead as set out below, which are a potential uncertainty for the Parent Company.

The following risks and challenges were identified in the latest available financial statements of the Parent Company for the period ended 30 June 2019 of the Parent Company:

- a) The Group operates in an environment of positive growth rates both in Greece and the other countries, in which it has a substantial presence. Specifically, in 2019, real GDP for Greece (Group's main market) is expected to grow by 2.1% according to the July 2019 forecast by European Commission (2018: 1.9%, according to the Hellenic Statistical Authority's (ELSTAT)). Based on ELSTAT and Ministry of Finance data, the unemployment rate in April 2019 was at 17.6% (April 2018: 19.8%) and the 2018 fiscal primary surplus was at 4.3% of GDP. The Stability Programme's fiscal primary surplus forecast for 2019 is at 4.1% of GDP. Following the successful conclusion of the third economic adjustment program (TEAP) in August 2018, Greece has entered into the Enhanced Surveillance (ES), which foresees quarterly reviews. So far, Greece has completed the first three consecutive reviews, the last of them was completed in early June 2019. The fourth review was also completed in September 2019 while the relevant report is expected to be issued shortly. On 5 April 2019, the Eurogroup endorsed the release of the first set of policy-contingent debt measures of € 970 million. In the first half of 2019, the Greek sovereign established market access with the successful issuance of a 5-year bond of € 2.5 bn at a yield of 3.6% on 29 January 2019, a 10-year bond of € 2.5 bn at a yield of 3.9% on 6 March 2019 and a 7-year bond of €2.5 bn at a yield of 1.9% on 16 July 2019.
- b) The merger with Grivalia, completed in May 2019, has further enhanced Eurobank's capital leading the total CAD and the CET1 ratios to 18.4% and 15.9% respectively as at 30 June 2019. The net profit attributable to shareholders amounted to € 26 million (€ 90 million net profit from continuing operations before € 61 million restructuring costs, after tax) for the first half of 2019. In addition to the above, the directors of the Company note that, according to Moody's, in March 2019 the credit rating of the Group improved to Caa1.
- c) The Bank has eliminated the use of ELA as of end January 2019 and reduced the dependency on Eurosystem financing facilities through the increase of deposits, interbank repos and debt issued. The Group's (net) loans to deposits (L/D) ratio stood at 86.5% as at 30 June 2019.
- d) As at 30 June 2019, the Group has reduced its Non-Performing Exposures (NPE) to € 14.3bn driving the NPE ratio to 32.8%. At the end of June, the Parent Company reached an agreement for the sale of 95% of the mezzanine and junior notes of a securitization of non performing residential mortgage loan portfolio of €2bn, which represents the second significant milestone of the Parent Company's frontloaded plan for derisking its balance sheet. Going forward, the Parent Company is in process of completing the next 2 steps of its plan a) the sale of 20% of the mezzanine notes of a securitization of a mixed assets portfolio with a gross book value of c. € 7.5bn and b) the sale of a majority stake in Financial Planning Services (FPS), the licensed 100%-owned loan servicer of Eurobank.

NOTES TO THE FINANCIAL STATEMENTS (continued)**FOR THE YEAR ENDED 31 DECEMBER 2018****1. PRINCIPAL ACCOUNTING POLICIES (continued)**

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) stress test results of the Parent Company as follows.

One of the main quantitative tools that Eurobank utilizes in order to confirm the soundness of its liquidity adequacy is its liquidity stress testing framework. These are based on business plans for the Group. Eurobank runs the liquidity stress tests on a monthly basis and their results are reviewed by Group ALCO. In the Group 2019 ILAAP, Eurobank uses the below five short-term stress test scenarios:

- An idiosyncratic scenario (Eurobank specific); refers to internal or external events that affect the Eurobank's reputation
- A mild Greek market scenario; refers to any event related to the Greek economy that would result to mild negative effects at the Eurobank's operations
- Severe Greek market scenario; refers to any event related to the Greek economy that would severely affect Eurobank
- Global market scenario; refers to any severe event related to the global economy that would affect key market parameters
- Adverse (worst case) scenario; it is a combination of the Severe Greek market and Global market scenario

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

Brexit

On 23 June 2016, the UK voted to exit the European Union. The UK is currently scheduled to leave EU on 31 October 2019. No exit deal has been currently reached, it is difficult to determine the likely economic financial impact at this stage, however, general market conditions may slow down in the short to medium term which could impact the performance of the Deemed Loan to the Originator. This is not expected to have any effect on the Company's ability to trade as a going concern, given the credit enhancement in the structure. In addition, although the directors of the SPV are based in the UK, the underlying collateral is in the European Union. At the date of signing these Financial statements, the Directors do not foresee any immediate risks crystallising, however, the directors will continue to closely monitor the impact of the decision on the market and therefore on the Company.

Going concern assessment

Considering the above, the Board of Directors have made an assessment of the Company's ability to cover its liabilities for at least 12 months from the date of approval of these financial statements and up to the Final Maturity Date, having taken into consideration the factors relating to (a) the Company's financial position, (b) the Originator's financial position and (c) the performance of the underlying Receivables, and are satisfied that the financial statements of the Company can be prepared on a going concern basis.

Amendments to standards and new interpretations adopted by the Company

On 1 January 2018, the Company implemented IFRS 9 "Financial Instrument". As permitted by IFRS 9, comparative information for previous periods has not been restated. A number of other new standards listed below are also effective from 1 January 2018 but they do not have any effect on the Company's financial statements.

Description	Effective date
IFRS 15: Revenue from contracts with customers	1 January 2018
Clarifications to IFRS 15: Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 2: Classification and measurement of share-based payment transactions	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IAS 40: Transfers of Investment Property	1 January 2018

KARTA II PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

1. PRINCIPAL ACCOUNTING POLICIES (continued)

The new standards that are issued but not yet effective including IFRS 16: Leases are not considered to have a material impact on the Company's financial statements in the period of the initial application and in the long term.

Changes in accounting policies

On 1 January 2018, the Company implemented IFRS 9 'Financial Instruments'. As permitted by IFRS 9, comparative information for previous periods has not been restated. The impact on the Company's financial position of applying IFRS 9 requirements is set out in note 7.

Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures, which are applied to disclosures in 2018 but have not generally been applied to comparative information.

Classification and measurement of financial assets and financial liabilities

On 1 January 2018 (the date of initial application of IFRS 9), the Company's management has assessed the financial instruments held by the Company and determined whether reclassification was needed under IFRS 9. The financial assets and financial liabilities of the Company comprise the Deemed Loan to the Originator, other receivables, cash, Loan notes and other liabilities. These are measured at amortised cost and there is no change in classification under IFRS 9 from IAS 39.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI) and fair value through profit and loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

Financial assets

Financial assets are measured on initial recognition at fair value. Under IFRS 9, the classification and subsequent measurement of financial assets is principally determined by the entity's business model and their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest').

The Company has assessed its business models in order to determine the appropriate IFRS 9 classification for its financial assets. Financial assets are held to collect contractual cash flows and therefore meet the criteria to remain at amortised cost. In order to be accounted for at amortised cost, it is necessary for individual instruments to have contractual cash flows that are solely payments of principal and interest. These financial assets meet this criteria and are therefore subsequently measured at amortised cost.

Financial assets and liabilities measured at amortised cost are accounted for under the effective interest rate ('EIR') method. This method of calculating the amortised cost of a financial asset or liability involves allocating interest income or expense over the relevant period. The EIR rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability or, where appropriate, a shorter period, to the gross carrying amount on initial recognition.

Deemed Loan to the Originator

Under IFRS 9 Financial instruments, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The directors of the Company have concluded that the Originator has retained substantially all the risks and rewards of the securitised Receivables Portfolio as the Originator has a continuing policy of repurchasing receivables prior to their designation as uncollectible and, furthermore, has provided appropriate credit mechanisms (subordinated loan and deferred purchase price) to the Company. As a consequence, the Company does not recognise the Receivables on its Statement of Financial Position, but rather a Deemed Loan to the Originator.

The Deemed Loan to the Originator initially represented the consideration paid by the Company in respect of the acquisition of an interest in the securitised Receivables Portfolio and is subsequently adjusted due to repayments

KARTA II PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

1. PRINCIPAL ACCOUNTING POLICIES (continued)

made by the Originator to the Company, as well as with replenishments with new receivables. The Deemed Loan is carried at amortised cost using the effective interest method.

The subordinated loan provided by the Originator to the Company is the main form of credit enhancement for the Notes. It is netted off against the Deemed Loan to the Originator since they have the same counterparty. The Company will repay the subordinated loan to the Originator only if it first receives an equivalent amount from the Originator.

In addition to the subordinated loan, deferred consideration payable to the Originator, representing the excess of the Company's collections regarding the Receivables over the Company's payments as determined by the Offering Circular, is netted off against the deemed loan since they have the same counterparty, they were entered into at the same time and in contemplation of one another, they relate to the same risk and there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction.

In the Statement of Comprehensive Income the deferred consideration charge is netted off against interest income as it represents income that the Company is not entitled to retain.

The Company regularly reviews the underlying collateral in relation to the Deemed Loan to the Originator as part of its assessment for impairment. The methodology applied is further discussed below.

Impairment losses on Deemed Loan to the Originator

The Company's Deemed Loan to the Originator as defined above, was subject to IFRS 9's new expected credit loss model.

The Company recognises expected credit loss impairment on the Deemed Loan to the Originator at amortised cost when it is estimated that it will not be in a position to receive all payments due. The amount of the expected credit losses ("ECL") allowance for impairment at amortised cost is the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows that the entity expects to receive discounted at the original effective interest rate of the deemed loan.

At each reporting date, an impairment loss equal to 12-month expected credit losses (allocated to stage 1) is recognised for all financial assets for which there is no significant increase in credit risk since initial recognition. For financial assets for which there is a significant increase in credit risk since their initial recognition (allocated to stage 2), and that are credit impaired (allocated to stage 3) an impairment loss equal to lifetime expected credit losses will be recognised.

The Deemed Loan to the Originator is considered impaired when it is probable that the Company will be unable to collect all amounts due according to the relevant contractual terms.

An assessment of whether credit risk has increased significantly since the initial recognition of the Deemed Loan to the Originator is performed at each reporting period by considering primarily the change in the risk of default occurring over the remaining life of the Deemed Loan to the Originator. The Company assess whether a significant increase in credit risk ("SICR") has occurred since the initial recognition based on qualitative and quantitative, reasonable and supportable forward-looking information that includes a degree of management judgment.

The default of the Deemed Loan is 90 days in arrears or any qualitative factors that the Originator is unlikely to pay. For the Company, the directors will review the availability of credit enhancement and assess whether the deemed loan is in default (90 days in arrears) or any qualitative factors that the Originator is unlikely to pay.

The ECL calculation on the Deemed Loan to the Originator takes into account the repurchases of receivables by the Originator, the subordinated loan and deferred consideration. The impairment of the underlying portfolio of receivables is also considered. The Originator's key assumptions for the recoverability of the underlying receivables portfolio relate to the estimates of the probability of any account going into default, cash flows from borrowers' accounts, their timing and expected proceeds from the sale of repossessed collateral. These

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment losses on Deemed Loan to the Originator (continued)

Originator's key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available. The ECL of the underlying credit cards portfolio has been calculated by the Originator, under the requirements of IFRS9, at €30.8m as of 31 December 2018 (€44.5m as of 31 December 2017) and is significantly lower than the respective level of available credit enhancements. The accuracy of impairment calculations would be affected by the probability of default, significant increase in credit risk, loss given default and the macroeconomic factors. The macroeconomic factors that are incorporated into the risk parameter models are used to calculate the ECL of the underlying portfolio of receivables which is assessed against the credit enhancements. As a result of these available credit enhancements, the macroeconomic conditions do not currently have any material effect on the Deemed Loan to the Originator.

Liabilities evidenced by paper held at amortised cost

Liabilities evidenced by paper comprise the Notes issued by the Company through the Offering Circular dated 15 August 2011. These Notes were initially recognised at the fair value of the issue proceeds net of transaction costs incurred and are subsequently stated at amortised cost using the effective interest method. In the event that impairment losses exceed the credit enhancement provided by the Originator, some loss may be borne by the Noteholders.

The terms and conditions of the Notes state that the Transferor is entitled to an optional early redemption of the Notes. This option has been exercisable in full on any interest payment date on or after 25 September 2011 or on the occurrence of a Regulatory Event which materially affects the amount of capital which the Originator is required to allocate in respect of the Portfolio or if it becomes unlawful for the Issuer to perform its obligations under the Notes. The directors of the Company have concluded that the economic characteristics and risks of this prepayment option are closely related to the economic characteristics and risks of the Notes. As such, the option is not separately accounted for as an embedded derivative.

Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition. All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the Offering Circular.

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.

Interest income and interest expense

Interest income and expense for all interest-bearing financial instruments are recognised on accruals basis within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest rate method.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Euros at the rates of exchange ruling at the reporting date. 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 and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

KARTA II PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Effective interest rates

The effective interest rate method calculates the amortised cost of a financial asset or financial liability (or a group of financial assets or liabilities) and allocates the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Calculation of the effective interest rate takes into account early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

In order to determine the effective interest rate applicable to loans an estimate must be made of the expected life of the loans and hence the cash flows relating to them. These estimates are based on historical data from historical patterns and are updated regularly.

Taxation

Current tax is recognised at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the year end date. The Company is taxed under The Taxation of Securitisation Companies Regulations 2006 (the "Permanent Tax Regime") under which the Company is taxed by reference to its retained profit as defined by the "Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)".

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The most important area where the directors use judgement in applying its accounting policies is in relation to ECL. As identified in Note 1 the directors have assessed the ECL to be zero. This conclusion has been reached as:

- 1) The Originator repurchases Receivables prior to their designation as uncollectible from the Company. As a result it has not incurred a loss since inception. The magnitude of the aforementioned repurchases has been historically low compared to the underlying loan portfolio as a whole, as well as compared to the credit protection mechanisms in place (€5ml for 2018, €3ml post balance sheet date and up to September 30, 2019).
- 2) Credit enhancement provided through a reserve fund account (€45m: 2018 and 2017) funded through a loan from the Originator; and
- 3) The income from the Receivables is expected to exceed the interest payable on the Notes issued by the Company. This excess spread is available to make good any reductions in the principal balance of the Receivables as a result of defaults by borrowers. The deferred purchase consideration as of 31.12.2018 amounted to €78m. A similar excess spread was also applicable for the 2017 year end.

Therefore total credit enhancement (ignoring future excess spread) is €123m. If the Originator was to have ceased repurchases of receivables, this credit enhancement would absorb 24 times the "losses" implied by the level of repurchases in 2018.

For the Deemed Loan to the Originator, the estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

KARTA II PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

3. INTEREST INCOME

Interest income represents the net interest income on the Deemed Loan to the Originator.

	2018	2017
	€	€
Net interest income on Deemed Loan to the Originator	<u>2,864,132</u>	<u>4,622,946</u>

4. INTEREST EXPENSE

	2018	2017
	€	€
Interest on Notes	<u>2,554,933</u>	<u>4,356,661</u>

5. ADMINISTRATIVE EXPENSES

Profit before tax is stated after charging/(crediting):

	2018	2017
	€	€
Auditors' remuneration – audit of the statutory financial statements of the Company	27,000	22,500
Tax and other compliance services of the Company	5,682	4,380
Tax and other compliance services of the Holdings company	2,383	2,340
Accountancy fees	5,363	5,550
Servicing fees	207,950	191,752
Other expenses	55,905	34,513
Exchange losses recognised	115	450
	<u>304,399</u>	<u>261,485</u>

Apart from the directors, the Company has no employees (2017: no employees) and, other than the fees paid to Wilmington Trust SP Services (London) Limited as set out in note 13, the directors received no remuneration during the year (2017: €nil). Accountancy, tax and other compliance services were not provided by the Company's appointed auditors during the year.

6. INCOME TAX CHARGE

(a) Analysis of tax charge in the year

	2018	2017
	€	€
Current tax:		
Corporation tax charge for the year	<u>912</u>	<u>924</u>
Total income tax charge in the statement of comprehensive income	<u>912</u>	<u>924</u>

(b) Reconciliation of effective tax rate

The tax assessed on the profit on ordinary activities for the period is equal to the standard rate of corporation tax in the UK of 19% (2017: 19.25%):

	2018	2017
	€	€
Profit before tax	<u>4,800</u>	<u>4,800</u>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	<u>912</u>	<u>924</u>
Total income tax charge	<u>912</u>	<u>924</u>

KARTA II PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

6. INCOME TAX CHARGE (Continued)

Under the powers conferred by Finance Act 2005, secondary legislation was enacted in 2006 which ensures that, subject to certain conditions being met, for periods commencing on or after 1 January 2007, corporation tax for a 'securitisation company' will be calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangement. For UK corporation tax purposes, the Company has been considered as a Securitisation Company under the "Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)". Therefore the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the Transaction and as defined by the "Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)".

The directors are satisfied that the Company meets the definition of a 'securitisation company' as defined by both The Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise.

7. DEEMED LOAN TO THE ORIGINATOR

	2018	2017
	€	€
Gross Deemed Loan to the Originator	417,555,059	434,285,573
Subordinate Loan	(45,000,000)	(45,000,000)
Amounts payable to Bank of Greece under Law 128/75	(207,967)	(216,454)
Deferred purchase consideration	<u>(78,230,441)</u>	<u>(83,453,132)</u>
Net Deemed Loan to the Originator	<u>294,116,651</u>	<u>305,615,987</u>

Under Law 128/75 of the Hellenic Republic, consumer loans bear a 0.60% p.a. levy charge. The levy charge is payable to the Bank of Greece.

The Deemed Loan to the Originator is classified as a stage 1 asset given that the credit risk has not increased significantly from initial recognition. In the IFRS 9 transition context, the Company reassessed the impairment allowance for the Deemed Loan to the Originator in accordance with IAS 39 incurred loss model, to the new impairment allowance measured in accordance with the IFRS 9 expected loss model. Based on the above assessment the Company determined that no impairment loss should be recognised to the Deemed Loan to the Originator. Specifically, the increase of the impairment loss on the underlying Receivables portfolio, under IFRS 9 requirements, is absorbed against the existing credit enhancements available within the structure (the Deferred Purchase Consideration and the Subordinated Loan). Accordingly, the adoption of IFRS 9 had no impact on the opening retained earnings of the Company.

The Directors have reviewed data and information relating to the credit quality of the credit card agreements underlying the Deemed loan to the Originator and are satisfied that the level of impairment of the underlying assets does not exceed the amount of the credit enhancements, namely the subordinated loan and the deferred purchase consideration. In addition they have confirmed that the Originator, in its capacity as an active servicer of the Company, has opted to proactively repurchase certain Receivables prior to their designation as uncollectible and, furthermore, that receivables removed as per the aforementioned process are periodically replenished using new ones with higher credit quality, further strengthening the Company's financial position. Having considered the above, it has been concluded that the Deemed Loan to the Originator is not considered to be impaired at 31 December 2018.

KARTA II PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

7. DEEMED LOAN TO THE ORIGINATOR (continued)

Ageing analysis of the underlying Portfolio of Receivables is disclosed below:

	2018	2017
	€	€
Current	360,628,064	358,677,150
Past due 1 – 29 days	26,088,684	27,936,237
Past due 30 – 59 days	6,304,279	6,401,284
Past due 60 – 89 days	3,280,506	3,067,087
Past due 90 – 179 days	4,804,769	4,618,749
Past due 180 – 359 days	5,176,253	4,506,894
Past due > 360 days	<u>11,272,504</u>	<u>29,078,172</u>
Total	<u>417,555,059</u>	<u>434,285,573</u>

8. OTHER RECEIVABLES

	2018	2017
	€	€
Accrued income	<u>2,026</u>	<u>2,026</u>

9. CASH AND CASH EQUIVALENTS

All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements.

	2018	2017
	€	€
Cash and bank current accounts	61,053,913	49,495,537
Bank deposit accounts	<u>45,013,980</u>	<u>45,014,073</u>
	<u>106,067,893</u>	<u>94,509,610</u>

All cash is held with the Originator.

10. SHARE CAPITAL

	2018	2017
	€	€
Issued, called up and allotted:		
(2017: 2) fully paid ordinary shares at £1 each	2	2
(2017: 49,998) partly paid ordinary shares at £1 each	<u>14,383</u>	<u>14,383</u>
	<u>14,385</u>	<u>14,385</u>

There are 50,000 authorised ordinary shares of £1 each. The issued share capital consists of 2 fully paid ordinary shares and 49,998 quarter paid ordinary shares. The issued share capital is reflected in the financial statements as €14,385 based on the prevailing exchange rate at 5 August 2011 (€/£ 0.869) on the date the Company changed its functional and presentational currency from sterling to Euros. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

KARTA II PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

11. LIABILITIES EVIDENCED BY PAPER HELD AT AMORTISED COST

	2018	2017
	€	€
Non-current liabilities		
Floating rate loan notes	<u>400,000,000</u>	<u>400,000,000</u>

The Notes are listed on the Irish Stock Exchange, and are secured over a portfolio of credit card agreements originated in Greece.

The exposure of the Company's borrowings to interest rate changes and contractual re-pricing dates at the reporting date are as follows:

	2018	2017
	€	€
3 months or less	<u>400,000,000</u>	<u>400,000,000</u>

Interest on the Notes is payable on a monthly basis at the one month EURIBOR plus 1.00%.

On 29 January 2019 the 'Bullet Maturity Date' was extended to February 2021 and the 'Final Maturity Date' to February 2023. The Bullet maturity date signifies the end of the securitization's revolving period. During the revolving period, receivables can be transferred out (receivables prior denouncement) and in (replenishments of loans with higher credit quality) the securitization scheme.

From the Bullet maturity date, the amortization period begins, lasting up to the Final Maturity Date. During the amortization period, collections are used to repay the notes, while no further transfers of receivables in the perimeter (replenishments) are performed.

The transaction is to close on the Final Maturity Date, i.e. in 2023, however an earlier closing (on the Bullet Maturity Date) or a further extension cannot be excluded based on market circumstances and Group's needs at that date.

The Company has not had any defaults on principal, interest or any other breaches with respect to their liabilities during the year.

12. OTHER LIABILITIES

	2018	2017
	€	€
Interest payable	42,310	42,124
Accruals and deferred income	<u>101,273</u>	<u>46,388</u>
	<u>143,583</u>	<u>88,512</u>

13. RELATED PARTY TRANSACTIONS

The Company has identified the following transactions which are required to be disclosed under the terms of IAS 24 "Related Party Disclosures".

During the year, administration and accounting services were provided by Wilmington Trust SP Services (London) Limited for which Wilmington Trust SP Services (London) Limited earned €19,371 (2017: €18,975) including irrecoverable value added tax. D J Wynne, a director of the Company, is also a director of Wilmington Trust SP Services (London) Limited.

During the year, there were net movements of (€16,730,514) to Eurobank Ergasias S.A. from the Company in respect of the principal on the Deemed Loan (2017: €77,126,763). The interest income earned on the underlying Receivables for the year was €61,621,787 (2017: €57,560,954).

Eurobank Ergasias S.A. administers the Receivables on behalf of the Company and earned €207,950 (2017: €191,752) during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

13. RELATED PARTY TRANSACTIONS (continued)

Eurobank Ergasias S.A. earned €55,730,408 (2017: €57,004,393) with respect to deferred consideration during the year and was owed €78,230,441 (2017: €83,453,132) at the end of the year, which is included within the Deemed Loan to the Originator at amortised cost above.

All the notes are held by Eurobank Ergasias S.A. entities as at 31 December 2018.

14. FINANCIAL RISK MANAGEMENT

The Originator considers the Company to be its subsidiary. The Originator manages the Receivables under the servicer agreement with the Company according to the Offering Circular. In managing the Receivables, the Originator applies its own formal risk management structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Originator's Assets and Liabilities Committee (ALCO), which is charged with the responsibility for managing and controlling the statement of financial position exposures of the Originator.

Interest rate risk

After taking into consideration the administered interest rate nature of the Company's Deemed Loan to the Originator, the regular re-pricing of the Company's floating rate notes, together with the nature of the Company's other assets and liabilities, the directors do not believe that the Company has any significant interest rate re-pricing exposure.

Credit risk

The maximum exposure to credit risk is considered by the directors to be the carrying value of the Deemed Loan to the Originator (see note 7) and bank deposits. The Receivables consist of credit card agreements selected from the total portfolio of agreements entered into by the Transferor with obligors in Greece and originated by Eurobank Ergasias S.A.

Liquidity risk

The Company's policy is to manage liquidity risk through its excess spread, a reserve fund and an over-collateralisation of Receivables underlying the loan to the Originator. As the length of the Notes is designed to match the length of the Receivables underlying the loan to the Originator, there are deemed to be limited liquidity risks facing the Company.

The following table details the Company's liquidity analysis for its financial liabilities at 31 December 2018. The interest payable on the loan notes and subordinated loans is estimated based on the outstanding principal and interest rates at the period end calculated up to the expected redemption date.

At 31 December 2018	Carrying Amount	Gross nominal outflow	Less than 1 month	1 to 3 months	3 to 12 months	More than 1 year
	€	€	€	€	€	€
Liabilities						
Liabilities evidenced by paper	400,000,000	400,000,000	-	-	-	400,000,000
Interest payable	42,310	10,714,601	204,289	422,667	1,944,267	8,143,378
Accruals	101,273	143,582	-	143,582	-	-
Total liabilities	400,143,583	410,858,183	204,289	566,249	1,944,267	408,143,378
At 31 December 2017	Carrying Amount	Gross nominal outflow	Less than 1 month	1 to 3 months	3 to 12 months	More than 1 year
	€	€	€	€	€	€
Liabilities						
Liabilities evidenced by paper	400,000,000	400,000,000	-	-	-	400,000,000
Interest payable	42,124	13,222,956	203,322	420,667	1,935,067	10,663,900
Accruals	46,388	88,512	-	88,512	-	-
Total liabilities	400,088,512	413,311,468	203,322	509,179	1,935,067	410,663,900

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

14. FINANCIAL RISK MANAGEMENT (continued)

Currency risk

All of the Company's assets and liabilities are denominated in Euros ("€"), and therefore currently there is no foreign currency risk.

Capital management

The Company considers its capital to comprise its ordinary share capital and its accumulated retained earnings. There have been no changes in what the Company considers to be its capital since the previous year. The Company is not subject to any external capital requirements, except for the minimum requirement under the Companies Act 2006. The Company has not breached this minimum requirement.

Financial instruments

The Company's financial instruments comprise of a Deemed Loan to the Originator, cash and cash equivalents, interest-bearing borrowings and various receivables and payables that arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments is undertaken.

Fair values

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

	Note	Carrying amount 2018 €	Approximate fair value 2018 €	Carrying amount 2017 €	Approximate fair value 2017 €
Deemed Loan to the Originator	7	294,116,651	133,932,107	305,615,987	145,490,390
Other assets	8	2,026	2,026	2,026	2,026
Cash and cash equivalents	9	<u>106,067,893</u>	<u>106,067,893</u>	<u>94,509,610</u>	<u>94,509,610</u>
		<u>400,186,570</u>	<u>240,002,026</u>	<u>400,127,623</u>	<u>240,002,026</u>
Liabilities evidenced by paper	11	400,000,000	240,000,000	400,000,000	240,000,000
Other liabilities	12	143,583	143,583	88,512	88,512
Tax payable	6	<u>912</u>	<u>912</u>	<u>924</u>	<u>924</u>
		<u>400,144,495</u>	<u>240,144,495</u>	<u>400,089,436</u>	<u>240,089,436</u>

Please see note 2 for information on calculation of fair values.

Management notes the significant shortfall between the carrying amount and fair value of the notes (and of the Deemed Loan to the Originator) as of the end of the reporting period that is considered to be due to the high impact risks associated with Greece in general. The aforementioned difference does not represent an expectation that the Noteholders will not be fully repaid. The ability to repay the issued notes depends on the quality of the underlying receivables and their servicing by the Originator. The Deemed Loan to Eurobank Ergasias S.A. is not considered to be impaired and the low fair value of the Deemed Loan to the Originator and the notes does not indicate that the impairment losses recognized on the Receivables portfolio are understated.

It is noted that mainly due to the improvement of the market conditions, the fair value of the liabilities evidenced by paper subsequent to the end of the reporting period is estimated at €348,000,000 as of September 30 2019.

Fair value hierarchy

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset or liability as follows:

KARTA II PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

14. FINANCIAL RISK MANAGEMENT (continued)

Level 1 - valued using quoted prices in active markets for identical assets or liabilities

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data. The valuation techniques used by the Company are explained in the accounting policies note.

The Company has no financial instruments included in its balance sheet that are measured at fair value.

The fair value the Loans and Notes are categorised as level 3.

As at 31 December 2018 Financial assets at fair value	Total €	Level 1 €	Level 2 €	Level 3 €
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Deemed Loan to the Originator	<u>133,932,107</u>	—	—	<u>133,932,107</u>
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As at 31 December 2018 Financial liabilities at fair value	Total €	Level 1 €	Level 2 €	Level 3 €
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Liabilities evidenced by paper	<u>240,000,000</u>	—	—	<u>240,000,000</u>
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As at 31 December 2017 Financial assets at fair value	Total €	Level 1 €	Level 2 €	Level 3 €
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Deemed Loan to the Originator	<u>145,490,390</u>	—	—	<u>145,490,390</u>
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As at 31 December 2017 Financial liabilities at fair value	Total €	Level 1 €	Level 2 €	Level 3 €
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Liabilities evidenced by paper	<u>240,000,000</u>	—	—	<u>240,000,000</u>
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15. SEGMENTAL REPORTING

Having considered the Company's activities the directors have not identified any reportable segments.

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The shares in the Company are held by Wilmington Trust SP Services (London) Limited under Declarations of Trust for charitable purposes. Eurobank Ergasias S.A. has no direct ownership interest in the Company. However, in accordance with IFRS, and particularly IFRS 10, the Originator considers itself to be the controlling party of the Company and the results of the Company are included in the consolidated financial statements of Eurobank Ergasias S.A., which are available online at www.eurobank.gr.

As of November 2015, the percentage of the Eurobank Ergasias S.A. (the Bank) ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF) stands at 2.38%. In May 2019, following the increase of the share capital of the Bank in the context of the merger with absorption of Grivalia Properties REIC, the percentage of the Bank's ordinary shares with voting rights held by the HFSF decreased from 2.38% to 1.40%. The HFSF is 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY (continued)

In the context of the above Law, HFSF exercises its voting rights in the Bank's General Meetings only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets (including the sale of subsidiaries), or any other issue requiring approval by an increased majority as provided for in Greek Company Law 4548/2018.

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

17. OTHER SIGNIFICANT AND POST BALANCE SHEET EVENTS

On 29 January 2019 the 'Bullet Maturity Date' extended to February 2021 and the 'Final Maturity Date' to February 2023.