EUROBANK S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD 20 MARCH - 31 DECEMBER 2020

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Consolidated Balance Sheet

	Note	31 December 2020 € million
ASSETS		
Cash and balances with central banks	16	6,637
Due from credit institutions	18	3,336
Securities held for trading	19	89
Derivative financial instruments	20	2,552
Loans and advances to customers	21	37,424
Investment securities	23	8,365
Investments in associates and joint ventures	25	276
Property and equipment	27	778
Investment property	28	1,459
Goodwill and other intangible assets	29	253
Deferred tax assets	14	4,526
Other assets	30	1,992
Assets of disposal groups classified as held for sale	31	39
Total assets		**67,726**
LIABILITIES		
Due to central banks	32	7,999
Due to credit institutions	33	1,502
Derivative financial instruments	20	2,939
Due to customers	34	47,306
Debt securities in issue	35	1,559
Other liabilities	36	1,196
Total liabilities		**62,501**
EQUITY		
Share capital	38	4,052
Reserves and retained earnings	39	1,173
Total equity		**5,225**
Total equity and liabilities		**67,726**

Notes on pages 6 to 137 form an integral part of these consolidated financial statements

Consolidated Income Statement

	Note	Period 20 March - 31 December 2020 [1] € million
Interest income		1,454
Interest expense		(447)
Net interest income	7	**1,007**
Banking fee and commission income		331
Banking fee and commission expense		(91)
Net banking fee and commission income	8	**240**
Income from non banking services	9	67
Net trading income/(loss)	10	15
Gains less losses from investment securities	10	428
Other income/(expenses)	11	227
Operating income		**1,984**
Operating expenses	12	**(652)**
Profit from operations before impairments, provisions and restructuring costs		**1,332**
Impairment losses relating to loans and advances to customers	22	(449)
Impairment losses on goodwill	29	(160)
Other impairment losses and provisions	13	(32)
Restructuring costs	13	(141)
Share of results of associates and joint ventures	25	24
Profit before tax		**574**
Income tax	14	(327)
Net profit attributable to shareholders		**247**
		€
Earnings per share		
-Basic and diluted earnings per share	15	**0.07**

[1] *The results of Eurobank S.A. subsidiaries and the share of results of its associates/joint ventures are included from 1 April 2020 onwards.*

Notes on pages 6 to 137 form an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

		Period 20 March - 31 December 2020 [1]
		€ million
Net profit		**247**
Other comprehensive income:		
Items that are or may be reclassified subsequently to profit or loss:		
Cash flow hedges		
- changes in fair value, net of tax	(13)	
- transfer to net profit, net of tax	(1)	**(14)**
Debt securities at FVOCI		
- changes in fair value, net of tax (note 23)	374	
- transfer to net profit, net of tax (notes 10 and 23)	(290)	**84**
Foreign currency translation		
- foreign operations' translation differences	(0)	**(0)**
Associates and joint ventures		
- changes in the share of other comprehensive income, net of tax (note 25)	(9)	**(9)**
		61
Items that will not be reclassified to profit or loss:		
- Actuarial gains/(losses) on post employment benefit obligations, net of tax	(2)	**(2)**
Other comprehensive income		**59**
Total comprehensive income attributable to shareholders		**306**

[1] The total comprehensive income of Eurobank S.A. subsidiaries and the share of the total comprehensive income of its associates/joint ventures are included from 1 April 2020 onwards.

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Consolidated Statement of Changes in Equity

	Share capital € million	Reserves and retained earnings € million	Non controlling interests € million	Total € million
Opening balance at 20 March 2020 (note 4)	**4,052**	**867**	**0**	**4,919**
Net profit	-	247	(0)	**247**
Other comprehensive income	-	59	0	**59**
Total comprehensive income for the period ended 31 December [(1)]	**-**	**306**	**(0)**	**306**
Changes in participating interests in subsidiary undertakings	-	1	0	**1**
Other	-	(1)	-	**(1)**
	-	**(0)**	**0**	**(0)**
Balance at 31 December 2020	**4,052**	**1,173**	**0**	**5,225**

[(1)] The total comprehensive income of Eurobank S.A. subsidiaries and the share of the total comprehensive income of its associates/joint ventures are included from 1 April 2020 onwards.

Notes on pages 6 to 137 form an integral part of these consolidated financial statements

Consolidated Cash Flow Statement

	Note	Period 20 March - 31 December 2020 [1] € million
Cash flows from operating activities		
Profit before income tax		**574**
Adjustments for :		
Impairment losses relating to loans and advances to customers	22	449
Impairment losses on goodwill	29	160
Other impairment losses, provisions and restructuring costs	13	173
Depreciation and amortisation	12	84
Other (income)/losses on investment securities	17	(468)
Valuation of investment property	28	(3)
Other adjustments	17, 25	(257)
		712
Changes in operating assets and liabilities		
Net (increase)/decrease in cash and balances with central banks		255
Net (increase)/decrease in securities held for trading		(34)
Net (increase)/decrease in due from credit institutions		270
Net (increase)/decrease in loans and advances to customers		(1,492)
Net (increase)/decrease in derivative financial instruments		(20)
Net (increase)/decrease in other assets		(36)
Net increase/(decrease) in due to central banks and credit institutions		1,877
Net increase/(decrease) in due to customers		1,868
Net increase/(decrease) in other liabilities		(63)
		2,625
Income tax paid		(22)
Net cash from operating activities		**3,315**
Cash flows from investing activities		
Acquisition of fixed and intangible assets		(113)
Proceeds from sale of fixed and intangible assets		21
(Purchases)/sales and redemptions of investment securities		397
Acquisition of subsidiaries, net of cash acquired	24	(47)
Acquisition of holdings in associates and joint ventures and participations in capital increases	25	(15)
Disposal of subsidiaries, net of cash disposed	24	211
Disposal of holdings in associates and joint ventures	25	23
Dividends from investment securities, associates and joint ventures		3
Net cash from investing activities		**480**
Cash flows from financing activities		
(Repayments)/proceeds from debt securities in issue	35	(850)
Repayment of lease liabilities		(29)
Net cash used in financing activities		**(879)**
Net increase in cash and cash equivalents		**2,916**
Cash and cash equivalents at beginning of period		3,765
Cash and cash equivalents at end of period	17	**6,681**

[1] *The cash inflows/outflows of Eurobank S.A. subsidiaries are included from 1 April 2020 onwards.*

Notes on pages 6 to 137 form an integral part of these consolidated financial statements

1. General information

On 20 March 2020, the demerger of Eurobank Ergasias (Demerged Entity) through the banking sector's hive down and the establishment of a new company-credit institution ("Demerger") under the corporate name "Eurobank S.A." ("the Beneficiary") was completed. At the aforementioned date: a) the Demerged Entity became the shareholder of the Beneficiary by acquiring all the shares issued by the Beneficiary and b) the Beneficiary substituted the Demerged Entity, by way of universal succession, to all the transferred assets and liabilities.

Following the above, the corporate name of the Demerged Entity has been amended to "Eurobank Ergasias Services and Holdings S.A." (the Company or Eurobank Holdings).

Further information on the capital reorganization of Eurobank Ergasias, including the assets and liabilities contributed to Eurobank S.A. and a reconciliation both on standalone and consolidated basis between the equity of Eurobank Ergasias as of 1 January 2020 and that of Eurobank S.A. on the hive down date i.e. 20 March 2020, is provided in note 4 of these financial statements.

As a result of the hive down, Eurobank S.A. (hereafter the Bank) and the subsidiaries contributed by Eurobank Ergasias, form a new reporting entity Eurobank S.A. Group (hereafter the Group) that is active in retail, corporate and private banking, asset management, treasury, capital markets and other services. The Group operates mainly in Greece and in Central and Southeastern Europe and its ultimate parent is Eurobank Holdings.

These consolidated financial statements were approved by the Board of Directors on 12 April 2021. The Independent Auditor's Report of the Financial Statements is included in the section II of the Annual Financial Report.

2. Basis of preparation and principal accounting policies

The consolidated financial statements of the Group have been prepared on a going concern basis and in accordance with the principal accounting policies set out below:

2.1 Basis of preparation

The consolidated financial statements of the Group 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 standards and interpretations, issued and effective or issued and early adopted as at the time of preparing these consolidated financial statements.

The consolidated financial statements are prepared under the historical cost basis except for the financial assets measured at fair value through other comprehensive income, financial assets and financial liabilities (including derivative instruments) measured at fair-value-through-profit-or-loss and investment property measured at fair value.

Following the completion of the banking sector's hive down that was accounted for as a capital reorganization of the transferred business, on the basis that no substantive economic change has occurred, Eurobank S.A. incorporated in its consolidated financial statements the assets and liabilities of the pre-existing business (including subsidiaries and associates) at their pre combination carrying amounts, i.e. using the carrying amounts in the consolidated financial statements of Eurobank Ergasias S.A. The period from 20 March 2020 (i.e. the date of Eurobank's S.A. formation) to 31 December 2020 is the first reporting period of Eurobank S.A. Group. No comparative information is presented for periods prior to the date of the reorganization (note 4). Accordingly, the accounting policies in these consolidated financial statements for the period 20 March 2020 (i.e. the date of Eurobank's S.A. formation) to 31 December 2020 are consistent with those in the consolidated financial statements of Eurobank Ergasias S.A. for the year ended 31 December 2019, except as described in note 2.1.1 "New and amended standards and interpretations".

The preparation of financial statements in accordance with IFRS requires the use of estimates and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated 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 Group's presentation currency is the Euro (€) being the functional currency of the parent company. Except as indicated, financial information presented in Euro has been rounded to the nearest million. The figures presented in the notes may not sum precisely to the totals provided due to rounding.

Going concern considerations

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:

During 2020 and the first quarter of 2021, the outbreak of Covid-19 pandemic and the measures adopted to contain the virus expansion defined the economic environment in Greece and globally. The deterioration of the epidemiological situation in Greece as of the fourth quarter of 2020 and the consequent pressure on the health system led to the extension of restrictive measures, including countrywide lockdowns, which have posed further uncertainties and risks for both the macroeconomic environment and the ability of numerous businesses to operate. Based on Hellenic Statistical Authority (ELSTAT) provisional data, the real GDP growth rate in 2020 registered a decrease of -8.2% on an annual basis, from 1.9% increase in 2019, mainly as a result of the drop in the final consumption expenditure and exports of services. Based on Eurostat data, the Euro-area real GDP growth rate figures were at -6.6% and 1.3% for 2020 and 2019 respectively. According to the European Commission (EC) winter economic forecasts (February 2021) the real GDP growth rate for 2021 and 2022 is expected at 3.5% and 5% respectively. Based on ELSTAT data, the average unemployment rate stood at 16.3% in 2020 (2019: 17.3%). According to EC autumn economic forecasts (November 2020) the unemployment rate was expected at 17.5% and 16.7% for 2021 and 2022 respectively. On the fiscal front, according to the 2021 Budget forecasts, the primary balances for 2020 and 2021 are expected to register a deficit of 7.2% and 3.9% of GDP respectively, as a result of the fiscal support measures, while the gross public debt is expected at 208.9% and 199.6% of GDP for 2020 and 2021 respectively. 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. According to the 15 March 2021 Eurogroup, the deviation from the ES target will continue in 2022, on a preliminary basis. The aforementioned primary balance and public debt forecasts 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.

In response to the Covid-19 outbreak, there has been an unprecedented monetary, fiscal and regulatory support to the economy and the banking system by both Greek Government and European authorities. According to the 2021 Budget, the Greek government's planned total measures aiming to address the economic effects of the Covid-19 pandemic amount to € 31.5 billion of which € 23.9 billion correspond to 2020 and € 7.6 billion to 2021, including the cost of the ruling of the Council of State on pension cuts. According to the Ministry of Finance as of 29 March 2021, the support measures are expected to further increase to € 14.5 billion for 2021 and at € 38.0 billion for 2020 and 2021. 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 and small businesses (Gefyra I and II). The public support for 2020 included also leverage provided by the banking system of € 5.7 billion on top of the €2 .6 billion of the Public Investment Budget for cash-collaterals and the co-financing of loans to small and medium size enterprises.

On top of the above, the European Council on 21 July 2020 agreed a recovery package amounting to € 750 billion under the EC's Next Generation EU framework in order to support the recovery and resilience of the member states' economies, out of which ca. € 31 billion will be available for Greece, provisionally divided to € 18.2 billion in grants and € 12.7 billion in loans. The respective amount for 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 a financial envelope of € 1,850 billion, as of mid-February 2021, out of which ca. € 46 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 State managed to achieve continuous market access after the pandemic outbreak, from April to December 2020, with the issuance of four bonds of various maturities. On 27 January 2021, the PDMA issued a 10-year bond of €

3.5bn at a yield of 0.807% and more recently, on 17 March 2021, issued a 30-year bond of € 2.5bn at a yield of 1.956%. On 12 March 2020, the ECB announced a number of temporary capital and operational relief measures to ensure that its directly supervised banks can continue to fulfil their role in funding the real economy. Banks will be allowed to use capital and liquidity buffers and cover Pillar 2 requirements with other than CET 1 instruments until at least the end of 2022. On the same date, the EBA and the ECB decided to postpone the stress test exercises to 2021 to allow banks to focus on and ensure continuity of their core operations, including support for their customers. In addition, the EBA stated that there is flexibility in the implementation of the EBA Guidelines on management of non-performing and forborne exposures and called for a close dialogue between supervisors and banks, also on their non-performing exposure strategies, on a case by case basis (note 6). Furthermore, on 24 June 2020 the Regulation 2020/873 (CRR quick fix) introduced targeted amendments to the Capital Requirements Regulation (CRR) to encourage banks to continue lending during the Covid-19 pandemic (note 4 in the consolidated financial statements of Eurobank Holdings).

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 pandemic, well after the end of the first half of 2021, and its negative effect on the domestic, regional and / or global economy, (b) the progress on the vaccination programmes to contain effectively the virus expansion, (c) the actual size and duration 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 recovery in 2021 and 2022, (e) the absorption capacity 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.

Materialization of the above Covid-19 related and other risks would have potentially adverse effects on the fiscal planning of the Greek sovereign and on the liquidity, solvency and profitability of the Greek banking sector, as well as on the realization of their Non Performing Exposures (NPE's) reduction plans. The 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" post the moratoria expiration (note 6), 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. In line with authorities' instructions and recommendations, the Group has taken all the required measures to ensure the health and safety of its employees and customers (e.g. implementation of teleworking, restrictions to business trips, and medical supplies for protective equipment).

Within this challenging external environment, the Group proceeded with the sale of 80% of Eurobank FPS in early June 2020 resulting in € 173 million gain after tax (note 31) (closing of "Europe" transaction) which together with the closing of "Cairo" transaction (sale of 20% of mezzanine/ 50.1% of junior Cairo securitizations' notes) by Eurobank Holdings signals the completion of the latter's accelerated NPE reduction plan announced in the fourth quarter of 2018. As a result Eurobank Holdings Group NPEs, following the derecognition of the Cairo securitised loan portfolio of € 7.2 billion (consisting primarily of NPEs) (note 20 in the consolidated financial statements of Eurobank Holdings), were reduced to € 5.7 billion (31 December 2019: € 13 billion) driving the NPE ratio to 14.0% (31 December 2019: 29.2%) and the NPE coverage ratio to 61.9% (31 December 2019: 55.3%). In accordance with the business update for the period 2021-2022, the Eurobank Holdings Group aims to proceed with a new NPE securitization of circa € 3.3 billion. Taking also into account the impact of the Covid-19 pandemic, the NPE ratio is expected to decline further to circa 9% in 2021.

Eurobank S.A. Group, which comprises the major part of Eurobank Holdings Group, is not separately supervised for regulatory purposes. As at 31 December 2020, the Common Equity Tier 1 (CET1) and Total Capital Adequacy (CAD) ratios of Eurobank Holdings Group are 13.9%and 16.3%, respectively (note 5). At the same date, the CET 1 and Total CAD ratios of the Bank amount to 12.4% and 15.2%, respectively. In January 2021, the EBA launched the 2021 EU-wide stress test exercise which will provide valuable input for assessing the resilience of the European banking sector, notably its ability to absorb shocks under adverse macroeconomic conditions, covering the period of 2021-2023. In parallel, the ECB also conducts its own stress test for the banks it directly supervises but that are not included in the EBA-led stress test sample. Eurobank Holdings Group participates in the ECB-led stress test. The results of both exercises will be used to assess each bank's Pillar 2 capital needs in the context of the Supervisory Review and Evaluation Process (SREP). The stress test process is currently in progress and the results are expected by the end of July 2021 (note 5).

The Eurobank S.A. Group's net profit attributable to shareholders for the period 20 March to 31 December 2020 amounted to € 247 million. As at 31 December 2020, the Group's deposits stood at € 47.3 billion and the funding from the targeted long term refinancing operations of the European Central Bank – TLTRO III programme at € 8 billion. The rise in high quality liquid assets of the Eurobank Holdings Group led the respective Liquidity Coverage ratio (LCR) to 124% (31 December 2019: 97%).

Going concern assessment

The Board of Directors, acknowledging the risks of the Covid-19 outbreak to the economy and the banking system and taking into account the above factors relating to (a) the measures adopted by the Greek and European authorities to mitigate the negative economic impact, (b) the pre-provision income generating capacity and the adequacy of the capital and liquidity position for both Eurobank S.A. Group and parent company's group and (c) the completion of the parent company's (Eurobank Holdings) group NPE reduction acceleration plan and the new plan for the period 2021-2022, has been satisfied that the financial statements of the Group can be prepared on a going concern basis.

2.1.1 New and amended standards and interpretations

New and amended standards adopted by the Group as of 1 January 2020

The following new standards, amendments to standards and Conceptual Framework as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), apply as of 1 January 2020:

Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards

In March 2018, the IASB issued its revised "Conceptual Framework for Financial Reporting" (Conceptual Framework). The revised Conceptual Framework is not a standard nor overrides any requirements of individual standards. This replaces the previous version of the Conceptual Framework issued in 2010. Revisions performed by IASB introduced guidance on measurement, presentation and disclosure as well as on derecognition concepts. In addition, the revision includes updated definitions of an asset/liability and of recognition criteria, as well as clarifications on important areas.

Alongside the revised Conceptual Framework, the IASB has published an accompanying document "Amendments to References to the Conceptual Framework in IFRS Standards" which contains consequential amendments to affected standards so that they refer to the revised Framework.

The adoption of the amended Framework had no impact on the consolidated financial statements.

Interest Rate Benchmark Reform - Phase 1: Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" to address the implications for certain hedge accounting requirements related to the uncertainties arising from the market-wide reform of several interest rate benchmarks (referred to as "IBOR reform"). As a result of the IBOR reform, there may be uncertainties about: a) the interest rate benchmark designated as a hedged risk and/or b) the timing or amount of the benchmark rate-based cash flows of the hedged item or the hedging instrument, during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate ("RFR"). The amendments modify certain hedge accounting requirements under IAS 39 or IFRS 9 in order to provide temporary reliefs from the potential effect of the uncertainty, during the transition period, which apply to all hedging relationships that are directly affected by the IBOR reform. These reliefs are related mainly to the highly probable requirement for the cash flow hedges, the compliance with the identifiable nature of the hedged risk component and the application of prospective and retrospective effectiveness tests. The amendments to IFRS 7 require additional disclosures in relation to the hedging relationships to which the above reliefs are applied.

The IASB addresses the IBOR reform and its potential effects on financial reporting in two phases. The first phase, as described above, focuses on hedge accounting issues affecting financial reporting in the period before the interest rate benchmark reform, while the second phase, effective from 1 January 2021, focuses on issues that might affect financial reporting once the existing rates are replaced with alternative rates (refer below to section ''new standards, amendments to standards and interpretations not yet adopted by the Group").

The Group has adopted Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7 - Phase 1) from 1 January 2020, while the amendments have been applied retrospectively to hedging relationships that existed on that date or were designated thereafter and that are directly affected by the IBOR reform.

As described in note 2.2.3, the Group elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39. Therefore, the amendments to IAS 39 and IFRS 7 are applicable to the Group.

Due to the adoption of the reliefs as of 1 January 2020, the Group assumes that hedging relationships are unaffected by the uncertainties caused by the IBOR reform and they continue to be accounted for as continuing hedges.

The reliefs cease to apply once certain conditions are met. In particular, the Group will cease to apply the amendments regarding the reliefs in hedge accounting at the earlier of (a) when the uncertainties arising from the IBOR reform are no longer present with respect to the timing and the amount of the benchmark rate-based cash flows of the hedged items or hedging instruments and (b) when the hedging relationships to which the reliefs apply are discontinued. The Group has assumed that this uncertainty will not end until the Group's contracts that reference IBORs are amended in order to specify the replacement of the interest rate benchmark, the date of such replacement as well as the cash flows of the RFR including the relevant spread adjustment.

The Group has set up an IBOR transition program to implement the transition to alternative interest rates that focuses on key areas of impact on customers' contracts, systems and processes, financial reporting, valuation, capital and liquidity planning and communication (note 6.2.4).

Amendments to IFRS 3 Business Combinations

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

The adoption of the amendments had no impact on the consolidated financial statements.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" aim to align the definition of 'material' across the standards and to clarify certain aspects of the definition. According to the new definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality depends on the nature or magnitude of information, or both, while an entity should assess whether information is material on its own or when combined with other information.

The definition of material in the Conceptual Framework was also amended in order to align with the revised definition in IAS 1 and IAS 8.

The adoption of the amendments had no impact on the consolidated financial statements.

Amendment to IFRS 16 - Covid-19-Related Rent Concessions

In May 2020, the IASB issued "Covid-19-Related Rent Concessions (Amendment to IFRS 16)" that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16 "Leases". The practical expedient permits lessees not to assess whether a COVID-19-related rent concession is a lease modification and requires lessees that apply the above exemption to account for COVID-19-related rent concessions as if they were not lease modifications.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

c) There is no substantive change to other terms and conditions of the lease.

The amendment to IFRS16, as endorsed by the EU in October 2020, is effective for the annual reporting periods beginning on or after 1 June 2020 with earlier application permitted.

The Group has early adopted the practical expedient to all rent concessions that meet the above described conditions.

In March 2021, the IASB extended by one year the application period of the above practical expedient to IFRS 16. In particular, based on the amendment performed, the lessee may apply the practical expedient to Covid-19 related rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021 and is expected to be endorsed by the EU during the first semester of 2021.

Further information on rent concessions granted to the Group as a lessee up to 31 December 2020 is provided in note 41.

New standards, amendments to standards and interpretations not yet adopted by the Group

A number of new standards and amendments to existing standards are effective after 2020, as they have not yet been endorsed by the European Union (EU), or have not been early applied by the Group. Those that may be relevant to the Group are set out below:

IAS 1, Amendments, Classification of Liabilities as Current or Non-Current (effective 1 January 2023, not yet endorsed by EU)
The amendments affect only the presentation of liabilities in the balance sheet and provide clarifications over the definition of the right to defer the settlement of a liability, while they make clear that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. In addition, it is clarified that the assessment for liabilities classification made at the end of the reporting period is not affected by the expectations about whether an entity will exercise its right to defer settlement of a liability. The Board also clarified that when classifying liabilities as current or non-current, an entity can ignore only those conversion options that are recognised as equity.

The adoption of the amendments is not expected to impact the consolidated financial statements.

IFRS 17, Insurance Contracts (effective 1 January 2023, not yet endorsed by EU)
IFRS 17, which supersedes IFRS 4 ”Insurance Contracts” provides a comprehensive and consistent accounting model for insurance contracts. It applies to insurance contracts issued, all reinsurance contracts and to investment contracts with discretionary participating features provided that the entity also issues insurance contracts. Financial guarantee contracts are allowed to be within the scope of IFRS 17 if the entity has previously asserted that it regarded them as insurance contracts.

According to IFRS 17 general model, groups of insurance contracts which are managed together and are subject to similar risks, are measured based on building blocks of discounted, probability-weighted estimates of future cash flows, a risk adjustment and a contractual service margin (“CSM”) representing the unearned profit of the contracts. Under the model, estimates are remeasured at each reporting period. A simplified measurement approach may be used if it is expected that doing so a reasonable approximation of the general model is produced, or if the contracts are of short duration.

Revenue is allocated to periods in proportion to the value of expected coverage and other services that the insurer provides during the period, claims are presented when incurred and any investment components i.e. amounts repaid to policyholders even if the insured event does not occur, are not included in revenue and claims. Insurance services results are presented separately from the insurance finance income or expense.

In June 2020, the IASB issued Amendments to IFRS 17 to assist entities in its implementation. The amendments included the deferral of the effective date, so that entities would be required to apply IFRS 17 for annual periods beginning on or after 1 January 2023.

IFRS 17 is not relevant to the Group’s activities, other than through its associate Eurolife FFH Insurance Group Holdings S.A.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021)
In August 2020, the IASB issued “Interest Rate Benchmark Reform: Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16”, which addresses issues that affect financial reporting once an existing rate is replaced with an alternative rate (RFR) and provides specific disclosure requirements. The Phase 2 Amendments provide key reliefs related to contractual modifications due to the reform and to the hedging relationships affected by the reform.

More specifically, the amendments introduce a practical expedient if a contractual change, or changes to cash flows, result “directly” from IBOR reform and occurs on an ‘economically equivalent’ basis. In these cases, changes will be accounted for by updating the effective interest rate, similar to changes to a floating interest rate. A similar practical expedient will apply under IFRS 16 Leases for lessees when accounting for lease modifications required by IBOR reform.

In addition, the Phase 2 amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentations without the hedging relationship being discontinued. Permitted changes include redefining the hedged risk to reference an RFR as well as redefining the description of the hedging instruments and/or the hedged items to reflect RFR.

Based on the Phase 2 amendments, when performing a retrospective hedge effectiveness assessment under IAS 39, a company may elect to reset the cumulative fair value changes of the hedged item and hedging instrument to zero immediately after ceasing to apply the Phase 1 relief on a hedge-by-hedge basis. However, actual hedge ineffectiveness will continue to be measured and recognized in full in profit or loss. The Phase 2 amendments also clarify that changes to the method for assessing hedge ineffectiveness due to the modifications required by the IBOR reform, will not result to the discontinuation of the hedge accounting.

The amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9.

Consequential amendments were made by the Phase 2 Amendments to IFRS 7, to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group is currently assessing the impact of the adoption of the Phase 2 Amendments on the consolidated financial statements.

Annual improvement to IFRSs 2018-2020 cycle: IFRS1, IFRS9 and IFRS 16 (effective 1 January 2022, not yet endorsed by EU)
The improvements introduce changes to several standards. The amendments that are relevant to the Group's activities are set out below:

The amendments to IFRS 1 *"First-time Adoption of International Financial Reporting Standards"* provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result, the amendment allow entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The amendment to IFRS 9 '*Financial Instruments'* clarifies which fees should be included in the 10% test for derecognition of financial liabilities, The fees to be included in the assessment are only those paid or received between the borrower (entity) and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment to IFRS 16 '*Leases'* removes the illustration of the reimbursement of leasehold improvements, in order to avoid any potential confusion about the treatment of lease incentives.

The adoption of the amendments is not expected to impact the consolidated financial statements.

IFRS 4, Amendment, Deferral of IFRS 9 (effective 1 January 2021)
In June 2020, the IASB issued *Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)* that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023, in order to align the effective dates of IFRS 9 Financial Instruments with IFRS 17 Insurance Contracts.

The amendment is not relevant to the Group's activities, other than through its associate Eurolife FFH Insurance Group Holdings S.A.

IAS 37, Amendment, Onerous Contracts – Costs of Fulfilling a Contract (effective 1 January 2022, not yet endorsed by EU)
The amendment to IAS 37 *"Provisions, Contingent Liabilities and Contingent Assets"* clarifies that the direct costs of fulfilling a contract include both the incremental costs and an allocation of other costs directly related to fulfilling contracts' activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The adoption of the amendment is not expected to impact the consolidated financial statements.

IFRS 3, Amendments, Reference to the Conceptual Framework (effective 1 January 2022, not yet endorsed by EU)
The amendments to IFRS 3 "Business Combinations" updated the reference to the current version of Conceptual Framework while added a requirement that, for obligations within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

In addition, the issued amendments added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition in a business combination at the acquisition date.

The adoption of the amendments is not expected to impact the consolidated financial statements.

IAS 8, Amendments, Definition of Accounting Estimates (effective 1 January 2023, not yet endorsed by EU)

The amendments in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" introduced the definition of accounting estimates and include other amendments to IAS 8 which are intended to help entities distinguish changes in accounting estimates from changes in accounting policies.

The amendments clarify (a) how accounting policies and accounting estimates relate to each other by (i) explaining that accounting estimates are used in applying accounting policies and (ii) making the definition of accounting policies clearer and more concise, (b) that selecting an estimation technique, or valuation technique, used when an item in the financial statements cannot be measured with precision, constitutes making an accounting estimate, and (c) that, in applying IAS 2 Inventories, selecting the first-in, first-out (FIFO) cost formula or the weighted average cost formula for interchangeable inventories constitutes selecting an accounting policy.

The adoption of the amendments is not expected to impact the consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective 1 January 2023, not yet endorsed by EU)

IASB issued amendments to IAS 1 "Presentation of Financial Statements" to require entities to disclose their material accounting policies rather than their significant accounting policies.

According to IASB, accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Furthermore, the amendments clarify how an entity can identify material accounting policy information, while provide examples of when accounting policy information is likely to be material. The amendment to IAS 1 also clarify that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2 Making Materiality Judgements to accounting policy disclosures, in order to support the amendments to IAS 1.

The adoption of the amendments is not expected to impact the consolidated financial statements.

2.2 Principal accounting policies

2.2.1 Consolidation

(i) Subsidiaries

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. The Group consolidates an entity only when all the above three elements of control are present.

Power is considered to exist when the Group's existing rights give it the current ability to direct the relevant activities of the entity, i.e. the activities that significantly affect the entity's returns, and the Group has the practical ability to exercise those rights. Power over the entity may arise from voting rights granted by equity instruments such as shares or, in other cases, may result from contractual arrangements.

Where voting rights are relevant, the Group is deemed to have control where it holds, directly or indirectly, more than half of the voting rights over an entity, unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities.

The Group may have power, even when it holds less than a majority of the voting rights of the entity, through a contractual arrangement with other vote holders, rights arising from other contractual arrangements, substantive potential voting rights, ownership of the largest block of voting rights in a situation where the remaining rights are widely dispersed ('de facto power'), or a combination of the above. In assessing whether the Group has de facto power, it considers all relevant facts and circumstances including the relative size of the Group's holding of voting rights and dispersions of holdings of other vote holders to determine whether the Group has the practical ability to direct the relevant activities.

The Group is exposed or has rights to variable returns from its involvement with an entity when these returns have the potential to vary as a result of the entity's performance.

In assessing whether the Group has the ability to use its power to affect the amount of returns from its involvement with an entity, the Group determines whether in exercising its decision-making rights, it is acting as an agent or as a principal. The Group acts as an agent when it is engaged to act on behalf and for the benefit of another party, and as a result does not control an entity. Therefore, in such cases, the Group does not consolidate the entity. In making the above assessment, the Group considers the scope of its decision-making authority over the entity, the rights held by other parties, the remuneration to which the Group is entitled from its involvement, and its exposure to variability of returns from other interests in that entity.

The Group has interests in certain entities which are structured so that voting rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual rights. In determining whether the Group has control over such structured entities, it considers the following factors:

- The purpose and design of the entity;
- Whether the Group has certain rights that give it the ability to direct the relevant activities of the entity unilaterally, as a result of existing contractual arrangements that give it the power to govern the entity and direct its activities;
- In case another entity is granted decision making rights, the Group assesses whether this entity acts as an agent of the Group or another investor;
- The existence of any special relationships with the entity; and
- The extent of the Group's exposure to variability of returns from its involvement with the entity, including its exposure in the most subordinated securitized notes issued by the entity as well as subordinated loans or other credit enhancements that may be granted to the entity, and if the Group has the power to affect such variability.

Information about the Group's structured entities is set out in note 26.

The Group reassesses whether it controls an entity if facts and circumstances indicate that there are changes to one or more elements of control. This includes circumstances in which the rights held by the Group and intended to be protective in nature become substantive upon a breach of a covenant or default on payments in a borrowing arrangement, and lead to the Group having power over the investee.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in subsidiaries that do not result in a loss of control are recorded as equity transactions. Any difference between the consideration and the share of the new net assets acquired is recorded directly in equity. Gains or losses arising from disposals of ownership interests that do not result in a loss of control by the Group are also recorded directly in equity. For disposals of ownership interests that result in a loss of control, the Group derecognizes the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity, and recognizes gains and losses in the income statement. When the Group ceases to have control, any retained interest in the former subsidiary is re-measured to its fair value, with any changes in the carrying amount recognized in the income statement.

Intercompany transactions, balances and intragroup gains on transactions between Group entities are eliminated; intragroup losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

(ii) Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for an acquisition is measured at the fair value of the assets given, equity instruments issued or exchanged and liabilities undertaken at the date of acquisition, including the fair value of assets or liabilities resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any non-controlling interest. Any previously held interest in the acquiree is remeasured to fair value at the acquisition date with any gain or loss recognized in the income statement. The Group recognizes on an acquisition-by-acquisition basis any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets of the subsidiary acquired, is recorded as goodwill. If this is less than the fair value of the net assets of the acquiree, the difference is recognized directly in the income statement.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which it occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period to reflect the new information obtained about the facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. The measurement period adjustments, as mentioned above, affect accordingly the amount of goodwill that was initially recognized, while the measurement period cannot exceed one year from the acquisition date.

Commitments to purchase non-controlling interests through derivative financial instruments with the non-controlling interests, as part of a business combination are accounted for as a financial liability, with no non-controlling interest recognized for reporting purposes. The financial liability is measured at fair value, using valuation techniques based on best estimates available to management. Any difference between the fair value of the financial liability upon initial recognition and the nominal non-controlling interest's share of net assets is recognized as part of goodwill. Subsequent revisions to the valuation of the derivatives are recognized in the income statement.

For acquisitions of subsidiaries not meeting the definition of a business, the Group allocates the consideration to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies of the Group.

A listing of the Bank's subsidiaries is set out in note 24.

(iii) Business combinations involving entities under common control

Pursuant to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', since business combinations between entities under common control are excluded from the scope of IFRS 3 'Business Combinations', such transactions are accounted for in the Group's financial statements by using the pooling of interests method (also known as merger accounting), with reference to the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework and comply with the IFRS general principles, as well as accepted industry practices.

Under the pooling of interests method, the Group incorporates the assets and liabilities of the acquiree at their pre-combination carrying amounts from the highest level of common control, without any fair value adjustments. Any difference between the cost of the transaction and the carrying amount of the net assets acquired is recorded in Group's equity.

The Group accounts for the cost of such business combinations at the fair value of the consideration given, being the amount of cash or shares issued or if that cannot be reliably measured, the consideration received.

Formation of a new Group entity to effect a business combination

Common control transactions that involve the formation of a new Group entity to effect a business combination by bringing together two or more previously uncombined businesses under the new Group entity are also accounted for by using the pooling of interests method.

Other common control transactions that involve the acquisition of a single existing Group entity or a single group of businesses by a new entity formed for this purpose are accounted for as capital reorganizations, on the basis that there is no business combination and no substantive economic change in the Group. Under a capital reorganization, the acquiring entity incorporates the assets and liabilities of the acquired entity at their carrying amounts, as presented in the books of that acquired entity, rather than those from the highest level of common control. Any difference between the cost of the transaction and the carrying amount of the net assets acquired is recognized in the equity of the new entity. Capital reorganization transactions do not have any impact on the Group's consolidated financial statements.

(iv) Associates

Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. These are undertakings over which the Group exercises significant influence but which are not controlled.

Equity accounting involves recognizing in the income statement the Group's share of the associate's profit or loss for the year. The Group's interest in the associate is carried on the balance sheet at an amount that reflects its share of the net assets of the associate and any goodwill identified on acquisition net of any accumulated impairment losses. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses, unless it has incurred obligations or made payments on behalf of the associate. Where necessary the accounting policies used by the associates have been changed to ensure consistency with the policies of the Group.

When the Group obtains or ceases to have significant influence, any previously held or retained interest in the entity is remeasured to its fair value, with any change in the carrying amount recognized in the income statement, except in cases where an investment in associate becomes an investment in a joint venture where no remeasurement of the interest retained is performed and use of the equity method continues to apply.

(v) Joint arrangements

A joint arrangement is an arrangement under which the Group has joint control with one or more parties. Joint control is the contractually agreed sharing of control and exists only when decisions about relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint ventures whereby the parties who share control have rights to the net assets of the arrangement or joint operations where two or more parties have rights to the assets and obligations for the liabilities of the arrangement.

The Group evaluates the contractual terms of joint arrangements to determine whether a joint arrangement is a joint operation or a joint venture. All joint arrangements in which the Group has an interest are joint ventures.

As investments in associates, the Group's interest in joint ventures is accounted for by using the equity method of accounting. Therefore, the accounting policy described in note 2.2.1 (iv) applies also for joint ventures. Where necessary the accounting policies used by the joint ventures have been changed to ensure consistency with the policies of the Group.

When the Group ceases to have joint control over an entity, it discontinues the use of the equity method. Any retained interest in the entity is remeasured to its fair value, with any change in the carrying amount recognized in the income statement, except in cases where an investment in a joint venture becomes an investment in an associate, where no remeasurement of the interest retained is performed and use of the equity method continues to apply.

A listing of the Group's associates and joint ventures is set out in note 25.

2.2.2 Foreign currencies

(i) Translation of foreign subsidiaries

Assets and liabilities of foreign subsidiaries are translated into the Group’s presentation currency at the exchange rates prevailing at each reporting date whereas income and expenses are translated at the average exchange rates for the period reported. Exchange differences arising from the translation of the net investment in a foreign subsidiary, including exchange differences of monetary items receivable or payable to the foreign subsidiary for which settlement is neither planned nor likely to occur that form part of the net investment in the foreign subsidiaries, are recognized in other comprehensive income.

Exchange differences from the Group’s foreign subsidiaries are released to the income statement on the disposal of the foreign subsidiary while for monetary items that form part of the net investment in the foreign subsidiary, on repayment or when settlement is expected to occur.

(ii) 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 recognized in the income statement.

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 recognized in the income statement, except when deferred in equity as qualifying cash flow or net investment hedges.

Non-monetary assets and liabilities are translated into the functional currency at the exchange rates prevailing at initial recognition, except for non-monetary items denominated in foreign currencies that are measured at fair value which are translated at the rate of exchange at the date the fair value is determined. The exchange differences relating to these items are treated as part of the change in fair value and are recognized in the income statement or recorded directly in equity depending on the classification of the non-monetary item.

2.2.3 Derivative financial instruments and hedging

Derivative financial instruments, including foreign exchange contracts, forward currency agreements and interest rate options (both written and purchased), currency and interest rate swaps, and other derivative financial instruments, are initially recognized in the balance sheet at fair value on the date on which a derivative contract is entered into and subsequently are 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 based on quoted market prices, including recent market transactions, or by using other valuation techniques, as appropriate. The principles for the fair value measurement of financial instruments, including derivative financial instruments, are described in notes 3.2 and 6.3.

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 2.2.9.

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.

The use of derivative financial instruments is inherent in the Group's activities and aims principally at managing risk effectively.

Accordingly, the Group, as part of its risk management strategy, may enter into transactions with external counterparties to hedge partially or fully interest rate, foreign currency, equity and other exposures that are generated from its activities.

The objectives of hedging with derivative financial instruments include:

- Reduction of interest rate exposure that is in excess of the Group's interest rate limits
- Efficient management of interest rate risk and fair value exposure
- Management of future variable cash flows
- Reduction of foreign currency risk or inflation risk

<u>Hedge accounting</u>

The Group has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39, until the project of accounting of macro hedging activities is completed by the IASB.

For hedge accounting purposes, the Group forms a hedging relationship between a hedging instrument and a related item or group of items to be hedged. A hedging instrument is a designated derivative or a designated non-derivative financial asset or financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

Specifically, the Group designates certain derivatives as: (a) hedges of the exposure to changes in fair value of recognized assets or liabilities or unrecognized firm commitments (fair value hedge), (b) hedges of the exposure to variability in cash flows of recognized assets or liabilities or highly probable forecasted transactions (cash flow hedge) or, (c) hedges of the exposure to variability in the value of a net investment in a foreign operation which is associated with the translation of the investment's net assets in the Group's functional currency.

In order to apply hedge accounting, specified criteria should be met. Accordingly, at the inception of the hedge accounting relationship, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group also documents its assessment, both at inception of the hedge and on an ongoing basis, of whether the derivatives that are used in the hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items and whether the actual results of each hedge are within a range of 80-125%. If a relationship does not meet the abovementioned hedge effectiveness criteria, the Group discontinues hedge accounting prospectively. Similarly, if the hedging derivative expires or is sold, terminated or exercised, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In addition, the Group uses other derivatives, not designated in a qualifying hedge relationship, to manage its exposure primarily to interest rate and foreign currency risks. Non qualifying hedges are derivatives entered into as economic hedges of assets and liabilities for which hedge accounting was not applied. The said derivative instruments are classified along with those held for trading purposes.

The method of recognizing the resulting fair value gain or loss depends on whether the derivatives are designated and qualify as hedging instruments, and if so, the nature of the item being hedged.

Furthermore, the Group may designate groups of items as hedged items, by aggregating recognized assets or liabilities or unrecognized but highly probable transactions of similar risk characteristics that share the exposure for which they are hedged. Although the overall risk exposures may be different for the individual items in the group, the specific risk being hedged will be inherent in each of the items in the group.

As described in note 2.1.1, the Group has applied IBOR reform amendments to IFRS 9, IAS 39 and IFRS 7, issued in September 2019, that provide temporary reliefs on hedging relationships due to the potential effect of the uncertainty on the amount and timing of cash flows indexed to IBOR and/or the interest benchmark designated as a hedged risk, during the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate. Based on the reliefs, for the purpose of determining whether a forecast transaction is highly probable, or a hedging relationship is expected to be highly effective, the Group assumes that the benchmark interest rate does not change as a result of the IBOR reform. In addition, the Group, is not required to discontinue hedge accounting if the hedge falls outside the 80–125% range during the period of uncertainty arising from the reform. Furthermore, in case of hedges where the hedged item or hedged risk is a non-contractually specified benchmark portion of interest rate risk, following the IBOR reform reliefs, it is assumed that the designated risk portion only needs to be separately identifiable at the inception of the hedging relationship and not on a going basis.

The reliefs cease to apply once certain conditions are met. In particular, the Group will cease to apply the amendments regarding the reliefs in hedge accounting at the earlier of (a) when the uncertainties arising from the IBOR reform are no longer present with respect to the timing and the amount of the benchmark rate-based cash flows of the hedged items or hedging instruments and (b) when the hedging relationships to which the reliefs apply are discontinued.

(i) Fair value hedge

The Group applies fair value hedging to hedge exposures primarily to changes in the fair value attributable to interest rate risk and currency risk.

The items that qualify for fair value hedge accounting include fixed rate debt securities classified as FVOCI and amortized cost financial assets, fixed rate term deposits or term loans measured at amortized cost, as well as fixed rate debt securities in issue.

The interest rate and currency risk with respect to the applicable benchmark rate may be hedged using interest rate swaps and cross currency swaps.

The Group uses the dollar-offset method in order to assess the effectiveness of fair value hedges. This is a quantitative method that involves the comparison of the change in the fair value of the hedging instrument with the change in the fair value of the hedged item attributable to the hedged risk. Even if a hedge is not expected to be highly effective in a particular period, hedge accounting is not precluded if effectiveness is expected to remain sufficiently high over the life of the hedge.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with the changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

The Group discontinues hedge accounting in case the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the qualifying criteria for hedge accounting, or designation is revoked. In such cases, any adjustment to the carrying amount of the hedged item, for which the effective interest method is applied, is amortized to profit or loss over the period to maturity. Hedge ineffectiveness may arise in case of potential differences in the critical terms between the hedged item and the hedging instrument such as maturity, interest rate reset frequency and discount curves.

(ii) Cash flow hedge

The Group applies cash flow hedging to hedge exposures to variability in cash flows primarily attributable to the interest rate risk and currency risk associated with a recognized asset or liability or a highly probable forecast transaction.

The items that qualify for cash flow hedging include recognized assets and liabilities such as variable rate deposits or loans measured at amortized cost, variable rate debt securities in issue and foreign currency variable rate loans. The interest rate risk with respect to the applicable benchmark rate may be hedged using interest rate swaps and cross currency swaps. The foreign currency risk may be hedged using currency forwards and currency swaps.

Furthermore, cash flow hedging is used for hedging highly probable forecast transactions such as the anticipated future rollover of short-term deposits or repos measured at amortized cost. Specifically, the forecast variable interest payments of a series of anticipated rollovers of these financial liabilities are aggregated and hedged as a group with respect to changes in the benchmark interest rates, eliminating cash flow variability. In addition, cash flow hedging applies to hedges of currency risk arising from probable forecasted sales of financial assets or settlement of financial liabilities in foreign currency.

If the hedged item is documented as a forecast transaction, the Group assesses and verifies that there is a high probability of the transaction occurring.

In order to assess the effectiveness of cash flow hedges of interest rate risk, the Group uses regression analysis which demonstrates that there is high historical and expected future correlation between the interest rate risk designated as being hedged and the interest rate risk of the hedging instrument. For assessing the effectiveness of cash flow hedges of currency risk, the Group uses the dollar-offset method.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income whereas the ineffective portion is recognized in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction affects the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Net investment hedge

The Group applies net investment hedging to hedge exposures to variability in the value of a net investment in foreign operation associated with the translation of the investment's carrying amount into the Group's presentation currency.

The Group invests in foreign subsidiaries, associates or other foreign operations with functional currencies different from the Group's presentation and functional currency which upon consolidation, their carrying amount is translated from the functional currency to the Group's presentation currency and any exchange differences are deferred in OCI until the net investment is disposed of or liquidated, at which time they are recognized in the profit or loss.

The item that qualifies for net investment hedge accounting is the carrying amount of the net investment in a foreign operation, including monetary items that form part of the net investment.

The foreign currency exposure that arises from the fluctuation in spot exchange rates between the net investment's functional currency and the Group's presentation currency may be hedged using currency swaps, currency forward contracts and their economic equivalents, as well as cash instruments.

The effectiveness of net investment hedges is assessed with the Dollar-Offset Method as described above for fair value hedge.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity; the gain or loss relating to the ineffective portion is recognized in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of as part of the gain or loss on the disposal.

(iv) Derivatives not designated as hedging instruments for hedge accounting purposes

Changes in the fair value of derivative financial instruments that are not designated as hedging instruments or do not qualify for hedge accounting are recognized in the income statement.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 20.

2.2.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.2.5 Income statement

(i) Interest income and expense

Interest income and expense is recognized in the income statement for all interest bearing financial instruments on an accrual basis, using the effective interest rate (EIR) method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the EIR for financial instruments other than purchased or originated credit-impaired, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. For purchased or originated credit impaired (POCI) financial assets, the Group calculates the credit-adjusted EIR, which is the interest rate that upon the original recognition of the POCI financial asset discounts the estimated future cash flows (including expected credit losses) to the fair value of the POCI asset.

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

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

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

For financial assets that have become credit-impaired subsequent to initial recognition (exposures in Stage 3), the Group 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.

For financial assets that were credit-impaired on initial recognition (POCI) interest income is calculated by applying the credit-adjusted EIR (calculated as described above) to the POCI asset's amortized cost. For such assets even if the credit risk improves, interest income does not revert to gross basis calculation. For inflation-linked instruments the Group recognizes interest income and expense by adjusting the effective interest rate on each reporting period due to changes in expected future cash flows, incorporating changes in inflation expectations over the term of the instruments. The adjusted effective interest rate is applied in order to calculate the new gross carrying amount on each reporting period.

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

(ii) Fees and commissions

Fee and commission received or paid that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income such as account servicing and asset management fees (including performance based fees) is recognised over time as the related services are being provided to the customer, to the extent that it is highly probable that a significant reversal of the revenue amount recognized will not occur. Transaction-based fees such as foreign exchange transactions, imports-exports, remittances, bank charges and brokerage activities are recognised at the point in time when the transaction takes place. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

In the case of a contract with a customer that results in the recognition of a financial instrument in the Group's financial statements which may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15, the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and subsequently applies IFRS 15 to the residual part.

2.2.6 Property, equipment and Investment property

(i) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is recognized in the asset's carrying amount only when it is probable that future economic benefits will flow to the Group and the cost of the asset can be measured reliably. All other repair and maintenance costs are recognized in the income statement as incurred.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment, to their residual values over their estimated useful life as follows:

- Land: no depreciation;
- Freehold buildings: 40-50 years;
- Leasehold improvements: over the lease term or the useful life of the asset if shorter;
- Computer hardware and related integral software: 4-10 years;
- Other furniture and equipment: 4-20 years; and
- Motor vehicles: 5-7 years.

(ii) Investment property

Property held for rental yields and/or capital appreciation that is not occupied by the Group's entities is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. Under fair value model of IAS 40 "Investment property" after initial recognition, investment property is carried at fair value as determined by independent certified valuers, with any change therein recognized in income statement. Investment property under construction is measured at fair value only if it can be measured reliably.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized to the income statement during the financial period in which they are incurred.

Investment property is derecognised when disposed or when it is permanently withdrawn from use and there is no future economic benefit expected from its disposal. Any arising gain or loss (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognized in income statement.

If an investment property becomes owner-occupied, it is reclassified as property and equipment and its fair value at the date of reclassification becomes its deemed cost. If an item of property and equipment becomes an investment property because its use has changed, any resulting decrease between the carrying amount and the fair value of this item at the date of transfer is recognized in income statement while any resulting increase, to the extent that the increase reverses previous impairment loss for that property, is recognized in income statement while any remaining part of the increase is recognized in other comprehensive income and increases the revaluation surplus within equity.

If a repossessed asset becomes investment property, any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognized in income statement.

Reclassifications among own used, repossessed assets and investment properties may occur when there is a change in the use of such properties. Additionally, an investment property may be reclassified to 'non-current assets held for sale' category to the extent that the criteria described in note 2.2.25 are met.

2.2.7 Intangible assets

(i) Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest and the acquisition date fair value of any previously held equity interest in the acquiree over the fair value of the Group's share of net identifiable assets and contingent liabilities acquired. Goodwill arising on business combinations is included in 'intangible assets' and is measured at cost less accumulated impairment losses.

Goodwill arising on acquisitions of associates and jointly controlled entities is neither disclosed nor tested separately impairment, but instead is included in 'investments in associates' and 'investments in jointly controlled entities'.

(ii) Computer software

Costs associated with the maintenance of existing computer software programs are expensed as incurred. Development costs associated with the production of identifiable assets controlled by the Group are recognized as intangible assets when they are expected to generate economic benefits and can be measured reliably. Internally generated computer software assets are amortized using the straight-line method over 4 years, except for core systems whose useful life may extend up to 20 years.

(iii) Other intangible assets

Other intangible assets are assets that are separable or arise from contractual or other legal rights and are amortized over their estimated useful lives. These include intangible assets acquired in business combinations.

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

2.2.8 Impairment of non-financial assets

(i) Goodwill

Goodwill arising on business combinations is not amortized but tested for impairment annually or more frequently if there are any indications that impairment may have occurred. The Group's impairment test is performed each year end. The Group considers external information such as prevailing economic conditions, persistent slowdown in financial markets, volatility in markets and changes in levels of market and exchange risk, an unexpected decline in an asset's market value or market capitalization being below the book value of equity, together with a deterioration in internal performance indicators, in assessing whether there is any indication of impairment.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each Cash Generating Unit (CGU) or groups of CGUs that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes. The Group monitors goodwill either at the separate legal entity level or group of legal entities consistent with the internal monitoring of operating segments.

The Group impairment model compares the carrying value of a CGU or group of CGUs with its recoverable amount. The carrying value of a CGU is based on the assets and liabilities of each CGU. The recoverable amount is determined on the basis of the value-in-use which is the present value of the future cash flows expected to be derived from the CGU or group of CGUs. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU and the countries where the CGUs operate.

An impairment loss arises if the carrying amount of an asset or CGU exceeds its recoverable amount, and is recognized in the income statement. Impairment losses are not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other non-financial assets

Other non-financial assets, including property and equipment and other intangible assets, are assessed for indications of impairment at each reporting date by considering both external and internal sources of information such as a significant reduction in the asset's value and evidence that the economic performance of the asset is or will be worse than expected. When events or changes in circumstances indicate that the carrying amount may not be recoverable, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, where applicable. Non-financial assets, other than goodwill, for which an impairment loss was recognized in prior reporting periods, are reviewed for possible reversal of such impairment at each reporting date.

Impairment losses arising from the Group's associates and joint ventures are determined in accordance with this accounting policy.

2.2.9 Financial assets

Financial assets - Classification and measurement

The Group 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 Group commits to purchase or sell the assets. Loans originated by the Group are recognized when cash is advanced to the borrowers.

Financial Assets measured at Amortized Cost ('AC')

The Group classifies and measures a financial asset at AC only if both of the following conditions are met and is not designated as at FVTPL:

(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 (as described in 2.2.5 above).

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.

Financial Assets measured at Fair Value through Other Comprehensive Income ('FVOCI')

The Group classifies and measures a financial asset at FVOCI only if both of the following conditions are met and is not designated as at FVTPL:

(a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold-to-collect-and-sell business model) and

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Financial assets that meet these criteria are debt instruments and are measured initially at fair value, plus direct and incremental transaction costs.

Subsequent to initial recognition, FVOCI debt instruments are re-measured at fair value through OCI, except for interest income, related foreign exchange gains or losses and expected credit losses, which are recognized in the income statement. Cumulative gains and losses previously recognized in OCI are transferred from OCI to the income statement when the debt instrument is derecognised.

Equity Instruments designated at FVOCI

The Group may make an irrevocable election to designate an equity instrument at FVOCI. This designation, if elected, is made at initial recognition and on an instrument by instrument basis. Gains and losses on these instruments, including when derecognized, are recorded in OCI and are not subsequently reclassified to the income statement. Dividends received are recorded in the income statement.

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

The Group classifies and measures all other financial assets that are not classified at AC or FVOCI, at FVTPL. Accordingly, this measurement category includes debt instruments such as loans and debt securities that are held within the hold–to-collect (HTC) or hold-to-collect-and-sell models (HTCS), but fail the SPPI assessment, equities that are not designated at FVOCI and financial assets held for trading. Derivative financial instruments are measured at FVTPL, unless they are designated and effective hedging instruments, in which case hedge accounting requirements under IAS 39 continue to apply.

Furthermore, a financial asset that meets the above conditions to be classified at AC or FVOCI, may be irrevocably designated by the Group at FVTPL at initial recognition, if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.

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.

Business model and contractual characteristics assessment

The business model assessment determines how the Group manages a group of assets to generate cash flows. That is, whether the Group's objective is solely to collect contractual cash flows from the asset, to realize cash flows from the sale of assets, or both to collect contractual cash flows and cash flows from the sale of assets. 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 Group's key management personnel 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 Group 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, the related personnel compensation, and the frequency, volume and reasons of past sales, as well as expectations about future sales activity.

Types of business models

The Group's business models fall into three categories, which are indicative of the key strategies used to generate returns.

The hold-to-collect (HTC) business model has the objective to hold the financial assets in order to collect contractual cash flows. Sales within this model are monitored and may be performed for reasons which are not inconsistent with this business model. More specifically, sales of financial assets due to credit deterioration, as well as, sales close to the maturity are considered consistent with the objective of hold-to-collect contractual cash flows regardless of value and frequency. Sales for other reasons may be consistent with the HTC model such as liquidity needs in any stress case scenario or sales made to manage high concentration level of credit risk. Such sales are monitored and assessed depending on frequency and value to conclude whether they are consistent with the HTC model. Debt instruments classified within this business model include bonds, due from banks and loans and advances to customers including securitized notes issued by special purpose vehicles established by the Group and recognized in its balance sheet, which are measured at amortized cost, subject to meeting the SPPI assessment criteria.

The hold-to-collect-and-sell business model (HTC&S) has the objective both to collect contractual cash flows and sell the assets. Activities such as liquidity management, interest yield and duration are consistent with this business model, while sales of assets are integral to achieving the objectives of this business model. Debt instruments classified within this business model include investment securities which are measured at FVOCI, subject to meeting the SPPI assessment criteria.

Other business models include financial assets which are managed and evaluated on a fair value basis as well as portfolios that are held for trading. This is a residual category for financial assets not meeting the criteria of the business models of HTC or HTC&S, while the collection of contractual cash flows may be incidental to achieving the business models' objective.

The Group's business models are reassessed at least annually or earlier, if there is a sales' assessment trigger or if there are any changes in the Bank's strategy and main activities, as evidenced by the Bank's business plan, budget and NPE strategy.

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 Group 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 Group 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. Moreover, for the securitized notes issued by special purpose vehicles and held by the Group, the cash flow characteristics of the underlying pool of financial assets as well as the credit risk inherent in each securitization's tranche compared to the credit risk of all of the underlying pool of financial assets, are considered.

In case of special lending arrangements such as non-recourse loans, in its assessment of the SPPI criterion, the Group considers various factors such as the nature of the borrower and its business, the pricing of the loans, whether it participates in the economic performance of the underlying asset and the extent to which the collateral represents all or a substantial portion of the borrower's assets. Moreover, for special purpose entities, the Group takes into consideration the borrower's adequacy of loss absorbing capital by assessing jointly the criteria of equity sufficiency, Loan to Value ratio (LTV), the Average Debt Service Coverage ratio (ADSCR) as well as the existence of corporate and personal guarantees.

In certain cases when the time value of money element is modified in that the financial asset's interest rate is periodically reset but the reset frequency does not match the tenor of the interest rate or when a financial asset's interest rate is periodically reset to an average of particular short-term and long-term interest rates, a quantitative assessment is performed (the "Benchmark Test") in order to determine whether the contractual cash flows are SPPI.

In particular, the Group assesses the contractual cash flows of the "real instrument", whose interest rate is reset with a frequency that does not match the tenor of the interest rate, and those of the "benchmark instrument", which are identical in all respects except that the tenor of the interest rate matches exactly the interest period. If the undiscounted cash flows of the former are significantly different from the benchmark cash flows due to the modified time value of money element, the financial asset does not meet the SPPI criterion. In its assessment, the Group considers both the effect of the modified time value of money element in each reporting period and cumulatively over the life of the instrument. This is done, as far as the lifetime of the instrument is concerned, by comparing the cumulative projected undiscounted cash flows of the real and the benchmark instrument, and for each quarterly reporting period, by comparing the projected undiscounted cash flows of the two instruments for that quarterly reporting period, based on predefined thresholds.

In addition, for the purposes of the SPPI assessment, if a contractual feature could have an effect that is de-minimis on the contractual cash flows of the financial asset, it does not affect its classification. Moreover, a contractual feature is considered as not genuine by the Group, if it affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur. In such a case, it does not affect the instrument's classification.

The Group performs the SPPI assessment for its lending exposures on a product basis for the retail and part of the wholesale portfolio where contracts are of standardized form, whereas for the remaining wholesale portfolio, securitized notes issued by special purpose vehicles established by the Group and debt securities the assessment is performed on an individual basis.

Derecognition of financial assets

The Group 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 Group 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 Group has transferred control of the asset. Control is transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

The main transactions that are subject to the above de-recognition rules are securitization transactions, repurchase agreements and stock lending transactions. In the case of securitization transactions, in order to assess the application of the above mentioned de-recognition principles, the Group considers the structure of each securitization transaction including its exposure to the more subordinated tranches of the notes issued and/or credit enhancements provided to the special purposes vehicles, as well as the securitization's contractual terms that may indicate that the Group retains control of the underlying assets. In the case of repurchase transactions and stock lending, the assets transferred are not derecognised since the terms of the transaction entail the retention of all their risks and rewards.

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, except for cumulative gains or losses of FVOCI equity instruments which are not reclassified from OCI to income statement at the date of derecognition.

Modification of financial assets that may result in derecognition

In addition, derecognition of financial asset arises when its contractual cash flows are modified and the modification is considered substantial enough so that the original asset is derecognized and a new one is recognised. The Group records the modified asset as a 'new' financial asset at fair value and the difference with the carrying amount of the existing one is recorded in the income statement as derecognition gain or loss.

The Group may modify the contractual terms of a lending exposure either as a concession granted to a client facing or that is about to face financial difficulties or due to other commercial reasons such as changes in market conditions, competition or customer retention.

Modifications that may result in derecognition include:

- change in borrower,
- change in the currency that the lending exposure is denominated,
- debt consolidation features where two or more consumer unsecured lending contracts are consolidated into a single new secured lending agreement,
- the removal or addition of conversion features and/or profit sharing mechanisms and similar terms which are relevant to the SPPI assessment;

In addition, the Group may occasionally enter, in the context of loans' modifications, into debt-for-equity transactions. These are transactions where the terms of a lending exposure are renegotiated and as a result, the borrower issues equity instruments (voting or no voting) in order to extinguish part or all of its financial liability to the Group. Such transactions may include also exercise of conversion rights embedded into convertible or exchangeable bonds and enforcement of shares held as collateral.

In debt-for-equity transactions, the modified loan is derecognized while the equity instruments received in exchange are recognized at their fair value, with any resulting gain or loss recognized in the Group's income statement.

2.2.10 Reclassifications of financial assets

The Group reclassifies a financial asset only when it changes its business model for managing financial assets. Generally, a change in the business model is expected to be rare and occurs when the Group either begins or ceases to perform an activity that is significant to its operations; for example, when a business line is acquired, disposed of or terminated. In the rare event when there is a change to the existing business models, the updated assessment is approved by the Group's competent Committees and the amendment is reflected appropriately in the Group's budget and business plan.

Changes in intention related to particular financial assets (even in circumstances of significant changes in market conditions), the temporary disappearance of a particular market for financial assets or a transfer of financial assets between parts of the Group with different business models, are not considered by the Group changes in business model.

The reclassification is applied prospectively from the reclassification date, therefore previously recognized gains, losses (including impairment losses) or interest are not restated.

2.2.11 Financial liabilities

Financial liabilities - Classification and measurement

The Group classifies its financial liabilities in the following categories: financial liabilities measured at amortized cost and financial liabilities measured at fair-value-through-profit-or-loss.

Financial liabilities at fair-value-through-profit-or-loss comprise two sub categories: financial liabilities held for trading and financial liabilities designated at fair-value-through-profit-or-loss upon initial recognition.

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

The Group may, at initial recognition, irrevocably designate financial liabilities at fair-value-through-profit-or-loss 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 recognising 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 in accordance with a documented risk management or investment strategy; 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 Group's own credit risk, which are recognised 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 derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability of the Group 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 recognized in the income statement.

The Group 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.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized 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 amortized over the remaining term of the modified liability.

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

2.2.12 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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group 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 Group uses other valuation techniques that maximize the use of relevant observable inputs and minimize 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 Group 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 Group 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 recognized in the income statement. 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 amortized 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 categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole (note 6.3).

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

2.2.13 Impairment of financial assets

The Group 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, including loans, securitized notes issued by special purpose vehicles established by the Group, lease receivables, debt securities, financial guarantee contracts, and loan commitments. No ECL are recognized on equity investments. 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 Group 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. If upon initial recognition, the financial asset meets the definition of purchased or originated credit impaired (POCI), the loss allowance is based on the change in the ECL over the life of the asset.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. For all other financial assets subject to impairment, the general three-stage approach applies.

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

- Stage 1 – When there is no significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12-months ECL is recorded. The 12 – month ECL represent a portion of lifetime losses, that result from default events that are possible within the next 12 months after the reporting date and is equal to the expected cash shortfalls over the life of the instrument or group of instruments, due to loss events probable within the next 12 months. Not credit-impaired financial assets that are either newly originated or purchased, as well as, assets recognized following a substantial modification accounted for as a derecognition, are classified initially in Stage 1.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. Lifetime ECL represent the expected credit losses that result from all possible default events over the expected life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.
- POCI - Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. They are not subject to stage allocation and are always measured on the basis of lifetime expected credit losses. Accordingly, ECL are only recognized to the extent that there is a subsequent change in the assets' lifetime expected credit losses. Any subsequent favorable change to their expected cash flows is recognized as impairment gain in the income statement even if the resulting expected cash flows exceed the estimated cash flows at initial recognition. Apart from purchased assets, POCI assets may also include financial instruments that are considered new assets, following a substantial modification accounted for as a derecognition (see section 2.2.9).

Definition of default

To determine the risk of default, the Group applies a default definition for accounting purposes, which is consistent with the European Banking Authority (EBA) definition for non-performing exposure (refer to note 6.2.1.2). The accounting definition of default is consistent with the one used for internal credit risk management purposes.

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 Group, for economic or contractual reasons relating to the borrower's financial difficulty, has granted to the borrower a concession(s) that the Group would not otherwise consider.
- There is a probability that the borrower will enter bankruptcy or other financial re-organization.
- For POCI financial assets, a purchase or origination at a deep discount that reflects incurred credit losses is considered a detrimental event. The Group assesses the deep discount criterion following a principle -based approach with the aim to incorporate all reasonable and supportable information which reflects market conditions that exist at the time of the assessment.

For debt securities, the Group determines the risk of default using an internal credit rating scale. The Group 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 the 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, issued loan commitments and financial guarantee contracts, since initial recognition.

At each reporting date, the Group 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. Furthermore, regardless of the outcome of the SICR assessment based on the above indicators, the credit risk of a financial asset is deemed to have increased significantly when contractual payments are more than 30 days past due.

As a primary criterion for SICR assessment, the Group 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.

The Group may also consider as a SICR indicator when the residual lifetime PD at each reporting date exceeds certain predetermined values. The criterion may be applied in order to capture cases where the relative PD comparison does not result to the identification of SICR although the absolute value of PD is at levels which are considered high based on the Group's risk appetite framework.

For a financial asset's risk, a threshold may be applied, normally reflected through the asset's forecasted PD, below which it is considered that no significant increase in credit risk compared to the asset's expected PD at origination date has taken place. In such a case the asset is classified at Stage 1 irrespectively of whether other criteria would trigger its classification at Stage 2. This criterion primarily applies to debt securities.

Internal credit risk rating (on a borrower basis) is also used as a basis for the identification of SICR with regards to lending exposures of the Wholesale portfolio. Specifically, the Group takes into consideration the changes of internal ratings by a certain number of notches. In addition, a watchlist status is also considered by the Group as a trigger for SICR identification. Internal credit risk ratings models include borrower specific information as well as, forward-looking information including macroeconomic variables.

Assessment of SICR for debt securities is performed on an individual basis based on the number of notches downgrade in the internal credit rating scale since the origination date.

Forbearance measures as monitored by the Group are considered as a SICR indicator and thus the exposures are allocated into Stage 2 upon forbearance, unless they are considered credit-impaired in which case they are classified as stage 3. Furthermore, regardless of the outcome of the SICR assessment based on the above indicators, the credit risk of a financial asset is deemed to have increased significantly when contractual payments are more than 30 days past due.

Furthermore, Management may apply temporary collective adjustments when determining whether credit risk has increased significantly since initial recognition on exposures that share the same credit risk characteristics to reflect macro-economic or other factors which are not adequately addressed by the current credit risk models. These factors may depend on information such as the type of the exposure, counterparty's specific information and the characteristics of the financial instrument, while their application requires the application of significant judgment.

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.

Where forbearance measures have been applied, the Group uses a probation period of two years, in order to fulfill the requirements for a transfer back to Stage 1. If at the end of that period the borrowers have made regular payments of a significant aggregate amount, there are no past due amounts over 30 days and the loans are neither credit impaired, nor any other SICR criteria are met, they exit forborne status and are classified as stage 1.

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.

Criteria for grouping of exposures based on shared credit risk characteristics

The assessment of loss allowance is performed either on an individual basis or on a collective basis for groups of similar items with homogeneous credit risk characteristics. The Group applies the same principles for assessing SICR since initial recognition when estimating ECL on a collective or on an individual basis.

The Group segments its lending exposures on the basis of shared credit risk characteristics for the purposes of both assessing significant increase in credit risk and measuring loan loss allowance on a collective basis. The different segments aim to capture differences in PDs and in the rates of recovery in the event of default.

The shared credit risk characteristics used for the segmentation of exposures include several elements such as: instrument type, portfolio type, asset class, product type, industry, originating entity, credit risk rating, remaining term to maturity, geographical location of the borrower, value of collateral to the financial asset, forbearance status and days in arrears.

The Group identifies individually significant exposures and performs the ECL measurement based on borrower specific information for both retail and wholesale portfolios. This measurement is performed at a borrower level, hence the criteria are defined at this level, while both qualitative and quantitative factors are taken into consideration including forward looking information.

For the remaining retail and wholesale exposures, ECL are measured on a collective basis. This incorporates borrower specific information, collective historical experience of losses and forward-looking information. For debt securities and securitized notes issued by special purpose entities established by the Group, the measurement of impairment losses is performed on an individual basis.

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 Group in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive (i.e. cash shortfalls) discounted at the original effective interest rate (EIR) of the same instrument, or the credit-adjusted EIR in case of purchased or originated credit impaired assets (POCI). In measuring ECL, information about past events, current conditions and reasonable and supportable forecasts of future conditions are considered. For undrawn commitments, ECL are calculated as the present value of the difference between the contractual cash flows due if the commitment was drawn and the cash flows expected to be received, while for financial guarantees ECL are measured as the expected payments to reimburse the holder less any amounts that the Group expects to receive.

The Group estimates expected cash shortfalls, which reflect the cash flows expected from all possible sources, including collateral, guarantees and other credit enhancements that are part of the contractual terms and are not recognized separately. In case of a collateralized financial instrument, the estimated expected cash flows related to the collateral reflect the amount and timing of cash flows that are expected from liquidation less the discounted costs of obtaining and selling the collateral, irrespective of whether liquidation is probable.

ECL are calculated over the maximum contractual period over which the Group is exposed to credit risk, which is determined based on the substantive terms of the instrument, or in case of revolving credit facilities, by taking into consideration factors such as the Group's expected credit risk management actions to mitigate credit risk and past practice.

Receivables from customers arising from the Group's activities other than lending, are presented under Other Assets and are typically short term. Therefore, considering that usually there is no significant financing component, the loss allowance for such financial assets is measured at an amount equal to the lifetime expected credit losses under the simplified approach.

ECL Key Inputs

The ECL calculations are based on the term structures of the probability of default (PD), the loss given default (LGD), the exposure at default (EAD) and other input parameters such as the credit conversion factor (CCF) and the prepayment rate. Generally, the Group derives these parameters from internally developed statistical models and observed point-in-time and historical data, leveraging the existing infrastructure development for the regulatory framework and risk management practices.

The PD, LGD and EAD used for accounting purposes may differ from those used for regulatory purposes. For the purposes of impairment measurement, PD is a point-in-time estimate whereas for regulatory purposes PD is a 'through-the-cycle' estimate. In addition, LGD and EAD for regulatory purposes are based on loss severity experienced during economic downturn conditions, while for impairment purposes, LGD and EAD reflect an unbiased and probability-weighted amount.

The PD represents the likelihood of default assessed on the prevailing economic conditions at the reporting date, adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default, over a given time horizon.

The Group uses Point in Time (PiT) PDs in order to remove any bias towards historical data thus aiming to reflect management's view of the future as at the reporting date, incorporating relevant forward looking information including macroeconomic scenarios.

Two types of PD are used for calculating ECL:

- 12-month PD, which is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial asset if this is less than 12 months). It is used to calculate 12-month ECL for Stage 1 exposures.
- Lifetime PD, which is the estimated probability of a default occurring over the remaining life of the financial asset. It is used to calculate lifetime ECL for Stage 2, Stage 3 and POCI exposures.

For debt securities, PDs are obtained by an international rating agency using risk methodologies that maximize the use of objective non-judgmental variables and market data. The Group assigns internal credit ratings to each issuer/counterparty based on these PDs. In case of counterparties for which no information is available, the Group assigns PDs which are derived from internal models.

The Exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest and expected drawdowns on committed facilities. The EAD includes both on and off balance sheet exposures. The on balance sheet exposure corresponds to the total amount that has been withdrawn and is due to be paid, which includes the outstanding principal, accrued interest and any past due amounts. The off balance sheet exposure represents the credit that is available to be withdrawn, in excess of the on balance sheet exposure.

Furthermore, the CCF factor is used to convert the amount of a credit facility and other off-balance sheet amounts to an EAD amount. It is a modelled assumption which represents a proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring.

In addition, the prepayment rate is an estimate of early prepayments on loan exposure in excess of the contractual repayment according to the repayment schedule and is expressed as a percentage applied to the EAD at each period, reducing the latter amount accordingly.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure and it is the difference between the contractual cash flows due and those that the Group expects to receive including any amounts from collateral liquidation. LGD varies by type of counterparty, type and seniority of claim, availability of collateral or other credit support, and is usually expressed as a percentage of EAD. The Group distinguishes its loan portfolios into two broad categories i.e. secured and unsecured. The Group estimates the LGD component using cure rates that reflect cash recoveries, estimated proceeds from collateral liquidation, estimates for timing realization, realization costs, etc. Where the LGD's component values are dependent on macro – economic data, such types of dependencies are reflected by incorporating forward looking information, such as forecasted price indices into the respective models. The estimation of the aforementioned component values within LGD reflects available historical data which cover a reasonable period, i.e. a full economic cycle.

For debt securities, the LGD is typically based on historical data derived mainly from rating agencies' studies but may also be determined considering the existing and expected liabilities structure of the obligor and macroeconomic environment.

Furthermore, the seniority of the debt security, any potential collaterals by the obligor or any other type of coverage is taken into account for the calculation.

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.

The Group uses, at a minimum, three macroeconomic scenarios (i.e. base, adverse and optimistic) to achieve the objective of measuring ECL in a way that reflects an unbiased and probability weighted outcome. The baseline scenario represents the most likely scenario and is aligned with the information used by the Group for strategic planning and budgeting purposes.

The scenarios are reflected in the risk parameters, and, namely 12-month PD, Lifetime PD and LGD, hence 3 sets of each of these parameters are used, in line with the scenarios developed.

The Group then proceeds to the calculation of weights for each scenario, which represent the probability of occurrence for each of these scenarios. These weights are applied on the 3 sets of calculations of the parameters in order to produce a single scenario weighted risk parameter value which is subsequently used in both SICR assessment and ECL measurement. ECL calculation incorporates forward-looking macroeconomic variables, including GDP growth rates, house price indices, unemployment rates, interest rates, etc. In order to capture material non – linearities in the ECL model, in the case of individually significant exposures, the Group considers the relevance of forward looking information to each specific group of borrowers primarily on the basis of the business sector they belong and other drivers of credit risk (if any). As such, different scenario weights are determined per groups of borrowers with the objective of achieving an unbiased ECL amount which incorporates all relevant and supportable information.

Modified Financial Assets

In cases where the contractual cash flows of a financial asset have been modified and the modification is considered substantial enough (for the triggers of derecognition, refer to Derecognition of Financial assets in section 2.2.9 above), the modification date is considered to be the date of initial recognition for impairment calculation purposes, including for the purposes of determining whether a significant increase in credit risk has occurred. Such a modified asset is typically classified as Stage 1 for ECL measurement purposes. However, in some circumstances following a modification that results in derecognition of the original financial asset, there may be evidence that the new financial asset is credit-impaired at initial recognition, and thus, the financial asset is recognized as an originated credit-impaired financial asset (POCI).

In cases where the contractual cash flows of a financial asset have been modified and the modification is not considered substantial enough, the Group recalculates the gross carrying amount of the financial asset and recognizes the difference as a modification gain or loss in the income statement and determines if the financial asset's credit risk has increased significantly since initial recognition by comparing the risk of a default occurring at initial recognition based on the original unmodified contractual terms and the risk of a default occurring at the reporting date, based on the modified contractual terms.

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 measured at FVOCI, impairment allowance is recognized in other comprehensive income and does not reduce the carrying amount of the debt instruments in the balance sheet. For off-balance sheet financial items arising from lending activities, impairment allowance is presented in Other Liabilities. The respective ECL for the above financial items is recognised within impairment losses.

Write-off of financial assets

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

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

2.2.14 Sale and repurchase agreements and securities lending

(i) Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) continue to be recorded in the Group's Balance Sheet as the Group retains substantially all risks and rewards of ownership, while the counterparty liability is included in amounts due to other banks or due to customers, as appropriate. Securities purchased under agreements to resell (reverse repos) are recorded as loans and advances to other banks or customers, as appropriate. The difference between the sale and repurchase price in case of repos and the purchase and resale price in case of reverse repos is recognized as interest and accrued over the period of the repo or reverse repo agreements using the effective interest method.

(ii) Securities lending

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability.

2.2.15 Leases

(i) Accounting for leases as lessee

When the Group becomes the lessee in a lease arrangement, it recognizes a lease liability and a corresponding right-of-use (RoU) asset at the commencement of the lease term when the Group acquires control of the physical use of the asset.

Lease liabilities are presented within Other liabilities and RoU assets within Property and equipment and investment property. Lease liabilities are measured based on the present value of the future lease payments over the lease term, discounted using an incremental borrowing rate. The interest expense on lease liabilities is presented within net interest income.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The RoU asset is initially recorded at an amount equal to the lease liability and is adjusted for rent prepayments, initial direct costs, or lease incentives received. Subsequently, the RoU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within operating expenses.

When a lease contains extension or termination options that the Group considers reasonably certain to be exercised, the expected future lease payments or costs of early termination are included within the lease payments used to calculate the lease liability.

As described in note 2.1.1, with respect to the rent concessions that are a direct consequence of the COVID-19 pandemic, the Group has applied COVID-19-Related Rent Concessions - Amendment to IFRS 16, which provides a practical expedient allowing the Group not to assess whether eligible rent concessions are lease modifications.

(ii) Accounting for leases as lessor

At inception date of the lease, the Group, acting as a lessor, classifies each of its leases as either an operating lease or a finance lease based on certain criteria.

Finance leases

At commencement date, the Group derecognizes the carrying amount of the underlying assets held under finance lease, recognizes a receivable at an amount equal to the net investment in the lease and recognizes, in income statement, any profit or loss from the derecognition of the asset and the recognition of the net investment. The net investment in the lease is calculated as the present value of the future lease payments in the same way as for the lessee.

After commencement date, the Group recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Group also recognizes income from variable payments that are not included in the net investment in the lease. After lease commencement, the net investment in a lease is not remeasured unless the lease is modified or the lease term is revised.

Operating leases

The Group continues to recognize the underlying asset and does not recognize a net investment in the lease on the balance sheet or initial profit (if any) on the income statement.

The Group recognizes lease payments from the lessees as income on a straight-line basis or another systematic basis considered as appropriate. Also it recognizes costs, including depreciation, incurred in earning the lease income as an expense. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term on the same basis as the lease income.

Subleases

The Group, acting as a lessee, may enter into arrangements to sublease a leased asset to a third party while the original lease contract is in effect. The Group acts as both the lessee and lessor of the same underlying asset. The sublease is a separate lease agreement, in which the intermediate lessor classifies the sublease as a finance lease or an operating lease as follows:

- if the head lease is a short-term lease, the sublease is classified as an operating lease; or
- otherwise, the sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

2.2.16 Income tax

Income tax consists of current and deferred tax.

(i) Current income tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognized as an expense in the period in which profits arise.

(ii) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The principal temporary differences arise from impairment/valuation relating to loans, Private Sector Initiative (PSI+) tax related losses, losses from disposals and crystallized write-offs of loans, depreciation of property and equipment, fair value adjustment of investment property, pension and other retirement benefit obligations, and revaluation of certain financial assets and liabilities, including derivative financial instruments.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax related to investment securities at FVOCI and cash flow hedges is recognized to other comprehensive income, and is subsequently recognized in the income statement together with the deferred gain or loss.

The deferred tax asset on income tax losses carried forward is recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

(iii) Uncertain tax positions

The Group determines and assesses all material tax positions taken, including all, if any, significant uncertain positions, in all tax years that are still subject to assessment (or when the litigation is in progress) by relevant tax authorities. In evaluating tax positions in various states, local, and foreign jurisdictions, the Group examines all supporting evidence (Ministry of Finance circulars, individual rulings, case law, past administrative practices, ad hoc tax/legal opinions etc.) to the extent they are applicable to the facts and circumstances of the particular Group's case/ transaction.

In addition, judgments concerning the recognition of a provision against the possibility of losing some of the tax positions are highly dependent on advice received from internal/ external legal counselors. For uncertain tax positions with a high level of uncertainty, the Group recognizes, on a transaction by transaction basis, or together as a group, depending on which approach better predicts the resolution of the uncertainty using an expected value (probability-weighted average) approach: (a) a provision against tax receivable which has been booked for the amount of income tax already paid but further pursued in courts or (b) a liability for the amount which is expected to be paid to the tax authorities. The Group presents in its balance sheet all uncertain tax balances as current or deferred tax assets or liabilities.

The Group as a general rule has opted to obtain for the Group's Greek companies an 'Annual Tax Certificate', which is issued after a tax audit is performed by the same statutory auditor or audit firm that audits the annual financial statements. Further information in respect of the Annual Tax Certificate and the related tax legislation, as well as the unaudited tax years for the Group's companies is provided in note 14.

2.2.17 Employee benefits

(i) Short term benefits

Short term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services and are expensed as these services are provided.

(ii) Pension obligations

The Group provides a number of defined contribution pension plans where annual contributions are invested and allocated to specific asset categories. Eligible employees are entitled to the overall performance of the investment. The Group's contributions are recognized as employee benefit expense in the year in which they are paid.

(iii) Standard legal staff retirement indemnity obligations (SLSRI) and termination benefits

The Group operates unfunded defined benefit plans in Greece, Bulgaria and Serbia, under broadly similar regulatory frameworks. In accordance with the local labor legislation, the Group provides for staff retirement indemnity obligation for employees which are entitled to a lump sum payment based on the number of years of service and the level of remuneration at the date of retirement, if they remain in the employment of the Group until normal retirement age. Provision has been made for the actuarial value of the lump sum payable on retirement (SLSRI) using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the income statement so as to spread the cost over the period of service of the employees, in accordance with the actuarial valuations which are performed every year.

The SLSRI obligation is calculated as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds. In countries where there is no deep market in such bonds, the yields on government bonds are used. The currency and term to maturity of the bonds used are consistent with the currency and estimated term of the retirement benefit obligations.

Actuarial gains and losses that arise in calculating the Group's SLSRI obligations are recognized directly in other comprehensive income in the period in which they occur and are not reclassified to the income statement in subsequent periods.

Interest on the staff retirement indemnity obligations and service cost, consisting of current service cost, past service cost and gains or losses on settlement are recognized in the income statement. In calculating the SLSRI obligation, the Group also considers potential separations before normal retirement based on the terms of previous voluntary exit schemes.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits (including those in the context of the Voluntary Exit Schemes implemented by the Group). The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Termination benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iv) Performance-based cash payments

The Group's Management awards high performing employees with bonuses in cash, from time to time, on a discretionary basis. Cash payments requiring only Management approval are recognized as employee benefit expenses on an accrual basis. Cash payments requiring General Meeting approval as distribution of profits to staff are recognized as employee benefit expense in the accounting period that they are approved by the Group's shareholders.

(v) Performance-based share-based payments

The Group's Management awards employees with bonuses in the form of shares and share options on a discretionary basis. Non-performance related shares vest in the period granted. Share based payments that are contingent upon the achievement of a performance and service condition, vest only if both conditions are satisfied.

The fair value of the shares granted is recognized as an employee benefit expense with a corresponding increase in share capital (par value) and share premium.

The fair value of the options granted is recognized as an employee benefit expense with a corresponding increase in a non-distributable reserve over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium when the options are exercised, with a transfer of the non distributable reserve to share premium.

2.2.18 Repossessed properties

Land and buildings repossessed through an auction process to recover impaired loans are, except where otherwise stated, included in 'Other Assets'. Assets acquired from an auction process are held temporarily for liquidation and are valued at the lower of cost and net realizable value, which is the estimated selling price, in the ordinary course of business, less costs necessary to make the sale.

In cases where the Group makes use of repossessed properties as part of its operations, they may be reclassified to own occupied or investment properties, as appropriate.

Any gains or losses on liquidation are included in the income statement.

2.2.19 Related party transactions

Related parties of the Group include:

(a) an entity that has control over the Group and entities controlled, jointly controlled or significantly influenced by this entity, as well as members of its key management personnel and their close family members;
(b) an entity that has significant influence over the Group and entities controlled by this entity,
(c) members of key management personnel of the Group, their close family members and entities controlled or jointly controlled by the abovementioned persons;
(d) associates and joint ventures of the Group; and
(e) fellow subsidiaries.
Transactions of similar nature are disclosed on an aggregate basis. All banking transactions entered into with related parties are in the normal course of business and are conducted on an arm's length basis.

2.2.20 Provisions

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

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at each reporting date, taking into account the risks and uncertainties surrounding the amount of such expenditure.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If, subsequently, it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.2.21 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses within a particular economic environment. Operating segments are identified on the basis of internal reports, regarding operating results, of components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker has been identified as the Strategic Planning Committee that is responsible for strategic decision making. Segment revenue, segment expenses and segment performance include transfers between business segments. Such transfers are accounted for at competitive prices in line with charges to unaffiliated customers for similar services.

2.2.22 Share capital

Ordinary shares and preference 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 recognized as a deduction in the Group's equity when approved by the General Meeting of shareholders. Interim dividends are recognized as a deduction in the Group's equity when approved by the Board of Directors.

Where any Group entity purchases the Bank's equity share capital (treasury shares), the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

2.2.23 Preferred securities

Preferred securities issued by the Group are classified as equity when there is no contractual obligation to deliver to the holder cash or another financial asset.

Incremental costs directly attributable to the issue of new preferred securities are shown in equity as a deduction from the proceeds, net of tax.

Dividend distribution on preferred securities is recognized as a deduction in the Group's equity on the date it is due.

Where preferred securities, issued by the Group, are repurchased, the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' equity. Where such securities are subsequently called or sold, any consideration received is included in shareholders' equity.

2.2.24 Financial guarantees and commitments to extend credit

Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are granted to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized at fair value, being the premium received. Subsequent to initial recognition, such guarantees are measured at the higher of the amount of the ECL allowance, and the amount initially recognised less any cumulative amortization of the fee earned, where appropriate.

Commitments to extend credit
Commitments represent off-balance sheet items where the Group commits, over the duration of the agreement, to provide a loan with pre-specified terms to the customer. Such contractual commitments represent commitments to extend credit and standby letters and they are part of the normal lending activities of the Group, for which an ECL allowance is recognised under IFRS 9.

ECL allowance for off-balance sheet exposures (financial guarantees and commitments) is included within Other Liabilities.

2.2.25 Non-current assets classified as held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For a non- current asset to be classified as held for sale, it is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets, and the sale is considered to be highly probable. In such cases, management is committed to the sale and actively markets the property for sale at a price that is reasonable in relation to the current fair value. The sale is also expected to qualify for recognition as a completed sale within one year from the date of classification. Before their classification as held for sale, assets are remeasured in accordance with the respective accounting standard.

Assets held for sale are subsequently remeasured at the lower of their carrying amount and fair value less cost to sell. Any loss arising from the above measurement is recorded in profit or loss and can be reversed in the future. When the loss relates to a disposal group, it is allocated to the assets within that disposal group.

The Group presents discontinued operations in a separate line in the consolidated income statement if a Group entity or a component of a Group entity has been disposed of or is classified as held for sale and:

(a) Represents a separate major line of business or geographical area of operations;
(b) Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) Is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations includes the profit or loss before tax from discontinued operations, the gain or loss on disposal before tax or measurement to fair value less costs to sell and discontinued operations tax expense. Intercompany transactions between continuing and discontinued operations are presented on a gross basis in the income statement. Upon classification of a Group entity as a discontinued operation, the Group restates prior periods in the consolidated income statement.

2.2.26 Cash and cash equivalents

Cash and cash equivalents include cash in hand, unrestricted deposits with central banks, due from credit institutions and other short-term highly liquid investments with original maturities of three months or less.

2.2.27 Government grants

Government grants are transfers of resources to the Group by a government entity such as government, government agencies and similar bodies whether local, national or international, in return for compliance with certain past of future conditions related to the Group’s operating activities.

Government grants are recognized when there is reasonable assurance that the grant will be received and the Group will comply with the conditions attached to it. The grants are recognized in the income statement on a systematic basis to match the way that the Group recognizes the expenses for which the grants are intended to compensate. In case of subsequent changes in the Group’s expectations of meeting the conditions attached to the government grants, the effect of such changes is recognised in income statement.

2.2.28 Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties. This involves the Group making allocation, purchase and sale decisions in relation to a wide range of financial instruments. The Group receives fee income for providing these services. Those assets that are held in a fiduciary capacity are not assets of the Group and are not recognized in the financial statements. In addition, the Group does not guarantee these investments and as a result it is not exposed to any credit risk in relation to them.

3. Critical accounting estimates and judgments in applying accounting policies

In the process of applying the Group's accounting policies, the Group's Management makes various judgments, estimates and assumptions that may affect the reported amounts of assets and liabilities, revenues and expenses recognized in the financial statements within the next financial year and the accompanying disclosures. Estimates and judgments are continually evaluated and are 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 Group makes judgments, estimates and assumptions in applying its accounting policies are set out below:

3.1 Impairment losses on loans and advances to customers

Expected Credit Loss (ECL) measurement

The ECL measurement requires Management to apply judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values 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 Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. In addition, temporary adjustments may be required to capture new developments and information available, which are not reflected yet in the ECL calculation through the risk models.

Due to the extraordinary circumstances of the Covid-19 pandemic the Management applied the appropriate level of judgement regarding its expectations for the severity and the duration of the economy's negative outlook, in line with the International Accounting Standards Board (IASB), the European Central Bank (ECB) and other banking regulators' statements, which emphasize the need for overlays where the risk models do not capture the specific circumstances.

The elements of the ECL models that are considered significant accounting judgments and estimates include:

Determination of a significant increase of credit risk

IFRS 9 does not include a definition of what constitutes a significant increase in credit risk (SICR). An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering primarily the change in the risk of default occurring over the remaining life of the financial instrument. The Group assesses whether a SICR has occurred since initial recognition based on qualitative and quantitative reasonable and supportable forward-looking information that includes significant management judgment. More stringent criteria could significantly increase the number of instruments migrating to stage 2.

In the context of SICR assessment during the Covid-19 pandemic outbreak, the Group took into consideration the disruptive effect of overly pro-cyclical assumptions inherent in the IFRS 9 models that aggravate the ECL results, as well as the fact that the entire lending portfolios are not equally affected by the pandemic. Accordingly, the Group segregated its lending exposures into two sub-populations, depending on whether they were affected by Covid-19 or not, in performing both the SICR assessment and ECL measurement.

Retail lending

For retail lending exposures the primary criterion is the change in the residual cumulative lifetime Probability of Default (PD) above specified thresholds. These thresholds are set and vary per portfolio, modification status (modified/non-modified), product type as well as per origination PD level. In general, thresholds for lower origination PDs are higher than those assessed for higher origination PDs.

As at 31 December 2020 , the range of lifetime PD thresholds based on the above segmentation, that triggers allocation to stage 2 for Greece's retail exposures are set out below:

Retail exposures	Range of SICR thresholds
Mortgage	30%-50%
Home Equity	10%-80%
SBB	10%-65%
Consumer	60%-100%

In response to Covid-19 pandemic on the assessment of SICR in the Retail lending portfolio, the Group distinguished between the borrowers that are impacted by Covid-19 pandemic such as those that have applied for the moratoria measures or are eligible for state support measures, based on the official list published by the Greek Ministry of Finance, or operate in those sectors that were highly affected and those that are not affected by the pandemic. The borrowers' participating in the Gefyra I program that involves 9-months installment subsidy by the State were not considered as affected by the Covid-19 pandemic for the purpose of the SICR assessment (note 6.2.1.2 (e)). Following the above mentioned segregation, certain performing, non-forborne Retail lending exposures, out of the non Covid-19 affected population, that would have been transferred to stage 2 due to the impact of the post Covid-19 macroeconomic forward-looking information on the respective lifetime PDs, have been assessed not to have experienced significant difficulties, thus remained in stage 1.

Wholesale lending

For wholesale lending exposures, the origination PD curves and the residual lifetime PD curves at each reporting date are mapped to credit rating bands. Accordingly, SICR thresholds are based on the comparison of the origination and reporting date credit ratings, whereby rating downgrades represent changes in residual lifetime PD. Similar to retail exposures, the Group segments the wholesale lending exposures based on asset class, loan type and credit rating at origination. In addition, for securitized notes issued by special purpose entities established by the Group, the SICR assessment is performed by considering the performance of the underlying assets.

As at 31 December 2020, the credit rating deterioration thresholds as per applicable borrower internal rating scale, that trigger allocation to stage 2 per rating bands for Greece's wholesale lending exposures are set out in the table below:

Wholesale internal rating bands	SICR threshold range
1-2	Two to Three notches
3-4	Two notches or more
5-8	One notch or more

Due to the expected lag in the issuance of wholesale borrowers' 2020 financial statements, that will reflect the pandemic's impact to the borrower's operations, the Group supplemented its existing methodology for the identification of SICR (based on credit ratings' change described above) by performing an enhanced assessment on a borrower level in order to identify those that have possible long term funding needs or signs of financial distress. The latter was achieved by evaluating information regarding the remediation actions undertaken by the borrower and respective Covid-19 State and Group relief measures as well as by analyzing borrowers' recent performance, other financial risk elements and industry-specific financial outlook, especially for the Larger SMEs and Large Corporates. Through the above process, high and medium risk borrowers in stage 1 that are operating in highly affected by the Covid-19 pandemic industries of the economy or were granted moratoria relief measures were assessed in order to identify those that should be moved to stage 2.

The timely and accurate monitoring of the borrowers under payment moratoria is a prerequisite for the successful implementation of initiatives undertaken to address of Covid-19 pandemic, aiming at mitigating anticipated cliff effect upon their expiration within 2020 and 2021. In line with EBA Guidelines regarding the application of general payment moratoria, the Group continued assessing borrowers in terms of financial difficulty and unlikeliness to pay triggers. To that end, the Group proactively segmented lending portfolios, identifying borrowers and sectors requiring prioritization, such as hospitality and leisure,, transportation, automotive and construction companies, in terms of monitoring and active management as well as when estimating the Covid-19 impact on the calculation of ECL, specifically for borrowers from the above mentioned most vulnerable industries in the countries where the Group operates, depending on the anticipated impact of the pandemic.

Furthermore, the regular back-stop SICR criteria in the Group's accounting policy for Retail and Corporate portfolios remain valid in the post Covid-19 era with no exceptions. Accordingly, irrespective of whether the population is considered affected or not following the application of the segregation described above, the backstop Stage 2 classification criteria for lending exposures over 30 days past due (dpd) and forborne classification were applied.

Based on recent banking regulators' and accounting guidance (European Banking Authority (EBA), ECB, IASB) Covid-19 relief measures should neither be treated as forbearance nor automatically trigger a significant increase in credit risk. Such measures are accounted for as modifications, granted for other than forbearance reasons. Further information regarding the Group's lending exposures subject to moratoria and government support measures are provided in note 6.2.1.2 (e).

Management continuously monitors the pandemic consequences to all sectors of the economy, in contemplation with the expected remedy effect of the government actions, in order to assess whether there is a significant increase in credit risk.

Determination of scenarios, scenario weights and macroeconomic factors

To achieve the objective of measuring ECL, the Group evaluates a range of possible outcomes in line with the requirements of IFRS 9 through the application of a minimum three macroeconomic scenarios i.e. baseline, adverse and optimistic, in a way that reflects an unbiased and probability weighted outcome. Each of the scenarios is based on management's assumptions around future economic conditions in the form of macroeconomic, market and other factors. As at 31 December 2020 the probability weights for the above mentioned scenarios applied by the Group in the ECL measurement calculations are 50% for the baseline scenario and 25% for the adverse and optimistic scenarios.

The key assumptions underlying in each macroeconomic scenario are provided below:

- *Baseline scenario*

The baseline scenario assumes a double-dip recession in 2020 due to the second lockdown in November 2020 and an expected return to normal conditions by the end of the first half of 2021. This scenario assumes a U-shaped recovery in 2021 and 2022. In the medium term growth decelerates due to the slowdown of cyclical recovery. Structural reforms and the efficient use of the EU recovery funds could lead to an improvement in growth rates in Greece.

- *Optimistic scenario*

Under this scenario, the second lockdown is terminated swiftly, thereby allowing a quicker recovery in 2021. The vaccination process will be completed locally and abroad on time and better absorption of EU funds is expected.

- *Adverse scenario*

The adverse scenario assumes that the second lockdown that started in November 2020 continues or is sporadically re-enacted throughout the following months as a result of problems in the vaccination process domestically and abroad. This results to a slower resumption to positive economic growth in 2021. The prolonged lockdown results also to the destruction of productive capabilities. This scenario considers ineffective use of fiscal stimulus in 2021 and/or inadequate budget funding funds conditional on the continuation of the lockdown, while it expects also further delays in the flows from available EU funds and initiatives.

Forward-looking information

The Group ensures that impairment estimates and macroeconomic forecasts, as provided by Economic Analysis & Financial Markets Research Division, applicable for business and regulatory purposes are fully consistent. Accordingly, the IFRS 9 probability weighted scenario applied in the ECL calculation coincides with the one used for ICAAP, business planning and internal stress testing purposes. In addition, relevant experience gained from the stress tests imposed by the regulator, has been taken into account in the process of developing the macroeconomic scenarios, as well as, impairments for stress testing purposes have been forecasted in line with IFRS 9 ECL methodology.

In terms of macroeconomic assumptions, the Group assesses a number of indicators in projecting the risk parameters, namely Residential and Commercial Property Price Indices, unemployment, Gross Domestic Product (GDP), Greek Government Bond (GGB) spread over EURIBOR and inflation as well as Interest and FX rates.

As at 31 December 2020, in order to respond to the unprecedented circumstances of the Covid-19 crisis, the Group applied key macroeconomic forecasts namely the real GDP growth rate, unemployment rate and property indices in all three macroeconomic scenarios, incorporating the estimated impact of the second lock down and the overall effect that Covid-19 is expected to have on the macroeconomic outlook based on the most recent available information. In particular, for 2020, the IFRS 9 probability-weighted scenario incorporated a sharp contraction in the real GDP growth rate, a significant increase in the unemployment rate and a decrease in the residential and commercial property indices, while a partial rebound in economic performance is expected in 2021, boosted by the use of the domestic and EU funds. More specifically, for the period 2020-2021, the cumulative decline in the real GDP growth rate stands at 6% and the cumulative increase in residential and commercial property indices at 2.7% and 2.0%, respectively, while the unemployment rate is expected at 17.9% at the end of 2021.

The arithmetic averages of the scenarios' probability-weighted annual forecasts for the next four year period, following the reporting date, used in the ECL measurement of Greek lending portfolios for the period ended 31 December 2020, are set in the following table:

Key macroeconomic indicator	As at 31 December 2020 Average (2021-2024) annual forecast
Gross Domestic Product growth	3.36%
Unemployment rate	16.57%
Residential property prices' index	3.13%
Commercial property prices' index	4.08%

Changes in the scenarios and weights, the corresponding set of macroeconomic variables and the assumptions made around those variables for the forecast horizon would have a significant effect on the ECL amount. The Group independently validates all models and underlying methodologies used in the ECL measurement through competent resources, who are independent of the model development process.

Development of ECL models, including the various formulas, choice of inputs and interdependencies

For the purposes of ECL measurement the Group performs the necessary model parameterization based on observed point-in-time data on a granularity of monthly intervals. The ECL calculations are based on input parameters, i.e. exposure at default (EAD), PDs, loss given default (LGD), credit conversion factors (CCFs) etc. incorporating management's view of the future. The Group also determines the links between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.

Furthermore, the PDs are unbiased rather than conservative and incorporate relevant forward looking information including macroeconomic scenarios. The forecasting risk parameters models incorporate a number of explanatory variables, such as GDP, unemployment etc. which are used as independent variables for optimum predictive capability. The models are based on logistic regressions and run under the different macroeconomic scenarios and relevant changes and shocks in the macro environment reflected accordingly in a non-linear manner.

Segmentation of financial assets when their ECL is assessed on a collective basis

The Group segments its exposures on the basis of shared credit risk characteristics upon initial recognition for the purposes of both assessing significant increase in credit risk and measuring loan loss allowance on a collective basis. The different segments aim to capture differences in PDs and in the rates of recovery in the event of default. On subsequent periods, the Group re-evaluates the grouping of its exposures at least on an annual basis, in order to ensure that the groups remain homogeneous in terms of their response to the identified shared credit risk characteristics. Re-segmentation reflects management's perception in respect to the change of credit risk associated with the particular exposures compared to initial recognition.

Modeling and Management overlays / adjustments

A number of sophisticated models have been developed or modified to calculate ECL, while temporary management adjustments may be required to capture new developments and information available, which are not yet reflected in the ECL calculation through the risk models. Internal counterparty rating changes, new or revised models and data may significantly affect ECL. The models are governed by the Group's validation framework, which aim to ensure independent verification, and are approved by the Board Risk Committee (BRC).

In response to the Covid-19 pandemic, the Group applied the segregation approach detailed above in section ''*Determination of a significant* increase *of credit risk''* to supplement its SICR assessment, in line with the IASB, the European Central Bank (ECB) and other banking regulators' statements.

In addition, the developments of the Covid-19 pandemic, induce a high level of uncertainty regarding their potential impact on the asset quality, considering that the customer relief measures introduced by the government as well as Group's support programs may not fully eliminate the potential credit deterioration and therefore temporarily delay its manifestation. In view of such anticipated adverse effect, Management proceeded with the estimation of a post-model adjustment of € 390 million, which forms part of the impairment allowance, in order to provide for the cliff effects after the expiration of moratoria in 2020 and 2021 by consequently increasing the NPE provisions coverage. In estimating the adjustment, Management exercised judgement based on the knowledge of the Group's lending portfolios, their particular characteristics and behavioral/transactional aspects.

Sensitivity analysis on lending portfolios

Sensitivity analysis when performed on certain key parameters can provide meaningful information only for portfolios where the risk parameters have a significant impact on the overall credit risk of a lending portfolio, particularly where such sensitivities are also used for internal credit risk management purposes. Otherwise, a sensitivity on certain combinations of some risk parameters may not produce meaningful results, as in reality there are interdependencies between the various economic inputs, rendering any changes in the parameters, changes correlated in other factors.

The sensitivity analysis presented in the tables below was performed assuming a favorable and an adverse shift in scenario weighting as at 31 December 2020. The former assumes an increase in the weighting of the optimistic scenario at 75% and a decrease in the weighting of the baseline scenario at 25%, while the latter assumes an increase in the weighting of the adverse scenario at 75% and a decrease in the weighting of the baseline scenario at 25% compared to the scenario weighting applied by the Group in ECL measurement. Based on these scenario weighting variations, a re-estimation of all key macroeconomic indicators linked to these variations, namely GDP growth, unemployment rate and property indices, was performed.

The tables below present the estimated effect in the Group's ECL measurement (including off-balance sheet items) per stage, upon potential reasonable combined changes of forecasts in key macroeconomic indicators over the next 5 years (2021-2025):

As at 31 December 2020			
Sensitivity scenario			
	Combined change %		
Key macroeconomic indicators	**Positive change**	**Adverse change**	
GDP growth	12%	-15%	change of annual forecasts
Unemployment Rate	-3%	4%	change of annual forecasts
Property indices (RRE/CRE)	3%	-3%	change of index adjusted real estate collateral market values

	Positive change				**Adverse change**			
	12-month ECL - Stage 1	Lifetime ECL - Stage 2	Lifetime ECL credit-impaired	Total 31 December 2020	12-month ECL - Stage 1	Lifetime ECL - Stage 2	Lifetime ECL credit-impaired	Total 31 December 2020
Impact in € million	(9)	(25)	(39)	(73)	14	30	43	88
Impact in % allowance	-4.39	-5.52	-1.35	-2.06	6.72	6.80	1.50	2.48

The Group updates and reviews the reasonability and performs back-testing of the main assumptions used in its methodology assessment for SICR and ECL measurement, at least on an annual basis or earlier, based on facts and circumstances. In this context, experienced and dedicated staff within the Group's Risk Management function monitors the risk parameters applied for the estimation of ECL. Furthermore, as part of the well-defined governance framework, any revisions to the methodology used are approved by the Group competent committees and ultimately the Board Risk Committee (BRC).

3.2 Fair value of financial instruments

The 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The fair value of financial instruments that are not quoted in an active market are determined by using other valuation techniques that include the use of valuation models. In addition, for financial 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 using other valuation techniques.

The valuation models 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 models are used mainly to value over-the-counter derivatives and securities measured at fair value.

Where valuation techniques are used to determine the fair values of financial instruments that are not quoted in an active market, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used, and are calibrated to ensure that outputs reflect actual data and comparative market prices. The main assumptions and estimates, considered by management when applying a valuation model include:

- the likelihood and expected timing of future cash flows;
- 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
- 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 (both own and counterparty), volatilities and correlations require the Management to make estimates to reflect uncertainties in fair values resulting from the lack of market data inputs. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available. However, in most cases there will be some historical data on which to base a fair value measurement and consequently even when unobservable inputs are used, fair values will use some market observable inputs.

The effect of covid-19 pandemic to the credit spreads and market yields that increased significantly in March 2020 was quickly reversed due to the swift and large response of the global central banks. Information in respect of the fair valuation of the Group's financial assets and liabilities is provided in note 6.3.

3.3 Classification of financial instruments

The Group 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. In assessing the business model of financial instruments, these are aggregated into groups (business lines) based on their characteristics, and the way they are managed in order to achieve the Group's business objectives. In general, the assessment is performed at the business unit level for lending exposures including securitized notes issued by special purpose entities established by the Group and debt securities. However, further disaggregation may be performed by business strategy/ region, etc.

In assessing the business model for financial instruments, the Group 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 Group performs the SPPI assessment of lending exposures including securitized notes issued by special purpose entities established by the Group and debt securities by considering all the features which might potentially lead to SPPI failure. Judgment is applied by the responsible Business Units when considering whether certain contractual features significantly affect future cash flows.

Accordingly, for non-recourse financial assets, the Group assesses jointly criteria such as the adequacy of equity, LTV (Loan-to-Value) and DSCR (Debt-Service-Coverage-Ratio) ratios as well as the existence of corporate and personal guarantees. For the securitized notes issued by special purpose vehicles and held by the Group, the cash flow characteristics of the notes and the underlying pool of financial assets as well as the credit risk inherent in each securitization's tranche compared to the credit risk of all of the underlying pool of financial assets, are assessed. Furthermore, in order to assess whether any variability in the cash flows is introduced by the modified time value of money element, the Group performs a quantitative assessment (as described in note 2.2.9). Moreover, the Group evaluates certain cases on whether the existence of performance-related terms exposes the Group to asset risk rather to the borrower's credit risk.

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

3.4 Assess control over investees

Management exercises judgment in order to assess if the Group has control over another entity including structured entities based on the control elements set out in note 2.2.1 (i).

(a) Subsidiaries
The Group holds more than half of the voting rights in all subsidiaries, except from Hellenic Post Credit S.A. Further information in respect of the control assessment for the said subsidiary is provided in note 24.

(b) Structured entities
As part of its funding activity and non-performing loans' management strategy, the Group sponsors certain securitization vehicles, the relevant activities of which have been predetermined as part of their initial design by the Group. The Group is exposed to variability of returns from these vehicles through the holding of debt securities issued by them or by providing credit enhancements in accordance with the respective contractual terms. In assessing whether it has control, the Group considers whether it manages the substantive decisions that could affect these vehicles' returns. Accordingly, the Group assesses on a case-by-case basis the structure of securitization transaction, including the respective contractual arrangements, in order to conclude if it controls these vehicles.

Furthermore, the Group is involved in the initial design of various mutual funds in order to provide customers with investment opportunities. The Group primarily acts as an agent in exercising its decision making authority as it is predefined by the applicable regulated framework. As a result, the Group has concluded that it does not control these funds.

Further information in respect of the structured entities the Group is involved, either consolidated or not, is provided in note 26.

3.5 Income tax

The Group is subject to income taxes in various jurisdictions and estimates are required in determining the liability for income taxes. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due or for anticipated tax disputes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax in the period in which such determination is made. Further information in relation to the above is provided in note 14.

In addition, the Group recognizes deferred tax assets to the extent that it is probable that sufficient taxable profit will be available against which unused tax losses and deductible temporary differences can be utilized. Recognition therefore involves judgment regarding the future financial performance of the particular Group legal entity in which the deferred tax asset has been recognized. Particularly, in order to determine the amount of deferred tax assets that can be recognized, significant management judgments are required regarding the likely timing and level of future taxable profits. In making this evaluation, the Group has considered all available evidence, including management's projections of future taxable income and the tax legislation in each jurisdiction.

The most significant judgment exercised by Management relates to the recognition of deferred tax assets in respect of losses realized in Greece. In the event that, the Group assesses that it would not be able to recover any portion of the recognized deferred tax assets in the future, the unrecoverable portion would impact the deferred tax balances in the period in which such judgment is made.

As at 31 December 2020, the Group revisited its estimates regarding the level of future taxable profits against which the unused tax losses and the deductible temporary differences can be utilized and evaluated accordingly the recoverability of the recognized deferred tax assets based on its three-year Business Plan, which was approved by the Board of Directors in December 2020 for the period up to the end of 2023, and was also submitted to the Single Supervisory Mechanism (SSM). For the years beyond 2023, the forecast of operating results was based on the Management projections considering the growth opportunities of the Greek economy, the banking sector and the Group of the Parent Company. Specifically, the Management's projections for the Group's future profitability adopted in the above mentioned Business Plan, have considered, among others, the impact of the continuing Covid-19 pandemic and the relevant mitigating measures taken by the national and European authorities on the economy and the banking system.

As at 31 December 2020, an amount of € 1 million has been recognized in respect to unused tax losses using the Group's best estimation and judgment as described above.

Further information in respect of the recognized deferred tax assets and the Group's assessment for their recoverability is provided in note 14.

3.6 Retirement benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions, such as the discount rate and future salary increases. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate used to calculate the present value of the estimated retirement obligations, at the end of each year based on interest rates of high quality corporate bonds. In countries where there is no deep market in such bonds, the yields on government bonds are used. The currency and term to maturity of the bonds used are consistent with the currency and estimated average term to maturity of the retirement benefit obligations. The salary rate increase assumption is based on future inflation estimates reflecting also the Group's reward structure and expected market conditions.

Other assumptions for pension obligations, such as future inflation estimates, are based in part on current and expected market conditions.

For information in respect of the sensitivity analysis of the Group's retirement benefit obligations to reasonably possible, at the time of preparation of these financial statements, changes in the abovementioned key actuarial assumptions, refer to note 37.

3.7 Investment properties

Investment property is carried at fair value, as determined by external, independent, certified valuators on an annual basis, or more frequently if deemed appropriate upon assessment of any relevant circumstances.

The main factors underlying the determination of fair value are related with rental income from current leases and assumptions about rental income from future leases in the light of current market conditions, future vacancy rates and periods, discount rates or rates of return, the terminal values as well as the level of future maintenance and other operating costs.

Additionally, where the fair value is determined based on market prices of comparable transactions those prices are subject to appropriate adjustments, in order to reflect current economic conditions and management's best estimate regarding the future trend of properties market based on advice received from its independent external valuers.

Further information in respect of the fair valuation of the Group's investment properties and the existing uncertainties due to Covid-19 pandemic is provided in note 28.

3.8 Provisions and contingent liabilities

The Group recognizes provisions when it has a present legal or constructive obligation, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of its amount.

A provision is not recognized and a contingent liability is disclosed when it is not probable that an outflow of resources will be required to settle the obligation, when the amount of the obligation cannot be measured reliably or in case that the obligation is considered possible and is subject to the occurrence or non -occurrence of one or more uncertain future events.

Considering the subjectivity and uncertainty inherent in the determination of the probability and amount of the abovementioned outflows, the Group takes into account a number of factors such as legal advice, the stage of the matter and historical evidence from similar cases. In the case of an offer made within the context of the Group's voluntary exit scheme, the number of employees expected to accept the abovementioned offer along with their age cluster is a significant factor affecting the measurement of the outflow for the termination benefits.

Further information in relation to the Group's provisions and contingent liabilities is provided in notes 36 and 42.

3.9 Leases

The Group, as a lessee, determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain or not to exercise an option to renew or terminate the lease, by considering all relevant factors and economic aspects that create an economic incentive. The Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate, such as significant leasehold improvements or significant customization of the leased asset.

In measuring lease liabilities, the Group uses the lessees' incremental borrowing rate ('IBR') when it cannot readily determine the interest rate implicit in the lease. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Therefore, estimation is required when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as government bond yields) as a starting point when available, and performs certain additional entity-specific adjustments, such as credit spread adjustments or adjustments to reflect the lease terms and conditions. For the Bank and Greek subsidiaries, the IBR is derived from the estimated covered bonds yield curve, which is constructed based on observable Greek Government Bond yields, while for international subsidiaries the IBR is determined on a country basis, taking into consideration specific local conditions.

3.10 Other accounting estimates and judgments

Information in respect of other estimates and judgments that are made by the Group is provided in notes 6.2.4, 21, 22, 29, 31 and 32.

4. Capital reorganization of Eurobank

In November 2018, Eurobank Ergasias S.A. announced its transformation plan aiming to enable the former to deal with the challenging non-performing loans (NPEs) reduction targets, achieve a significant balance sheet de-risking and focus on the core banking business. The aforementioned transformation plan included the merger with Grivalia, which was completed in April 2019, and the NPEs reduction Acceleration Plan including, among others:

a) the securitizations of ca. € 2 billion NPEs (project Pillar) and € 7.5 billion primarily NPEs (project Cairo), through the issue of senior, mezzanine and junior notes, the disposal of a portion of the mezzanine and junior notes to third party investors (completed in September 2019 and in June 2020 respectively), the contribution of a portion of the mezzanine and junior notes of the Cairo securitization to its subsidiary Mairanus Ltd, renamed to "Cairo Mezz Plc" in exchange for shares of the above mentioned subsidiary and the distribution of the said shares to Eurobank Holdings' shareholders. Both securitizations resulted in the derecognition of the underlying loan portfolios. Moreover, in the context of Law 4649/2019 ('Hercules' – Hellenic Asset Protection Scheme) voted by the Greek parliament on 16 December 2019, Cairo SPVs opted in for the state guarantee scheme for the Senior Notes. Specifically, the applications submitted by Eurobank Ergasias S.A. to the Ministry of Finance were approved on 23 July 2020 while the Guarantee deed was signed on 25 February 2021.

b) the legal separation of the core and non-core operations of Eurobank Ergasias through the hive-down of the core operations to a new company-credit institution (under the corporate name Eurobank S.A. as detailed in the hive down section below). Eurobank S.A. has recognized on its balance sheet the retained notes of the aforementioned securitisations, i.e. 100% of the senior and 5% of the mezzanine and junior notes.

Further information on the steps comprising Eurobank Ergasias NPEs reduction acceleration plan, as well as the ownership distribution of Cairo notes after the completion of all steps involved, is provided in the note 44 of the consolidated financial statements of Eurobank Ergasias Services and Holdings S.A. for the year ended 31 December 2020.

Hive down

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

On 31 July 2019, the BoD of Eurobank Ergasias S.A. approved the Draft Demerger Deed through the aforementioned hive down and establishment of a new company-credit institution, pursuant to Article 16 of Law 2515/1997 and Articles 57 (3) and 59-74 of Law 4601/2019, as currently in force. In particular, the demerger would involve the hive-down of the banking sector of Eurobank Ergasias S.A., to which the assets and the liabilities are included, as described on the transformation balance sheet of the hived-down sector as at 30 June 2019 ("Transformation Date"). In accordance with the Draft Demerger Deed, Eurobank Ergasias S.A. retained the 95% of the Pillar mezzanine and junior notes, which in September 2019 were sold to a third party investor, as well as the participation in Pillar DAC and the related Pillar real estate entity.

On 31 January 2020, the Demerged Entity's Extraordinary General Shareholders' Meeting (EGM) resolved, among others: a) the approval of the aforementioned demerger of Eurobank Ergasias S.A. through the 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 Demerged Entity's BoD and c) the adjustment of the Articles of Association of the Demerged Entity which would cease to be a credit institution by amending its object and corporate name, as was also approved by its BoD.

On 20 March 2020, the demerger of Eurobank Ergasias S.A. through the banking sector's hive down and the establishment of a new company-credit institution ("Demerger") under the corporate name "Eurobank S.A." as well as the Articles of Association of the Beneficiary were approved by virtue of the decision of the Ministry of Development and Investments No 31847/20.03.2020, which was registered on the same day in the General Commercial Registry. At the aforementioned date: a) the Demerged Entity becomes the shareholder of the Beneficiary by acquiring all the shares issued by the Beneficiary and more specifically 3,683,244,830 common registered shares, of a nominal value of € 1.10 each and b) the Beneficiary substitutes the Demerged Entity, by way of universal succession, to all the transferred assets and liabilities, as set out in the transformation balance sheet of the hived down sector as at 30 June 2019 and formed up to 20 March 2020, day of the Demerger's completion.

On 23 March 2020, the Articles of Association of the Demerged Entity were amended with the decision of the Ministry of Development and Investments Number 32403/23.03.2020, which was registered on the same day in the General Commercial Registry. According to article 1 of the Articles of Association, the corporate name and the distinctive title of the Demerged Entity is amended to "Eurobank Ergasias Services and Holdings S.A." and "Eurobank Holdings" respectively. The date of change of the Company's corporate name and distinctive title in the Athens Exchange was set for 24 March 2020.

The hive down of the banking sector (including subsidiaries/associates) constitutes a common control transaction, which involves a new entity to effect the combination of entities under common control. As a common control transaction, the hive down does not fall within the scope of the IFRS 3 'Business Combinations'; furthermore, it is a common control transaction that involves the set-up of a new company which is neither the acquirer, nor a business and therefore it is not a business combination as defined by IFRS 3. Since IFRS 3 guidance does not apply and the hive down does not meet the definition of a business combination under common control, it is accounted for as a capital re-organisation of the transferred business on the basis that no substantive economic change has occurred. In line with the Group's accounting policy for business combinations that involve the formation of a new entity, in case of a capital reorganization, the acquiring entity incorporates the assets and liabilities of the acquired entity at their carrying amounts, as presented in the books of that acquired entity, rather than those from the highest level of common control. Any difference between the cost of the transaction and the carrying amount of the net assets acquired is recognized in the equity of the new entity. In addition, the capital reorganization transactions do not have any impact on the Group's consolidated financial statements.

Accordingly, in the separate financial statements of Eurobank Holdings, the assets and liabilities of the business transferred (including investments in subsidiaries and associates) to Eurobank (Beneficiary) were derecognized and the investment in the Beneficiary was recognized at cost, which is the carrying value of the net assets given up. The Beneficiary respectively incorporated the assets and liabilities of the existing business at their pre-combination carrying amounts with a corresponding increase in share capital. Pre-existing valuation reserves under IFRS that were transferred to the Beneficiary were separately recognized in the Beneficiary's total equity.

In accordance with the Demerger Deed, Eurobank Holdings maintained activities and assets that are not related to the main banking activities but are mainly related to the strategic planning of the administration of non-performing loans and the provision of services to the Group companies and third parties. Furthermore, Eurobank Holdings retained the 95% of Cairo mezzanine and junior notes, the preferred securities and the participations in certain subsidiaries including Be Business Exchanges S.A., Cairo DACs, Pillar and Cairo real estate entities. In case of any assets or liabilities that would not be possible to be transferred, in the context of the above mentioned Draft Demerger Deed, the Demerged Entity undertakes the obligation to collect or liquidate the assets in accordance with the Beneficiary's instructions whereas the Beneficiary undertakes the obligation to indemnify the Demerged Entity for the settlement of the liabilities including any arising costs or losses. Accordingly, the Beneficiary, receives the remaining assets (including 100% of Cairo senior and 5% of mezzanine and junior notes that were recognized at fair value) and liabilities that constitute the banking sector, by issuing shares to the Demerged entity.

In addition, considering that the obligations of the Demerged Entity arising from the Tier 2 Subordinated Capital Instruments were not transferred to the Beneficiary, the latter pursuant to the terms of the Draft Demerger Deed has explicitly and irrevocably undertaken to fulfil the relevant obligations. In that context, on 20 March 2020, the Beneficiary issued a subordinated instrument of equivalent terms with those of TIER 2 mentioned above, which was fully subscribed by the Demerged Entity.

The table below presents, both on standalone and consolidated basis, a reconciliation between the equity of Eurobank Ergasias S.A. as of 1 January 2020 and that of Eurobank S.A. on the hive down date of 20 March 2020:

	Standalone Equity € million	Consolidated Equity € million
Balance at 1 January 2020 Eurobank Ergasias S.A	5,857	6,667
P&L for the period from 1/1/20-20/3/20 [1]	(6)	40
OCI for the period from 1/1/20-20/3/20 [1]	(182)	(209)
Preferred securities' redemption and dividend paid, net of tax	(2)	(2)
Net Assets not included in the hived down sector (retained by Eurobank Holdings)	(1,577)	(1,577)
Balance at 20 March 2020 Eurobank S.A	**4,090**	**4,919**

[1] The P&L and OCI of Eurobank S.A. subsidiaries and the share of P&L and OCI of its associates/joint ventures are included until 31 March 2020.

The table below presents at the hive down date, i.e. 20 March 2020 Eurobank Ergasias S.A. balance sheet before the hive down, and the adjustments made to derive both balance sheets of Eurobank and Eurobank Holdings after hive down.

	20 March 2020				
	(A) - Eurobank Ergasias S.A. € million	(B) - Intercompany (IC) net assets contributed to Eurobank S.A € million	**(C) - Total net assets contributed to Eurobank S.A. € million**	(D) - IC net assets of Eurobank Holdings & investment in Eurobank S.A. € million	**(E) = (A) + (B) - (C) + (D) Eurobank Holdings S.A. € million**
ASSETS					
Cash and balances with central banks	**1,916**		**1,916**		**-**
Due from credit institutions	**3,887**		**3,817**	103 [1]	**173**
Securities held for trading	**28**		**28**		**-**
Derivative financial instruments	**2,381**		**2,381**		**-**
Loans and advances to customers	**30,023**	2,425 [2]	**28,592**		**3,856**
Investment securities	**6,995**		**6,995**	950 [3]	**950**
Shares in subsidiaries	**1,855**		**1,854**	4,090 [4]	**4,091**
Investments in associates and joint ventures	**101**		**101**		**-**
Property and equipment	**567**		**567**		**0**
Investment property	**873**		**873**		**-**
Goodwill and other intangible assets	**316**		**316**		**0**
Deferred tax assets	**4,832**		**4,832**		**-**
Other assets	**1,778**	4	**1,779**		**3**
Assets of disposal groups classified as held for sale	**41**		**41**		**-**
Total assets	**55,593**	2,429	**54,092**	5,143	**9,073**
LIABILITIES					
Due to central banks	**2,700**		**2,700**		**-**
Due to credit institutions	**7,677**		**7,677**		**-**
Derivative financial instruments	**2,904**		**2,904**		**-**
Due to customers	**33,169**	103 [1]	**33,272**		**-**
Debt securities in issue	**2,412**	950 [3]	**2,402**	2,425 [2]	**3,385**
Other liabilities	**1,064**		**1,047**	4	**21**
Total liabilities	**49,926**	1,053	**50,002**	2,429	**3,406**
Total equity	**5,667**	1,376	**4,090** [4]	2,714	**5,667**

Notes

1. € 103 million refer to deposits of Eurobank Holdings with Eurobank S.A.
2. € 2,425 million refer to the notes of Cairo securitizations retained by Eurobank S.A. (i.e. 100% senior notes, 5% of mezzanine and junior notes).
3. € 950 million refer to Tier 2 notes issued by Eurobank S.A. and retained by Eurobank Holdings.
4. € 4,090 million refer to the investment in Eurobank S.A. held by Eurobank Holdings corresponding to the net assets contributed to the former by Eurobank Ergasias S.A.; Eurobank S.A. total equity of € 4,090 million as at 20 March 2020 comprises (a) share capital of € 4,051.6 million as it has been determined based on the assets and liabilities included in the transformation balance sheet of the hived-down banking sector of Eurobank Ergasias S.A. as at 30 June 2019, (b) pre-existing valuation reserves of € 238.7 million and (c) retained losses of € 200.4 million.

5. Capital Management

The Bank has sought to maintain an actively managed capital base to cover risks inherent in the business. Following the demerger of Eurobank Ergasias S.A. on 20 March 2020, the capital adequacy of the Bank at standalone level and that of its parent company Eurobank Holdings at consolidated level are monitored for regulatory purposes using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) which have been incorporated in the European Union (EU) legislation through the Directive 2013/36/EU (known as CRD IV), along with the Regulation No 575/2013/EU (known as CRR); Eurobank S.A. Group, which comprises the major part of Eurobank Holdings Group, is not separately supervised for regulatory purposes.

As at 31 December 2020, the Common Equity Tier 1 (CET1) and Total Capital Adequacy (CAD) ratios of Eurobank Holdings Group, are 13.9% (31 December 2019: 16.7%) and 16.3% (31 December 2019: 19.2%), respectively. Eurobank Holdings Group has elected to apply the phase-in approach for mitigating the impact of IFRS 9 transition on the regulatory capital, according to the Regulation (EU) 2017/2395 (providing a 5-year transition period to recognize the impact of IFRS 9 adoption) and the Regulation 2020/873 (CRR quick fix). Eurobank Holdings Group's CET1 as at 31 December 2020, based on the full implementation of the Basel III rules in 2025 (fully loaded CET1), referring mainly to the completion of the IFRS 9 aforementioned transitional arrangements, would be 12% (2019: 14.6%).

In addition, as at 31 December 2020, the CET 1 and Total CAD ratios of the Bank amount to 12.4% and 15.2% respectively. At the same date, the Bank's CET 1 based on the full implementation of the Basel III rules in 2025 (fully loaded CET1), would be 10.7%.

Further information is presented in the note "Capital management" of the consolidated financial statements of Eurobank Holdings for the year ended 31 December 2020.

EU – wide stress test

On 12 March 2020, the EBA and the ECB decided to postpone the stress test exercises to 2021 to mitigate the impact of Covid-19 on the EU banking sector and thus allow banks to focus on and ensure continuity of their core operations, including support for their customers.

In January 2021, the EBA launched the 2021 EU-wide stress test exercise which will provide valuable input for assessing the resilience of the European banking sector, notably its ability to absorb shocks under adverse macroeconomic conditions.

This exercise is coordinated by the EBA in cooperation with the ECB and national authorities, and is conducted according to the EBA's methodology, which was published in November 2020. It is carried out on the basis of year-end 2020 figures and assesses the resilience of EU banks under a common macroeconomic baseline scenario and a common adverse scenario, covering the period of 2021-2023. The baseline scenario for EU countries is based on the projections from the national central banks of December 2020, while the adverse scenario assumes the materialisation of the main financial stability risks that have been identified by the European Systemic Risk Board (ESRB) and which the EU banking sector is exposed to. The adverse scenario also reflects ongoing concerns about the possible evolution of the Covid-19 pandemic coupled with a potential strong drop in confidence and is designed to ensure an adequate level of severity across all EU countries.

In parallel, the ECB also conducts its own stress test for the banks it directly supervises but that are not included in the EBA-led stress test sample. This exercise is consistent with the EBA's methodology and apply the same scenarios, while also including proportionality elements as suggested by the overall smaller size and lower complexity of these banks. Eurobank Holdings Group participates in the ECB-led stress test.

The results of both stress tests will be used to assess each bank's Pillar 2 capital recommendation ("Guidance") in the context of the Supervisory Review and Evaluation Process (SREP). The stress test process is currently in progress and the results for the EBA stress test are expected by the end of July 2021.

6. Financial risk management and fair value

6.1 Use of financial instruments

By their nature the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers, at both fixed and floating rates, and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers within a range of credit standing. Such exposures include both on-balance sheet loans and advances and off-balance sheet guarantees and other commitments such as letters of credit.

The Group also trades in financial instruments where it takes positions in traded and over the counter financial instruments, including derivatives, to take advantage of short-term market movements in the equity and bond markets and in currency and interest rates.

6.2 Financial risk factors

Due to its activities, the Group is exposed to several financial risks, such as credit risk, market risk (including currency, interest rate, spread, equity and volatility risk), liquidity and operational risks. The Group's overall risk management strategy seeks to minimize any potential adverse effects on its financial performance, financial position and cash flows.

Risk Management objectives and policies

The Group acknowledges that taking risks is an integral part of its operations in order to achieve its business objectives. Therefore, the Group's management sets adequate mechanisms to identify those risks at an early stage and assesses their potential impact on the achievement of these objectives.

Due to the fact that economic, industry, regulatory and operating conditions will continue to change, risk management mechanisms are set in a manner that enable the Group to identify and deal with the risks associated with those changes. The Bank's structure, internal processes and existing control mechanisms ensure both the independence principle and the exercise of sufficient supervision.

The Group's Management considers effective risk management as a top priority, as well as a major competitive advantage, for the organization. As such, the Group has allocated significant resources for upgrading its policies, methods and infrastructure, in order to ensure compliance with the requirements of the European Central Bank (ECB) and of the Single Resolution Board (SRB), the guidelines of the European Banking Authority (EBA) and the Basel Committee for Banking Supervision and the best international banking practices. The Group implements a well-structured credit approval process, independent credit reviews and effective risk management policies for credit, market, liquidity and operational risk, both in Greece and in each country of its international operations. The risk management policies implemented by the Group are reviewed annually.

The Group Risk and Capital Strategy, which has been formally documented, outlines the Group's overall direction regarding risk and capital management issues, the risk management mission and objectives, risk definitions, risk management principles, risk appetite framework, risk governance framework, strategic objectives and key management initiatives for the improvement of the risk management framework in place.

The maximum amount of risk which the Group is willing to assume in the pursuit of its strategic objectives is articulated via a set of quantitative and qualitative statements for specific risk types, including specific tolerance levels as described in the Group's Risk Appetite Framework. The objectives are to support the Group's business growth, balance a strong capital position with higher returns on equity and to ensure the Group's adherence to regulatory requirements.

Risk appetite that is clearly communicated throughout the Group, determines risk culture and forms the basis on which risk policies and risk limits are established at Group and regional level.

Board Risk Committee (BRC)

The Board Risk Committee (BRC) is a committee of the BoD and its task is to assist the BoD to ensure that the Group has a well-defined risk and capital strategy in line with its business plan and an adequate and robust risk appetite.

BRC assesses the Group's risk profile, monitors compliance with the approved risk appetite and risk tolerance levels and ensures that the Group has developed an appropriate risk management framework with appropriate methodologies, modelling tools, data sources and sufficient and competent staff to identify, assess, monitor and mitigate risks. Moreover, BRC is conferred with certain approval authorities for credit proposals, debt forgiveness and write-offs.

The BRC consists of six (6) non-executive directors, meets at least on a monthly basis and reports to the BoD on a quarterly basis and on ad hoc instances if it is needed.

Management Risk Committee

The Management Risk Committee (MRC) is a management committee established by the CEO and operates as an advisory committee to the BRC.

The main responsibility of the MRC is to oversee the risk management framework of the Group. As part of its responsibility, the MRC facilitates reporting to the BRC on the range of risk-related topics under its purview. The MRC ensures that material risks are identified and promptly escalated to the BRC and that the necessary policies and procedures are in place to prudently manage risks and to comply with regulatory requirements. Additionally, the MRC determines appropriate management actions which are discussed and presented to the Executive Board ('EXBO') for information and submitted to BRC for approval.

Group Risk Management General Division

The Group's Risk Management General Division which is headed by the Group Chief Risk Officer (GCRO), operates independently from the business units and is responsible for the monitoring, measurement and management of credit, market, operational and liquidity risks of the Group. It comprises of the Group Credit General Division, the Group Credit Control Sector (GCCS), the Group Credit Risk Capital Adequacy Control Sector (GCRCACS), the Group Market and Counterparty Risk Sector (GMCRS), the Group Operational Risk Sector, the Group Model Validation and Governance Sector, the Group Risk Management Strategy Planning and Operations Division, the Supervisory Relations and Resolution Planning Sector (dual reporting also to the Group Chief Financial Officer) and the Risk Analytics Division.

Non-Performing Exposures (NPEs) management

A strategic priority for the Group remains the active and effective management of NPEs with the aim to further reduce the NPEs stock in accordance with its operational targets agreed with the supervisory authorities, leveraging the external strategic partnership that it has entered into, as described below, and the important legislative changes that have taken or are expected to take place.

Following the completion of corporate transformation (Hive-down) on 20 March 2020 and in accordance with the "Europe" and "Cairo" transactions on 5 June 2020, the Group entered into a strategic partnership with doValue S.p.A. for the management of its NPEs, the majority of which are included in the securitized portfolio of entity ERB Recovery Designated Activity Company (DAC). In particular, the Group assigned the management of its remaining NPE portfolio, Retail early arrears and any future assets in the aforementioned perimeter, to doValue Greece Loans and Credits claim Management S.A. ("doValue Greece") through a 14-year Service Level Agreement ("SLA"). The Group retains the business ownership and overall responsibility for the performance of the NPEs and manages the relationship with doValue Greece through a structured governance and a solid control framework. In this context, Eurobank established Remedial Servicing & Strategy Sector («RSS»), a dedicated team that devises the NPE reduction plan, actively sets the strategic principles and Key Performance Indicators (KPIs) framework under which doValue Greece manages the portfolio, closely monitors the execution of the approved strategies and service level agreements and ensures compliance with regulatory requirements.

For the effective management of its loan portfolio in 2020, the Bank makes full use of all Greek State measures to support its clients to address the Covid-19 pandemic crisis. These measures include the subsidy for 9 consecutive months of loan instalment secured by a primary residence ("Gefyra" program), the provision of new working capital loans, covered by the Hellenic Development Bank (HBD) guarantee (participation in the new established "Business Guarantee Fund COVID - 19") and the interest rate subsidy (for 2 years) from the HDB of working capital loans in the framework of the action "Business financing - TEPIX II". In addition, payment moratoria have been granted by the Greek Banks since end March 2020 in order to support borrowers that face financial difficulties due to the pandemic crisis and have applied for the moratoria up to 31 March 2021.

Troubled Assets Committee

The Troubled Assets Committee (TAC) is established according to the regulatory provisions and its main purpose is to act as an independent oversight body, closely monitoring the Bank's troubled assets portfolio and the execution of its NPE Management Strategy.

Remedial and Servicing Strategy (RSS)

The Remedial & Servicing Strategy Sector (RSS) is a newly established Sector, the Head of which reports to the General Manager of Group Strategy. The RSS has the mandate of the close monitoring of the overall performance of the NPE portfolio as well as the relationship of the Bank with doValue Greece.

In this context, RSS is a dedicated team that inter alia with the following responsibilities:

- Develop and actively monitor the NPE targets and reduction plan
- Set the strategic principles, priorities, policy framework and KPIs under which doValue Greece is servicing the portfolio
- Closely monitor the execution of the approved strategies, as well as all contractual provisions under the relevant contractual agreements for Eurobank portfolio assigned to doValue Greece including the securitized portfolio of ERB Recovery DAC

- Monitoring of the performance of the senior notes of the securitizations and collaboration with Group Risk so as to ensure compliance to Significant Risk Transfer (SRT) regulatory provisions
- Budgeting and monitor of the Bank's expenses and revenues associated with the assigned portfolio
- Cooperate closely with doValue Greece on a daily basis in achieving the Group's objectives
- Maintain supervisory dialogue

Operational targets for Non-Performing Exposures (NPEs)

In March 2020, after considering the extraordinary circumstances due to the Covid-19 pandemic, the SSM informed the European banks that the submission of their new 3-year NPE Management Strategy was postponed for March 2021. Specifically, in the context of the dialogue with SSM and its close monitoring on NPEs reduction progress, at the end of September 2020, Eurobank and the other Greek systemic banks submitted their updated NPE Management Strategy for the period 2020-2022 along with the NPE annual targets at group level, in a preliminary and draft form. Further, in March 2021, the Group submitted its 2021-2023 NPEs Strategy and plan, in accordance with the standard submission cycle. This envisaged the decrease of NPE ratio at ca. 9% at the end of 2021, 6.5% in 2022 and below 6% in 2023.

In March and April 2020, EBA and the ECB announced guidelines aiming to mitigate the impact of the Covid-19 pandemic on the EU banking sector stating, among others, that there is flexibility in the implementation of the EBA Guidelines on management of non-performing and forborne exposures. Additionally, EBA called for a close dialogue between supervisors and each bank on their non-performing exposure strategies.

Eurobank has been taking all appropriate actions to address liquidity difficulties of businesses and individuals caused by the limited or suspended operations of businesses resulting from the impact of Covid-19. In this context, Eurobank has defined a set of emergency relief measures that will apply to specific segments that are affected by Covid-19. These include moratoria to households (deferral of interest and principal payments) and to legal entities and professionals (deferral of principal payments) (note 6.2.1.2).

Legal Framework

The protection scheme on primary residence was voted by the Greek Parliament in March 2019 (Law 4605/2019), aiming at reinforcing the banks' efforts to reduce NPEs through a more effective mechanism to work out troubled loans, a restriction of strategic defaulters and, ultimately, an improvement in payment discipline. The scheme expired in July 2020, instead of April 2020 as initially scheduled and in October 2020, a new law (Law 4738/2020) was enacted introducing a comprehensive insolvency framework for individuals and companies in order to assist them to settle all their debts to the State, insurance funds, banks and servicers. The implementation of the new insolvency framework is expected within 2021.

In July 2020, a subsidy ("Gefyra") program (Law 4714/2020) was introduced by the Government in order to assist borrowers impacted by Covid-19. Applications were admitted until 31 October 2020 while the subsidy may start no later than 1 April 2021. The subsidy program will last for 9 months, followed by a probation period of 6 to 18 months (depending on the status of the borrower) with a claw back clause in case of overdue instalments. In the same context, on 31 March 2021 a new subsidy ('Gefyra II') program (Law 4790/2021) was introduced for eligible Small Business professionals and legal entities, as well as SMEs. Applications may be submitted until 9 May 2021, while the subsidy will cover part of the instalments for 8 months, followed by a probation period up to 18 months, depending on the loan status (note 6.2.1.2 (e)).

6.2.1 Credit Risk

Credit risk is the risk that a counterparty will be unable to fulfill its payment obligations in full when due. Credit risk is also related with country risk and settlement risk, specified below:

a) Country risk is the risk of losses arising from cross-border lending and investment activities and refers to the uncertainty associated with exposure in a particular country. This uncertainty may relate to a number of factors including the risk of losses following nationalization, expropriation, debt restructuring and foreign exchange rates' movement.
b) Settlement risk is the risk arising when payments are settled, for example for trades in financial instruments, including derivatives and currency transactions. The risk arises when the Group remits payments before it can ascertain that the counterparties' payments have been received.

Credit risk arises principally from the wholesale and retail lending activities of the Group, as well as from credit enhancements provided, such as financial guarantees and letters of credit. The Group is also exposed to credit risk arising from other activities such as investments in debt securities, trading, capital markets and settlement activities. Taking into account that credit risk is the primary risk the Group is exposed to, it is very closely managed and monitored by specialised risk units, reporting to the GCRO.

(a) Credit approval process

The credit approval and credit review processes are centralized both in Greece and in the International operations. The segregation of duties ensures independence among executives responsible for the customer relationship, the approval process and the loan disbursement, as well as monitoring of the loan during its lifecycle.

Credit Committees

The credit approval process in Corporate Banking is centralized through establishment of Credit Committees with escalating Credit Approval Levels. Main Committees of the Bank are considered to be the following:

- Credit Committees (Central and Local) authorized to approve new financing, renewals or amendments for domestic groups in the existing credit limits, in accordance with their credit approval authority, depending on total limit amount and customer risk category (i.e. high, medium or low), as well as the value and type of security;
- Special Handling Credit Committees authorized to approve credit requests and take actions for distressed clients;
- International Credit Committees (Regional and Country) established for the wholesale borrowers of the Group's international bank subsidiaries, authorized to approve new limits, renewals or amendments to existing limits, in accordance with their credit approval authority, depending on total customer exposure and risk category (i.e. high, medium or low), as well as the value and type of security; and
- International Special Handling Committees established for handling distressed wholesale borrowers of the Group's international bank subsidiaries.

The Credit Committees meet on a weekly basis or more frequently, if needed.

Group Credit General Division (GCGD)

Within an environment of increased risk challenges, Group Credit General Division (GCGD) mission is to safeguard the banks' asset side, by evaluating credit risk and making recommendations, so that borrowers' credit exposure is acceptable and within the approved Risk Appetite Framework. GCGD is headed by the Group Chief Credit Officer (GCCO) with direct reporting to the Group Chief Risk Officer (GCRO).

GCGD operations are comprised of two functions, i.e. the Corporate Credit Risk, including both the domestic and the foreign underwriting activities (the latter only for Global Clients and material exposures of International Subsidiaries), and Retail Credit Risk respectively, covering the underwriting needs of the SBB portfolio and the individuals (mortgage, consumer loans, auto-moto loans and credit cards).

1. **<u>Corporate Credit Risk</u>**
   (a) Domestic and Greek related portfolio: the underwriting function includes the review of credit requests originating from Corporate Units handling large and medium scale corporate entities of every risk category and specialised lending units such as Shipping and Structured Finance (Commercial Real Estate, Hotel & Leisure, Project Finance) and Private Banking. Major tasks of the respective workstream and involved credit units pertain to the following:
   - Evaluation of credit applications and issuance of an independent Risk Opinion, which includes:
     i. assessment of the customer credit profile based on the qualitative and quantitative risk factors identified (market, operational, structural and financial)
     ii. recommendations for the formulation of bankable, well-secured and well-controlled transactions (credit facility), as well as
     iii. review and confirmation of the ratings of each separate borrower to reflect the risks acknowledged.
   - Participation with voting right in all credit committees as per the Credit Approval procedures.
   - Active participation in the regulatory audits and major internal projects of the Bank, providing at the same time credit related knowledge, expertise and support to other divisions.
   - Preparation of specialised reports to Management on a regular basis, with regards to the Top 25 largest, in terms of total exposure, borrower Groups, statistics on the new approved financings and leveraged transactions.

(b) International Subsidiaries' portfolio: The GCGD through its specialized International Credit Sector (ICS) is responsible to actively participate in the design, implementation and review of the credit underwriting function for the wholesale portfolio of the International Subsidiaries covering Bulgaria, Cyprus, Serbia, the remaining Romania portfolio and portion of the loan portfolio of Luxemburg (including London Branch). Moreover, the respective unit's tasks and responsibilities are highlighted below:

- Participation with voting right in all International Committees (Regional and Special Handling) and Country Risk Committees (CRCs);
- Participation in the sessions of Special Handling Monitoring Committees for Bulgaria and Serbia which monitor and decide on the strategy of problematic corporate relationships with loan outstanding exceeding a certain threshold, that is jointly set by ICS and Country Troubled Asset Groups;
- Advice on best practices to the Credit Risk Units of International Subsidiaries
- Initiation of, or participation in, non-recurring credit related projects involving the International Subsidiaries, such as, indicatively, Wholesale Field Reviews, regulatory Asset Quality Reviews, acquisition and /or sale of wholesale portfolios etc.

GCGD is also responsible for the preparation of all credit committees' agendas, distribution of the respective material and maintenance of the respective Credit Committees' minutes.

2. Retail Credit Risk

The scope of the Retail Banking Credit Risk & Underwriting Sector is the assessment of credit applications submitted by Retail Business Units (domestic operations only), in relation to Borrowers of the retail credit portfolio (SBB loans and Individuals' banking) based on thresholds, for which an assessment by GCGD is required as per the provisions of the relevant Credit Approval Procedures.

The tasks of Retail Credit Risk function are outlined below:

- Assess credit requests in alignment with the credit risk granting criteria and methodology provided in the appropriate Credit Policy Manual. The evaluation of the SBB portfolio includes the assessment of the borrower's financial position and statistical scorecards. Regarding the Individual Banking (mortgage and consumer loans), the credit criteria include among others the payment behaviour, financial position of the borrower, the existence of real estate property and the type and quality of securities.
- Analyze and evaluate risk factors depending on the type of credit request.
- Prepare an independent Credit Opinion presenting the official GCGD opinion on the credit application and confirm, where required, the Borrower Rating for each Borrower in its portfolio ensuring that the risks identified are dully reflected in the Rating.
- Participate with voting rights in the credit committees as per the credit approval process, according to the Approval Levels defined in the Credit Policy Manual.

(b) Credit risk monitoring

Group Credit Control Sector

The Group Credit Control Sector (GCCS) monitors and assesses the quality of all of the Group's loan portfolios and operates independently from the business units of the Bank. The GCCS reports directly to the GCRO.

The main responsibilities of the GCCS are to:

- supervise, support and maintain the credit rating and impairment systems used to assess the wholesale lending customers;
- monitor and review the performance of all of the Group's loan portfolios;
- supervise and control the foreign subsidiaries' credit risk management units;
- monitor on a regular basis and report on a quarterly basis to the Board of Directors and the BRC of risk exposures, along with accompanying analyses;
- monitor and evaluate the efficiency of adopted strategies and proposed solutions in terms of dealing with Non Performing Exposures (NPEs) and the achievement of targets for NPEs reduction, as communicated and agreed with the Supervisory Authorities;
- conduct field reviews and prepare written reports to the Management on the quality of all of the Group's loan portfolios and adherence with EBA prevailing regulations;

- ensure that EBA classifications are made in accordance with the relevant provisions and guidelines;
- participate in the approval of new credit policies and new loan products;
- participate in the Troubled Asset Committee;
- attend meetings of Credit Committees and Special Handling Committees, without voting right;
- formulate the Group's credit impairment policy and measure the provisions of the Greek loan portfolios along with the relevant reporting to Management;
- regularly review the adequacy of provisions of all of the Group's loan portfolios;
- formulate, in collaboration with the responsible lending Units the credit policy manuals for performing borrowers;
- provide guidance and monitor the process of designing and reviewing credit policies before approved by Management.
- monitor the proper technical valuation of Real Estate collaterals, as per the Banks' Collateral Valuation policy and procedures;
- monitor the supervisory, regulatory developments, emerging trends and best practices within its purview in order to keep Management abreast and propose required actions;

Group Credit Risk Capital Adequacy Control Sector

The Group Credit Risk Capital Adequacy Control Sector implements and maintains the Internal Ratings Based (IRB) approach in accordance with the Basel framework and the Capital Requirements Directive (CRD) and maintains the credit risk assessment models for the loans portfolio of the Group. The Sector reports directly to the GCRO.

Specifically, the main responsibilities of the Group Credit Risk Capital Adequacy Control Sector are to:

- control, measure and monitor the capital requirements arising from the Bank's loan portfolio along with the relevant reporting to Management and regulators (ECB/SSM);
- measure and monitor the risk parameters (PD, LGD, EAD) for the purposes of capital adequacy calculations, as well as, the estimation of risk related parameters (such as forecast 12-m PD, forecast lifetime PD) for impairment calculation purposes;
- review the grouping of lending exposures and ensuring their homogeneity in accordance with the Group's IFRS accounting policies
- re-assess and re-develop if required, the significant increase in credit risk (SICR) thresholds under IFRS9 standard;
- prepare monthly capital adequacy calculations (Pillar 1) and relevant management, as well as, regulatory reports (COREPs, SREP) on a quarterly basis;
- participate in the preparation of the business plan, the NPE targets plan and the recovery plan of the Group in relation to asset quality and capital requirements for the loan book (projected impairments and RWAs), as well as participate in the relevant committees;
- perform stress tests, both internal and external (EBA/SSM), and maintain the credit risk stress testing infrastructure;
- coordinate the stress testing exercises for the loan portfolios at Group Level;
- monitor the regulatory framework in relation to the IRB framework performing impact assessment by initiating and managing relevant projects;
- manage the models development, implementation, monitoring of the IRB models of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) for evaluating credit risk;
- prepare the credit risk analyses for Internal Capital Adequacy Assessment (ICAAP)/ Pillar 2 purposes;
- implement the IRB roll-out plan of the Group;
- prepare the Basel Pillar 3 disclosures for credit risk;
- regularly report to the GCRO, to the Management Risk Committee and to the Board Risk Committee on: risk models performance, risk parameters (PD, LGD, EAD), updates on regulatory changes and impact assessment and asset quality reviews;
- guide, monitor and supervise the Credit Risk divisions of the subsidiaries on modelling, credit stress testing and other credit risk related regulatory issues.
- monitor and guide Group's international subsidiaries on credit risk related ICAAP, stress testing and other regulatory credit risk related issues, based on Group standards. Review of local credit risk stress test exercises;
- support the business units in the use of credit risk models in business decisions, for funding purposes, in the capital impact assessment of strategic initiatives and the development and usage of risk related metrics such as risk adjusted pricing, Risk Adjusted Return on Capital (RAROC) etc.; and
- assist Remedial Servicing Strategy Sector in the risk assessment and risk impact of various programs and products.

Group Model Validation and Governance Sector

The Group Model Validation and Governance Sector was established in September 2018, with key mandates:

- the establishment of a comprehensive model governance and validation framework, and
- the independent validation of the technical and operational completeness of all models used by the Group and their parameters, as well as their compliance with the provisions of the regulatory framework.

In more detail, the tasks of the Sector are outlined as follows:

- Prepare and update the Group's Models Framework (to include model definition, roles involved per model, model classification principles and methodology, model validation principles, materiality classifications and thresholds, models' registry governance, etc.);
- Establish and update the Group's Models Registry;
- Review models' classification, in accordance with the methodology provided in the Group Models Framework;
- Prepare and update the Group Models Validation Framework, while providing support to Group's subsidiaries in its implementation;
- Monitor changes in ECB guidelines on models' validation;
- Propose and escalate for approval the quantitative thresholds, in order to assess the results of the validation tests;
- Conduct model validation tests in alignment with the Group Model Validation Framework and regulatory requirements;
- Prepare detailed reports of the model valuation results according to the specific requirements of the model validated, if any, which are communicated to BRC on an annual basis along with any related proposed remediation plan;
- Disseminate models' validation test results within the Group's BRC or MRC following reporting to Group CRO, as appropriate;
- Prepare action plan for remediation actions, if any, as a result of the model validation tests implemented, and escalate the plan for its approval by the appropriate Management Authority;
- Participate in the approval process of new models for assessing ratings' system accuracy and suitability; and
- Monitor industry practices on the development and use of models as well as related ECB guidelines and restrictions.

Group Market and Counterparty Risk Sector

Group Market and Counterparty Risk Sector (GMCRS) is responsible for the measurement, monitoring and periodic reporting of the Group's exposure to counterparty risk (issuer risk and market driven counterparty risk), which is the risk of loss due to the customer's failure to meet its contractual obligations in the context of treasury positions, such as debt securities, derivatives, repos, reverse repos, interbank placings, etc.

In addition, GMCRS monitors, controls and regularly reports country limits, exposures and escalates breaches to the Management and to Committees. GMCRS uses a comprehensive methodology approved by the BRC, for determining the acceptable country risk level, including the countries in which the Group has a strategic presence.

The Group sets limits on the level of counterparty risk that are based mainly on the counterparty's credit rating, as provided by international rating agencies, the product type and the maturity of the transaction (e.g. control limits on net open derivative positions by both amount and term, sovereign bonds exposure, corporate securities, asset backed securities etc.).

GMCRS maintains and updates the limits' monitoring systems and ensures the correctness and compliance of all financial institutions limits with the Bank's policies as approved by the Group's relevant bodies.

The utilization of the abovementioned limits, any excess of them, as well as the aggregate exposure per Group's entity, counterparty and product type are monitored by GMCRS on a daily basis. Risk mitigation contracts are taken into account for the calculation of the final exposure.

Also, GMCRS ensures that the exposure arising from counterparties complies with the approved country limits framework. The GMCRS's exposure measurement and reporting tool is also available to the Group's subsidiaries treasury divisions, thus enabling them to monitor each counterparty's exposure and the limit availability.

Additionally, for the banks' corporate bond portfolio, GMCRS measures and monitors daily the total notional limits, the sectoral concentration and the maximum size per issuer. It uses a measurement tool for monitoring any downgrades and any idiosyncratic spread widening from purchase and any breach is communicated to the Management and to the relevant Committees.

GMCRS implements the market's best practices and safeguards the compliance of all involved parties to limits' policies and procedures. To this direction, for various units and International subsidiaries, GMCRS provides support and guidance for implementation of the limits' guidelines and policies.

Furthermore, GMCRS prepares specialized reports for the Management/Committees along with regular reporting that includes the exposure to the Hellenic Republic and a report that is based on the calculation of the Lifetime Expected Losses for the exposure towards the Hellenic Republic (HR).

(c) Credit related commitments

The primary purpose of credit related commitments is to ensure that funds are available to a customer as agreed. Financial guarantee contracts carry the same credit risk as loans since they represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are secured by the underlying shipment of goods to which they relate and therefore carry less risk than a loan. Commitments to extend credit represent contractual commitments to provide credit under pre-specified terms and conditions (note 42) in the form of loans, guarantees or letters of credit for which the Group usually receives a commitment fee. Such commitments are irrevocable over the life of the facility or revocable only in response to a material adverse effect.

(d) Concentration risk

The Group structures the levels of credit risk it undertakes by placing exposure limits by borrower, or groups of borrowers, and by industry segments. The exposure to each borrower is further restricted by sub-limits covering on and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts.

Such risks are monitored on a revolving basis and are subject to an annual or more frequent review. Risk concentrations are monitored regularly and reported to the BRC. Such reports include the 25 largest exposures, major watch list and problematic customers, industry analysis, analysis by rating/risk class, by delinquency bucket, and loan portfolios by country.

(e) Rating systems

Rating of wholesale lending exposures

The Group has decided upon the differentiation of rating models for wholesale lending activities, in order to reflect appropriately the risks arising from customers with different characteristics. Accordingly, the Group employs the following rating models for the wholesale portfolio:

- Moody's Risk Analyst model ("MRA" or "Fundamental Analysis"-"FA") is used to assess the risk of borrowers for Corporate Lending.
- Internal Credit Rating model ("ICR") is used for those customers that cannot be rated by MRA.
- Transactional Rating model ("TR") has been developed in order to assess the risk of transactions taking into consideration their collaterals/guarantees.
- Slotting rating models are employed in view of assessing the risk of specialized exposures, which are part of the Specialized Lending corporate portfolio.
- Finally, an assessment of the borrowers' viability and the identification of impairment triggers is performed using the "Unlikely to Pay" ("UTP") / impairment test.

MRA, ICR, Slotting and "UTP" functions are supported by the Risk Analyst ("RA") computing platform provided by an external provider (Moody's Analytics), while the TR is internally developed and is being supported by the core applications of the Bank.

MRA follows the Moody's fundamental analysis (FA) approach. The FA models belong to a family of models defined as Knowledge Based Systems and rely on a probabilistic reasoning approach. They use quantitative and qualitative information of individual obligors in order to assess their creditworthiness and determine their credit rating. In particular, MRA takes into account the entity's balance sheets, profit & loss accounts and cash flow statements to calculate key ratios. Its ratio analysis includes assessments of each ratio's trend across multiple periods, both in terms of the slope and volatility of the trend. It also compares the value of the ratio for the most recent period with the quartile values for a comparable peer group. Moreover, MRA is supplied with a commonly used set of qualitative factors relating to the quality of the company's management, the standing of the company within its industry and the perceived riskiness of the industry. MRA is used for the assessment of all legal entities with full accountancy tax books irrespective of their legal form, and is calibrated on the Greek corporate environment.

The MRA is not employed for certain types of entities that use different accounting methods to prepare their financial statements, such as Insurance companies and brokerage firms. Moreover, entities such as start-ups that have not produced financial information for at least two annual accounting periods are not rated with MRA. In such cases, the Internal Credit Rating ("ICR") is utilized, which is a scorecard consisting of a set of factors grouped into 3 main sections corresponding to particular areas of analysis: Financial Information, Qualitative Criteria, and Behavior Analysis. In addition, the Group performs an overall assessment of wholesale customers, based both on their rating (MRA or ICR) and the collaterals and guarantees regularly at every credit assessment.

With reference to Specialized Lending portfolio (for which the Bank is using Slotting rating models) and in line with European Banking Authority (EBA) definitions, it comprises types of exposures towards entities specifically created to finance or operate physical assets, where the primary source of income and repayment of the obligation lies directly with the assets being financed. Accordingly, three of its product lines that are included in the Specialized Lending exposure class: Project Finance (assessed with the Project Finance Scorecard), Commercial Real Estate (assessed with the CRE investor & CRE Developer Scorecards) and Object Finance (assessed with the Object Finance Scorecard tailored for the Shipping portfolio).

In addition, the Group has developed an Unlikely to Pay/Impairment test. Unlikeliness to pay refers to circumstances when a Borrower is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past due amount or of the days past due (i.e. to exposures less than 90 dpd). The impairment test, which is performed to all borrowers during every credit assessment is implemented in the RA platform and includes clearly defined indicators of unlikeliness to pay (UTP). These indicators are separated in "Hard" and "Soft" UTP triggers.

- Hard UTP indicators lead directly to a recognition of non-performing (automatic NPE classification), as in most cases these events, by their very nature, directly fulfil the definition of UTP and there is little room for interpretation.
- Soft UTP triggers when applied, do not automatically mean that an exposure is non-performing, but that a thorough assessment should be performed (assessment prior to NPE classification).

The Bank has further enhanced its wholesale credit risk assessment models linking risk parameters estimation with macro-economic factors allowing the forecasting of rating transitions under different macroeconomic scenarios (base, adverse and optimistic).

The rating systems described above are an integral part of the wholesale banking decision-making and risk management processes:

- the credit approval or rejection, both at the origination and review process;
- the allocation of competence levels for credit approval;
- risk-adjusted pricing;
- the calculation of Economic Value Added (EVA) and internal capital allocation; and
- the impairment calculation (staging criteria and subsequent ECL estimation of forecasted risk parameters).

Rating of retail lending exposures

The Group assigns credit scores to its retail customers using a number of statistically-based models both at the origination and on ongoing basis through behavioral scorecards. These models have been developed to predict, on the basis of available information, the probability of default, the loss given default and the exposure at default. They cover the entire spectrum of retail products (credit cards, consumer lending, unsecured revolving credits, car loans, personal loans, mortgages and small business loans).

The Bank's models were developed based on historical data and credit bureau data. Behavioral scorecards are calculated automatically on a monthly basis, thus ensuring that the credit risk assessment is up to date.

The models are applied in the credit approval process, the credit limits management, as well as the collection process for the prioritization of the accounts in terms of handling. Furthermore, the models are often used for the risk segmentation of the customers and the risk based pricing of particular segments or new products introduced as well as in the calculation of the Economic Value Added (EVA) and Risk Adjusted Return on Capital (RaRoC) measures.

The rating systems employed by the Bank meets the requirements of the Basel III-Internal Ratings Based (IRB) approach. The Bank is IRB certified since 2008 for the Greek portfolios, both wholesale and retail (as detailed in Basel III, Pillar 3 disclosures available at the Bank's website).

In the context of IFRS9 implementation, the Bank has further enhanced its retail credit risk assessment models linking risk parameters estimation with macro-economic factors allowing their forecasting over one year and lifetime horizon under different macroeconomic scenarios (base, adverse and optimistic) and supporting the staging analysis and allocation to risk classes under homogeneous pools.

The Group Credit Risk Capital Adequacy Control Sector monitors the capacity of rating models and scoring systems to classify customers according to risk, as well as to predict the probability of default and loss given default and exposure at default on an ongoing basis. The Group Models Validation and Governance Sector implements the Bank's validation policy which complies with international best practices and regulatory requirements. The Bank verifies the validity of the rating models and scoring systems on an annual basis and the validation includes both quantitative and qualitative aspects. The validation procedures are documented, and regularly reviewed and reported to the BRC.

The Group's Internal Audit Division also independently reviews the validation process in wholesale and retail rating systems annually.

(f) Credit risk mitigation

A key component of the Group's business strategy is to reduce risk by utilizing various risk mitigating techniques. The most important risk mitigating means are collaterals' pledges, guarantees and master netting arrangements.

Types of collateral commonly accepted by the Group

The Group has internal policies in place which set out the following types of collateral that are usually accepted in a credit relationship:

- residential real estate, commercial real estate (offices, shopping malls, etc.), industrial buildings and land;
- receivables (trade debtors) and post dated cheques;
- securities, including listed shares and bonds;
- deposits;
- guarantees and letters of support;
- insurance policies; and
- equipment, mainly, vehicles and vessels.

A specific coverage ratio is pre-requisite, upon the credit relationship's approval and on ongoing basis, for each collateral type, as specified in the Group's credit policy.

For exposures, other than loans to customers (i.e. reverse repos, derivatives), the Group accepts as collateral only cash or liquid bonds.

Valuation principles of collaterals

In defining the maximum collateral ratio for loans, the Group considers all relevant information available, including the collaterals' specific characteristics, if market participants would take those into account when pricing the relevant assets. The valuation and hence eligibility is based on the following factors:

- the collateral's fair value, i.e. the exit price that would be received to sell the asset in an orderly transaction under current market conditions;
- the fair value reflects market participants' ability to generate economic benefits by using the asset in its highest and best use or by selling it;
- a reduction in the collateral's value is considered if the type, location or condition (such as deterioration and obsolescence) of the asset indicate so; and
- no collateral value is assigned if a pledge is not legally enforceable.

The Group performs collaterals' valuation in accordance with its processes and policies. With the exception of special cases (e.g. syndicated loans), the real estate collaterals of all units are valued by Cerved Property Services S.A. ("CPS") who is the successor of the Bank's former subsidiary, Eurobank Property Services S.A. CPS is regulated by the Royal Institute of Chartered Surveyors and employs internal or external qualified appraisers based on predefined criteria (qualifications and expertise). All appraisals take into account factors such as the region, age and marketability of the property, and are further reviewed and countersigned by experienced staff. The valuation methodology employed is based on International Valuation Standards (IVS), while quality controls are in place, such as reviewing mechanisms, independent sample reviews by independent well established valuation companies.

In order to monitor the valuation of residential property held as collateral, the Bank uses the Residential Property Index developed in collaboration with other major banks in Greece. This methodology, has been approved by the Bank of Greece, and its use enables a dynamic monitoring of residential properties' values and market trends, on an annual basis. The Residential Property Index is used in combination with physical inspection and desktop valuation, depending on the EBA status and the balance of the loan.

For commercial real estates, the Bank uses the Commercial Real Estate Index developed by CPS. This index is based on internationally accepted methodology and constitutes a tool for the statistical monitoring of possible changes of the values of the commercial properties as well as for the trends in the particular market. It is updated on an annual basis. The Commercial Real Estate Index is used in combination with physical inspection and desktop valuation, depending on the EBA status and the balance of the loan.

To ensure the quality of the post-dated cheques accepted as collateral, the Bank has developed a pre-screening system, which takes into account a number of criteria and risk parameters, so as to evaluate their eligibility. Furthermore, the post-dated cheques' valuation is monitored through the use of advanced statistical reports and through the review of detailed information regarding the recoverability of cheques, referrals and bounced cheques, per issuer broken down.

Collateral policy and documentation

Regarding collaterals, Group's policy emphasizes the need that collaterals and relevant processes are timely and prudently executed, in order to ensure that collaterals and relevant documentation are legally enforceable at any time. The Group holds the right to liquidate collateral in the event of the obligor's financial distress and can claim and control cash proceeds from the liquidation process.

Guarantees

The guarantees used as credit risk mitigation by the Group are largely issued by central and regional governments in the countries in which it operates. The Hellenic Development Bank (HDB) and similar funds, banks and insurance companies are also significant guarantors of credit risk.

Management of repossessed properties

The objective of the repossessed assets' management is to minimize the time cycle of the asset's disposal and to maximize the recovery of the capital engaged.

To this end, the management of repossessed assets aims at improving rental and other income from the exploitation of such assets, and at the same time reducing the respective holding and maintenance costs. Additionally, the Group is actively engaged in identifying suitable potential buyers for its portfolio of repossessed assets (including specialized funds involved in acquiring specific portfolios of properties repossessed), both in Greece and abroad, in order to reduce its stock of properties with a time horizon of 3-5 years.

Repossessed assets are closely monitored based on technical and legal due diligence reports, so that their market value is accurately reported and updated in accordance with market trends.

Counterparty risk

The Group mitigates counterparty risk arising from treasury activities by entering into master netting arrangements and similar agreements, as well as collateral agreements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in the offset of balance sheet assets and liabilities, as the transactions are usually settled on a gross basis. However, the respective credit risk is reduced through a master netting agreement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis.

In the case of derivatives, the Group makes use of International Swaps and Derivatives Association (ISDA) contracts, which limit the exposure via the application of netting, and Credit Support Annex (CSAs), which further reduce the total exposure with the counterparty. Under these agreements, the total exposure with the counterparty is calculated on a daily basis taking into account any netting arrangements and collaterals.

The same process is applied in the case of repo transactions where standard Global Master Repurchase Agreements (GMRAs) are used. The exposure (the net difference between repo cash and the market value of the securities) is calculated on a daily basis and collateral is transferred between the counterparties thus minimizing the exposure.

Following the European Market Infrastructure Regulation (EMIR), the Bank performs centrally cleared transactions for eligible derivative contracts through an EU authorized European central counterparty (CCP), recorded in trade repositories. The use of CCP increases market transparency and reduces counterparty credit and operational risks inherent in derivatives markets.

The Bank uses a comprehensive collateral management system for the monitoring of ISDA, CSAs and GMRAs, i.e. the daily valuation of the derivatives and the market value of the securities are used for the calculation of each counterparty's exposure. The collateral which should be posted or requested by the relevant counterparty is calculated daily.

With this system, the Bank monitors and controls the collateral flow in case of derivatives and repos, independently of the counterparty. The effect of any market movement that increases the Bank's exposure is reported and the Bank proceeds to collateral call accordingly.

6.2.1.1 Maximum exposure to credit risk before collateral held

	31 December 2020 € million	
Credit risk exposures relating to on-balance sheet assets are as follows:		
Due from credit institutions	3,337	
Less: Impairment allowance	(1)	**3,336**
Debt securities held for trading		**42**
Derivative financial instruments		**2,552**
Loans and advances to customers at amortised cost:		
- Wholesale lending [1]	21,340	
- Mortgage lending	11,650	
- Consumer lending	3,408	
- Small business lending	4,476	
Less: Impairment allowance	(3,477)	**37,397**
Loans and advances to customers measured at FVTPL		**27**
Investment securities:		
- Debt securities measured at amortised cost	2,789	
Less: Impairment allowance	(5)	**2,784**
Debt securities measured at FVOCI		**5,454**
Investment securities at FVTPL		**127**
Other financial assets [2]	137	
Less: Impairment allowance	(30)	**107**
Credit risk exposures relating to off-balance sheet items (note 42):		
- Loan commitments		**4,586**
- Financial guarantee contracts and other commitments		**1,126**
Total		**57,539**

[1] *Includes loans to public sector.*

[2] *Refers to financial assets subject to IFRS 9 impairment requirements, which are recognised within other assets.*

The above table represents the Group's maximum credit risk exposure as at 31 December 2020, without taking account of any collateral held or other credit enhancements that do not qualify for offset in the Group's financial statements.

For on-balance sheet assets, the exposures set out above are based on the carrying amounts as reported in the balance sheet. For off-balance sheet items, the maximum exposure is the nominal amount that the Group may be required to pay if the financial guarantee contracts and other commitments are called upon and the loan commitments are drawn down. Off-balance sheet loan commitments presented above, include revocable commitments to extend credit of € 3.4 billion that are subject to ECL measurement.

6.2.1.2 Loans and advances to customers

The section below provides an overview of the Group's exposure to credit risk arising from its customer lending portfolios, in line with the guidelines set by the Hellenic Capital Markets Commission and the Bank of Greece (BoG) released on 30 September 2013, and the revised IFRS 7 'Financial Instruments: Disclosures', following the adoption of IFRS 9 from 2018. In addition, the types of the Group's forbearance programs are in line with the BoG's Executive Committee Act 42/30.05.2014 and its amendments.

(a) Credit quality of loans and advances to customers

Loans and advances to customers carried at amortised cost are classified depending on how ECL is measured.

Accordingly, loans reported as non-impaired include loans for which a '12-month ECL allowance' is recognized as they exhibit no significant increase in credit risk since initial recognition and loans for which a 'Lifetime ECL allowance' is recognized as they exhibit a significant increase in credit risk since initial recognition but are not considered to be in default.

Credit impaired loans category includes loans that are considered to be in default, for which a loss allowance equal to 'Lifetime ECL' is recognized and loans classified as 'Purchased or originated credit impaired' (POCI) which are always measured on the basis of 'lifetime ECL'.

Loans and advances to customers carried at FVTPL are not subject to ECL measurement and therefore are not included in the quantitative information provided in the below sections for loans and advances measured at amortised cost, except where indicated.

The Group's accounting policy regarding impairment of financial assets is set out in note 2.2.13.

Regulatory definitions
'Default exposures', in line with the regulatory definition of default as adopted by the Group, include material exposures that are past due more than 90 days, exposures that are assessed by the Group as unlikely to pay as well as those that are assessed for impairment individually and carry an individual impairment allowance. As at 31 December 2020, the Group's default exposures amounted to € 5,231 million.

'Non-performing exposures' as currently monitored and reported by the Group, in line with the guidelines set by the European Banking Authority (EBA Implementing Technical Standards), include material exposures that are in arrears for more than 90 days or assessed as unlikely to pay, impaired exposures under individual or collective impairment assessment, exposures categorized as defaulted for regulatory purposes, as well as forborne non performing exposures. As at 31 December 2020, the Group's non performing exposures included in loans and advances to customers at amortised cost amounted to € 5,724 million. Correspondingly, 'Performing exposures' include exposures without arrears, those that are less than 90 days past due or are not assessed as unlikely to pay, non-impaired and non-defaulted exposures. As at 31 December 2020, the Group's performing exposures included in loans and advances to customers at amortised cost amounted to € 35,150 million

'Unlikely to pay' category refers to exposures where a borrower's ability to repay his credit obligations in full without realization of collateral is assessed as unlikely, regardless the existence of any past due amounts or the number of days past due.

The new definition of default (DoD) for regulatory purposes introduced a new set of standards that will have a significant impact on governance, data, processes, systems and credit models. The new DoD is applicable from 1 January 2021 and is set in the Article 178 of Regulation (EU) No. 575/2013, the Commission Delegated Regulation (EU) 2018/171 and European Banking Authority (EBA) Guidelines (EBA/GL/2016/07). It aims at the harmonization of the definition of default across institutions and jurisdictions in the European Union. In particular, the new DoD guidelines specify that days past due are counted from the date that both materiality thresholds are breached (an absolute amount of the total exposure and a relative as a percentage of the exposure), include conditions for a return to non-defaulted status (introduction of a probation period) and explicit criteria for classification of restructured loans as defaulted when the diminished financial obligation criterion is satisfied (difference between the net present value of cash flows before and after the restructuring exceeds the threshold of 1%).

The Group will apply the above new provisions of DoD, in order to identify defaulted exposures starting from 1 January 2021, consistently across all its lending portfolios and subsidiaries, subject to local regulations and specific credit risk characteristics of each jurisdiction. Accordingly, the definition of default for accounting purposes will be aligned with the new DoD, that will be also be the one used for internal credit risk management purposes. The impact in the Group's Excepted Credit Loss from the implementation of the new definition of default is not estimated to be material.

Quantitative information

The following table presents the total gross carrying and nominal amount, representing the maximum exposure to credit risk before the impairment allowance, of loans and advances including securitized notes issued by special purpose vehicles established by the Group and credit related commitments respectively, that are classified as non-impaired (stage 1 and stage 2) and those classified as credit-impaired (stage 3 and POCI). It also presents the impairment allowance recognized in respect of all loans and advances and credit related commitments, analyzed into individually or collectively assessed, based on how the respective impairment allowance has been calculated, the carrying amount of loans and advances, as well as the value of collateral held to mitigate credit risk.

Public Sector lending exposures include exposures to the central government, local authorities, state-linked companies and entities controlled and fully or partially owned by the state, excluding public and private companies with commercial activity. For credit risk management purposes, exposures to Public Sector are incorporated in wholesale lending.

In addition, the value of collateral presented in the table below is capped to the respective gross loan amount.

The following table presents information about the credit quality of the gross carrying amount of loans and advances to customers carried at amortised cost, the nominal exposure of credit related commitments and the respective impairment allowance as well as the carrying amount of loans and advances to customers carried at FVTPL:

	31 December 2020										
						Impairment allowance					
			Lifetime ECL credit-impaired [1]					Lifetime ECL credit-impaired [1]			
	12-month ECL-Stage 1 € million	Lifetime ECL - Stage 2 € million	Individually assessed € million	Collectively assessed € million	Total gross carrying amount/nominal exposure € million	12-month ECL-Stage 1 € million	Lifetime ECL - Stage 2 € million	Individually assessed € million	Collectively assessed € million	Carrying amount € million	Value of collateral € million
Retail Lending	**11,511**	**4,425**	**334**	**3,265**	**19,534**	**(100)**	**(332)**	**(184)**	**(1,619)**	**17,299**	***12,968***
- Mortgage	7,081	2,791	176	1,603	11,650	(24)	(152)	(94)	(571)	10,809	
Value of collateral	6,469	2,286	122	1,219							*10,096*
- Consumer	1,606	377	2	553	2,538	(21)	(53)	(1)	(460)	2,003	
Value of collateral	93	3	2	93							*191*
- Credit card	624	69	0	177	870	(20)	(8)	(0)	(157)	685	
Value of collateral	1	0	0	0							*1*
- Small business	2,200	1,189	155	932	4,476	(35)	(119)	(90)	(431)	3,802	
Value of collateral	1,249	793	96	543							*2,681*
Wholesale Lending	**17,180**	**1,995**	**1,509**	**614**	**21,298**	**(82)**	**(107)**	**(741)**	**(310)**	**20,058**	***13,950***
- Large corporate	10,821	997	587	43	12,447	(60)	(44)	(274)	(20)	12,049	
Value of collateral	5,995	749	384	23							*7,151*
- SMEs	2,861	998	922	572	5,353	(22)	(63)	(467)	(291)	4,511	
Value of collateral	1,797	705	518	280							*3,301*
- Securitized notes [2]	3,498	-	-	-	3,498	(0)	-	-	-	3,498	
Value of collateral	3,498	-	-	-							*3,498*
Public Sector	**24**	**17**	**-**	**2**	**42**	**(1)**	**(1)**	**-**	**(1)**	**40**	***2***
- Greece	22	17	-	1	40	(1)	(1)	-	(1)	38	
Value of collateral	1	1	-	0							*2*
- Other countries	1	-	-	1	2	(0)	-	-	(0)	2	
Value of collateral	0	-	-	-	-						*0*
Loans and advances to customers at FVTPL										**27**	*27*
Total	**28,714**	**6,436**	**1,843**	**3,881**	**40,874**	**(183)**	**(439)**	**(925)**	**(1,930)**	**37,424**	**26,947**
Total value of collateral	**19,103**	**4,537**	**1,121**	**2,159**							
Credit related commitments	**5,238**	**418**	**33**	**23**	**5,712**	**(32)**	**(7)**	**(21)**	**(6)**		
Loan commitments	4,292	289	3	2	4,586	(24)	(4)	-	(0)		
Financial guarantee contracts and other commitments	946	129	30	21	1,126	(8)	(2)	(21)	(6)		
Value of collateral	431	44	5	7							

[1] As at 31 December 2020, total gross carrying amount of credit impaired loans includes POCI loans of € 43 million which carry an impairment allowance of € 3.5 million.

[2] It refers to the senior notes of the Pillar and Cairo securitizations that are collateralized by the underlying pool of loans held by the respective securitization vehicles. The amount of the securitized loan portfolios has been capped to the gross carrying amount of the senior notes. In addition, the senior notes of the Cairo securitization are guaranteed by the Hellenic Republic in the context of Hellenic Asset Protection Scheme (note 4).

The Group assesses the credit quality of its loans and advances to customers and credit related commitments that are subject to ECL using internal credit rating systems for the wholesale portfolio, which are based on a variety of quantitative and qualitative factors, while the credit quality of the retail portfolio is based on the allocation of risk classes into homogenous pools.

The following tables present the distribution of the gross carrying amount of loans and advances and the nominal exposure of credit related commitments based on the credit quality classification categories and stage allocation:

	31 December 2020			
Internal credit rating	12-month ECL-Stage 1	Lifetime ECL-Stage 2	Lifetime ECL credit-impaired	Total gross carrying amount
Retail Lending	€ million	€ million	€ million	€ million
- Mortgage				
PD<2.5%	6,442	190	-	6,632
2.5%<=PD<4%	193	318	-	510
4%<=PD<10%	217	545	-	761
10%<=PD<16%	109	250	-	359
16%<=PD<99.99%	121	1,488	-	1,609
100%	-	-	1,779	1,779
- Consumer				
PD<2.5%	761	12	-	774
2.5%<=PD<4%	577	18	-	594
4%<=PD<10%	247	97	-	344
10%<=PD<16%	11	56	-	67
16%<=PD<99.99%	10	193	-	203
100%	-	-	555	555
- Credit card				
PD<2.5%	41	5	-	46
2.5%<=PD<4%	162	2	-	163
4%<=PD<10%	385	17	-	402
10%<=PD<16%	32	20	-	51
16%<=PD<99.99%	5	25	-	30
100%	-	-	177	177
- Small business				
PD<2.5%	194	19	-	213
2.5%<=PD<4%	943	14	-	957
4%<=PD<10%	579	44	-	623
10%<=PD<16%	166	59	-	225
16%<=PD<99.99%	318	1,053	-	1,370
100%	-	-	1,087	1,087
Wholesale Lending				
- Large corporate				
Strong	5,362	139	-	5,501
Satisfactory	5,140	519	-	5,659
Watch list	320	339	-	659
Impaired (Defaulted)	-	-	629	629
- SMEs				
Strong	1,301	69	-	1,370
Satisfactory	1,406	377	-	1,783
Watch list	154	552	-	706
Impaired (Defaulted)	-	-	1,494	1,494
- Securitized notes				
Strong	3,498	-	-	3,498
Public Sector				
All countries				
Strong	1	-	-	1
Satisfactory	22	-	-	22
Watch list	1	17	-	18
Impaired (Defaulted)	-	-	2	2
Total	**28,714**	**6,436**	**5,724**	**40,874**

	31 December 2020			
Internal credit rating	12-month ECL-Stage 1 € million	Lifetime ECL-Stage 2 € million	Lifetime ECL credit-impaired € million	Total nominal amount € million
Credit Related Commitments				
Retail Lending				
Loan commitments				
PD<2.5%	267	5	-	272
2.5%<=PD<4%	635	8	-	642
4%<=PD<10%	1,495	110	-	1,605
10%<=PD<16%	240	17	-	257
16%<=PD<99.99%	23	56	-	79
100%	-	-	2	2
Financial guarantee contracts and other commitments				
PD<2.5%	7	0	-	7
2.5%<=PD<4%	57	-	-	57
4%<=PD<10%	70	0	-	70
10%<=PD<16%	-	-	-	-
16%<=PD<99.99%	0	0	-	0
100%	-	-	0	0
Wholesale Lending				
Loan commitments				
Strong	906	37	-	944
Satisfactory	713	23	-	736
Watch list	13	33	-	45
Impaired (Defaulted)	-	-	3	3
Financial guarantee contracts and other commitments				
Strong	406	3	-	409
Satisfactory	313	59	-	372
Watch list	93	67	-	160
Impaired (Defaulted)	-	-	51	51
Total	**5,238**	**418**	**56**	**5,712**

The table below depicts the internal credit rating bands (MRA rating scale or equivalent) for the wholesale portfolio that correspond to the credit quality classification categories presented in the above tables:

Wholesale Lending	
Credit Quality classification categories	Internal Credit Rating
Strong	1-4
Satisfactory	5-6
Watch list	7-9
Impaired (Defaulted)	10

The following table presents the movement of the gross carrying amounts for loans and advances to customers by product line and stage and is calculated by reference to the opening and closing balances for the reporting period 1 April 2020 to 31 December 2020:

	31 December 2020												
	Wholesale			Mortgage			Consumer			Small business			
	12-month ECL- Stage 1 € million	Lifetime ECL- Stage 2 € million	Lifetime ECL credit-impaired € million	12-month ECL- Stage 1 € million	Lifetime ECL- Stage 2 € million	Lifetime ECL credit-impaired € million	12-month ECL- Stage 1 € million	Lifetime ECL- Stage 2 € million	Lifetime ECL credit-impaired € million	12-month ECL- Stage 1 € million	Lifetime ECL- Stage 2 € million	Lifetime ECL credit-impaired € million	Total € million
Gross carrying amount 1st April 2020	**16,771**	**1,546**	**2,361**	**6,986**	**2,888**	**1,953**	**2,267**	**398**	**828**	**1,997**	**924**	**1,119**	**40,039**
New loans and advances originated or purchased	2,996	-	-	379	-	-	391	-	-	757	-	-	**4,521**
Transfers between stages													
-to 12-month ECL	*212*	*(211)*	*(1)*	*494*	*(487)*	*(6)*	*65*	*(62)*	*(3)*	*147*	*(146)*	*(1)*	-
-to lifetime ECL	*(841)*	*853*	*(12)*	*(360)*	*556*	*(196)*	*(152)*	*182*	*(30)*	*(331)*	*368*	*(37)*	-
-to lifetime ECL credit-impaired loans	*(43)*	*(50)*	*93*	*(26)*	*(116)*	*141*	*(28)*	*(48)*	*76*	*(16)*	*(56)*	*71*	-
Loans and advances derecognised/ reclassified as held for sale during the period	(98)	(1)	(6)	(4)	(0)	(1)	(44)	(6)	(1)	(17)	(3)	(1)	**(181)**
Amounts written-off [(1)]	-	-	(215)	-	-	(94)	-	-	(125)	-	-	(102)	**(536)**
Repayments	(1,686)	(172)	(61)	(481)	(72)	(42)	(242)	(24)	(24)	(158)	(50)	(17)	**(3,030)**
Foreign exchange differences and other movements	(106)	46	(35)	93	22	23	(26)	6	11	(179)	151	56	**61**
Gross Carrying amount at 31 December	**17,204**	**2,012**	**2,125**	**7,081**	**2,791**	**1,779**	**2,230**	**445**	**732**	**2,200**	**1,189**	**1,087**	**40,874**
Impairment allowance	(83)	(108)	(1,052)	(24)	(152)	(665)	(41)	(61)	(617)	(35)	(119)	(520)	**(3,477)**
Carrying amount at 31 December	**17,121**	**1,904**	**1,073**	**7,056**	**2,638**	**1,114**	**2,189**	**384**	**115**	**2,165**	**1,070**	**567**	**37,397**

[(1)] The contractual amount outstanding on lending exposures that were written off during the period ended 31 December 2020 and that are still subject to enforcement activity is € 498 million

Note 1: Wholesale product line category includes also Public sector loans portfolio.

Note 2: "Loans and advances derecognised/reclassified as held for sale during the period" presents loans derecognized during the period due to a) sale transactions and b) substantial modifications of the loans' contractual terms.

Credit impaired loans and advances to customers

The following table presents the ageing analysis of credit impaired (Stage 3 and POCI) loans and advances by product line at their gross carrying amounts, as well as the respective impairment allowance and the value of collaterals held to mitigate credit risk. For denounced loans, the Group ceases to monitor the delinquency status and therefore the respective balances have been included in the 'over 360 days' time band, with the exception of consumer exposures which continue to be monitored up to 360 days past due.

	31 December 2020							
	Retail lending				Wholesale lending		Public sector	
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece and other countries € million	Lifetime ECL credit-impaired € million
up to 90 days	541	79	23	228	218	305	-	**1,393**
90 to 179 days	48	26	8	28	21	53	-	**184**
180 to 360 days	56	32	17	18	4	78	-	**205**
more than 360 days	1,134	418	129	814	387	1,058	2	**3,942**
Total gross carrying amount	**1,779**	**555**	**177**	**1,087**	**629**	**1,494**	**2**	**5,724**
Impairment allowance	(665)	(461)	(157)	(520)	(294)	(757)	(1)	**(2,855)**
Carrying amount	**1,114**	**94**	**21**	**567**	**336**	**737**	**1**	**2,869**
Value of Collateral	**1,341**	**95**	**0**	**638**	**407**	**798**	**0**	**3,280**

Note: Total gross carrying amount of credit impaired loans includes POCI loans of € 43 million.

(b) Collaterals and repossessed assets

Collaterals

The Loan-to-Value (LTV) ratio of the mortgage lending reflects the gross loan exposure at the balance sheet date over the market value of the property held as collateral.

The LTV ratio of the mortgage portfolio is presented below:

	31 December 2020 € million
Mortgages	
Less than 50%	**2,745**
50%-70%	**2,096**
71%-80%	**1,483**
81%-90%	**1,104**
91%-100%	**1,589**
101%-120%	**863**
121%-150%	**705**
Greater than 150%	**1,065**
Total exposure	**11,650**
Average LTV	**69.25%**

The breakdown of collateral and guarantees for loans and advances to customers at amortised cost is presented below:

	31 December 2020				
	Value of collateral received				Guarantees
	Real Estate € million	Financial € million	Other € million	Total € million	received € million
Retail Lending	**12,641**	**97**	**230**	**12,968**	**15**
Wholesale Lending (1)	**5,107**	**933**	**7,910**	**13,950**	**356**
Public sector	**1**	**1**	**0**	**2**	**-**
Total	**17,750**	**1,031**	**8,140**	**26,920**	**371**

(1) Other collaterals include assigned receivables, equipment, inventories, vessels, etc. They also include the amount of the securitized loans held by the securitizations vehicles that issued the Pillar and Cairo senior notes. The amount of the securitized loans has been capped to the gross carrying amount of the senior notes. In addition, the senior notes of the Cairo securitization are guaranteed by the Hellenic Republic in the context of Hellenic Asset Protection Scheme (note 4).

Repossessed assets

The Group recognizes collateral assets on the balance sheet by taking possession usually through legal processes or by calling upon other credit enhancements. The main type of collateral that the Group repossesses against repayment or reduction of the outstanding loan is real estate, which is recognized within repossessed assets and carried at the lower of cost or net realizable value (see also notes 2.2.18 and 30). In cases where the Group makes use of repossessed properties as part of its operations, they are classified as own-used or investment properties, as appropriate (notes 2.2.6, 27 and 28).

The following table presents a summary of collaterals that the Group took possession, and were recognized as repossessed assets, as well as the net gains/ (losses) arising from the sale of such assets in the year:

	31 December 2020						
	Gross amount € million	Of which: added this year € million	Accumulated impairment € million	Of which: arising this year € million	Net amount € million	Net Sale Price € million	Net gain/(loss) on sale € million
Real estate auction items	**753**	**51**	**(168)**	**(8)**	**585**	**13**	**1**
- Residential	*249*	*18*	*(41)*	*(0)*	*208*	*6*	*1*
- Commercial	*504*	*33*	*(127)*	*(8)*	*377*	*7*	*0*
Other collateral	**1**	**-**	**(0)**	**-**	**1**	**-**	**-**

Properties that have been classified as investment property in 2020 as a result of repossession or transfer from repossessed properties category, amounted to € 2 million.

(c) Geographical and industry concentrations of loans and advances to customers

As described above in note 6.2.1, the Group holds diversified portfolios across markets and countries and implements limits on concentrations arising from the geographical location or the activity of groups of borrowers that could be similarly affected by changes in economic or other conditions, in order to mitigate credit risk.

The following table breaks down the Group's exposure into loans and advances to customers and credit related commitments at their gross carrying amount and nominal amount respectively by stage, product line, industry and geographical region and impairment allowance by product line, industry and geographical region:

	31 December 2020											
	Greece				Rest of Europe				Other Countries			
	Gross carrying/nominal amount				Gross carrying/nominal amount				Gross carrying/nominal amount			
	12-month ECL-Stage 1 € million	Lifetime ECL-Stage 2 € million	Lifetime ECL credit-impaired[1] € million	Impairment allowance € million	12-month ECL-Stage 1 € million	Lifetime ECL-Stage 2 € million	Lifetime ECL credit-impaired[1] € million	Impairment allowance € million	12-month ECL-Stage 1 € million	Lifetime ECL-Stage 2 € million	Lifetime ECL credit-impaired[1] € million	Impairment allowance € million
Retail Lending	**8,954**	**4,080**	**3,306**	**(2,073)**	**2,548**	**345**	**292**	**(161)**	**9**	**0**	**1**	**(0)**
-Mortgage	*5,760*	*2,659*	*1,615*	*(779)*	*1,313*	*132*	*163*	*(62)*	*7*	*0*	*1*	*(0)*
-Consumer	*801*	*248*	*503*	*(485)*	*804*	*129*	*52*	*(49)*	*1*	*0*	*0*	*(0)*
-Credit card	*535*	*46*	*173*	*(180)*	*88*	*22*	*5*	*(4)*	*0*	*0*	*0*	*(0)*
-Small business	*1,858*	*1,127*	*1,016*	*(628)*	*342*	*62*	*71*	*(46)*	*0*	*0*	*-*	*(0)*
Wholesale Lending	**8,209**	**1,303**	**1,761**	**(1,056)**	**6,767**	**678**	**326**	**(158)**	**2,204**	**14**	**36**	**(26)**
-Commerce and services [2]	*3,415*	*495*	*980*	*(587)*	*4,301*	*96*	*119*	*(83)*	*443*	*0*	*20*	*(15)*
-Manufacturing	*2,396*	*312*	*292*	*(198)*	*573*	*81*	*27*	*(13)*	*-*	*-*	*-*	*-*
-Shipping	*7*	*3*	*50*	*(47)*	*199*	*-*	*18*	*(14)*	*1,589*	*4*	*16*	*(11)*
-Construction	*758*	*144*	*226*	*(118)*	*483*	*33*	*31*	*(20)*	*67*	*7*	*0*	*(0)*
-Tourism	*971*	*339*	*207*	*(91)*	*190*	*86*	*18*	*(2)*	*-*	*-*	*-*	*-*
-Energy	*641*	*5*	*1*	*(5)*	*180*	*20*	*18*	*(2)*	*-*	*-*	*-*	*-*
-Other	*21*	*5*	*4*	*(8)*	*841*	*362*	*96*	*(23)*	*105*	*2*	*-*	*(0)*
Public Sector	***22***	***17***	***1***	***(2)***	***1***	***-***	***1***	***(0)***	***-***	***-***	***-***	***-***
Total	***17,185***	***5,399***	***5,068***	***(3,131)***	***9,316***	***1,023***	***619***	***(320)***	***2,213***	***14***	***37***	***(26)***
Credit related Commitments	**3,428**	**307**	**52**	**(62)**	**1,741**	**93**	**4**	**(4)**	**69**	**18**	**0**	**(0)**
-Loan commitments	*2,853*	*206*	*1*	*(26)*	*1,373*	*80*	*3*	*(2)*	*66*	*2*	*0*	*(0)*
-Financial guarantee contracts and other commitments	*575*	*101*	*50*	*(35)*	*368*	*13*	*1*	*(2)*	*3*	*16*	*0*	*(0)*

[1] *Includes POCI loans of € 42.9 million held by operations in Rest of Europe.*

[2] *The operations in Rest of Europe include € 3,498 million related to the notes of the Pillar and Cairo securitisations.*

As at 31 December 2020, the carrying amount of Group's loans measured at FVTPL of € 27 million were included in Wholesale lending portfolio, of which € 16 million were held by operations in Greece, while € 11 million were held by operations in Rest of Europe.

(d) Forbearance practices on lending activities

Modifications of the loans' contractual terms may arise due to various factors, such as changes in market conditions, customer retention and other factors as well as due to the potential deterioration in the borrowers' financial condition. The Group has employed a range of forbearance solutions in order to enhance the management of customer relationships and the effectiveness of collection efforts, as well as to improve the recoverability of cash flows and minimize credit losses for both retail and wholesale portfolios.

Forbearance practices' classification

Forbearance practices as monitored and reported by the Group, based on the European Banking Authority Implementing Technical Standards (EBA ITS) guidelines, occur only in the cases where the contractual payment terms of a loan have been modified, as the borrower is considered unable to comply with the existing loan's terms due to apparent financial difficulties, and the Group grants a concession by providing more favorable terms and conditions that it would not otherwise consider had the borrower not been in financial difficulties.

All other types of modifications granted by the Group, where there is no apparent financial difficulty of the borrower and may be driven by factors of a business nature are not classified as forbearance measures.

Forbearance solutions

Forbearance solutions are granted following an assessment of the borrower's ability and willingness to repay and can be of a short or longer term nature. The objective is to assist financially stressed borrowers by rearranging their repayment cash outflows into a sustainable modification, and at the same time, protect the Group from suffering credit losses. The Group deploys targeted segmentation strategies with the objective to tailor different short or long term and sustainable management solutions to selected groups of borrowers for addressing their specific financial needs.

The nature and type of forbearance options may include but is not necessarily limited to, one or more of the following:

- arrears capitalization;
- arrears repayment plan;
- reduced payment above interest only;
- interest-only payments;
- reduced payment below interest only;
- grace period;
- interest rate reduction;
- loan term extensions;
- split balance and gradual step-up of installment payment plans;
- partial debt forgiveness/write-down;
- operational restructuring; and
- debt to equity swaps.

Specifically for unsecured consumer loans (including credit cards), forbearance programs (e.g. term extensions), are applied in combination with debt consolidation whereby all existing consumer balances are pooled together. Forbearance solutions are applied in order to ensure a sufficient decrease on installment and a viable solution for the borrower. In selected cases, the debt consolidations may be combined with mortgage prenotations to convert unsecured lending exposures to secured ones.

In the case of mortgage loans, a decrease of installment may be achieved through forbearance measures such as extended payment periods, capitalization of arrears, split balance and gradual step-up of installment payment plans.

Wholesale exposures are subject to forbearance when there are indications of financial difficulties of the borrower, evidenced by a combination of factors including the deterioration of financials, credit rating downgrade, payment delays and other.

During 2020 in response to the COVID-19 pandemic, the EBA published guidelines on payment moratoria whereby the application of a general payment moratorium that meets the requirements of the guidelines would not in itself lead to a reclassification under the definition of forbearance. However, institutions should continue to categorize the exposures as performing or non-performing in accordance with the applicable requirements. More precisely, as a general principle, before granting a forbearance measure, credit institutions should carry out an individual assessment of the repayment capacity of the borrower and grant forbearance measures tailored to the specific circumstances of the borrower in question.

Based on this, and following the internal process of individual assessments the Bank flagged as forbearance measures certain payment moratoria for accounts in the hotel sector, which were considered to have increased financial difficulties.

Debt for equity swaps

For wholesale portfolios, the Group on occasion participates in debt for equity transactions as part of forbearance measures, as described in note 2.2.9. In 2020, equity positions acquired by the Group and held as of 31 December 2020 relate to the participation of 18.9% in Perigenis Business Properties S.A. for € 9.1 million, a special purpose real estate company which was established in the context of the debt restructuring of a Bank's corporate customer (note 25).

i. Classification of Forborne loans

Forborne loans are classified either as non-impaired (stage 2), or impaired (stage 3) by assessing their delinquency and credit quality status.

Credit impaired forborne loans enter initially a probation period of one year where the borrowers' payment performance is closely monitored. If at the end of the abovementioned period, the borrowers have complied with the terms of the program and there are no past due amounts and concerns regarding the loans' full repayment, the loans are then reported as non-impaired forborne loans (stage 2). In addition, non-impaired forborne loans, including those that were previously classified as credit impaired and complied with the terms of the program, are monitored over a period of two years. If, at the end of that period, the borrowers have made regular payments of a significant aggregate amount, there are no past due amounts over 30 days and the loans are neither credit impaired nor any other SICR criteria are met they exit forborne status and are classified as stage 1.

Particularly, the category of credit impaired forborne loans includes those that (a) at the date when forbearance measures were granted, were more than 90 days past due or assessed as unlikely to pay, (b) at the end of the one year probation period met the criteria of entering the non -impaired status and during the two years monitoring period new forbearance measures were extended or became more than 30 days past due, and (c) were initially classified as non- impaired and during the two years monitoring period met the criteria for entering the credit impaired status.

Furthermore, forborne loans that fail to perform under the new modified terms and are subsequently denounced cease to be monitored as part of the Group's forbearance activities and are reported as denounced credit impaired loans (stage 3) consistently with the Group's management and monitoring of all denounced loans.

ii. Impairment assessment

Where forbearance measures are extended, the Group performs an assessment of the borrower's financial condition and its ability to repay, under the Group's impairment policies, as described in notes 2.2.13 and 6.2.1. Accordingly, forborne loans to wholesale customers, retail individually significant exposures and financial institutions are assessed on an individual basis. Forborne retail lending portfolios are generally assessed for impairment separately from other retail loan portfolios on a collective basis as they consist of large homogenous portfolio.

iii. Loan restructurings

In cases where the contractual cash flows of a forborne loan have been substantially modified, the original forborne loan is derecognized and a new loan is recognized. The Group records the modified asset as a 'new' financial asset at fair value and the difference with the carrying amount of the existing one is recorded in the income statement as derecognition gain or loss.

In cases where the modification as a result of forbearance measures is not considered substantial, the Group recalculates the gross carrying amount of the loan and recognizes the difference as a modification gain or loss in the income statement. The Group continues to monitor the modified forborne loan in order to determine if the financial asset exhibits significant increase in credit risk since initial recognition during the forbearance period.

As at 31 December 2020, the carrying amount of Group's forborne loans measured at FVTPL amounted to € 3.5 million.

The following table presents an analysis of Group's forborne activities for loans measured at amortised cost. In order to align with the quantitative information provided in section (a) based on revised IFRS 7 requirements, the relevant table below are presented on a gross carrying amount basis, while cumulative impairment allowance is presented separately, in line with the Group's internal credit risk monitoring and reporting.

The following table presents a summary of the types of the Group's forborne activities:

	31 December 2020 € million
Forbearance measures:	
Split balance	**1,114**
Loan term extension	**2,184**
Arrears capitalisation	**224**
Reduced payment below interest owed	**111**
Interest rate reduction	**500**
Reduced payment above interest owed	**113**
Arrears repayment plan	**180**
Interest only	**39**
Grace period	**80**
Debt/equity swaps	**12**
Partial debt forgiveness/Write-down	**39**
Operational restructuring	**71**
Other	**160**
Total gross carrying amount	**4,826**
Less: cumulative impairment allowance	**(1,078)**
Total carrying amount	**3,748**

The following table presents a summary of the credit quality of forborne loans and advances to customers:

	31 December 2020		
	Total loans & advances at amortised cost € million	Forborne loans & advances € million	% of Forborne loans & advances
Gross carrying amounts:			
12-month ECL-Stage 1	**28,714**	**-**	**-**
Lifetime ECL-Stage 2	**6,436**	**2,974**	**46.2**
Lifetime ECL credit-impaired	**5,724**	**1,852**	**32.4**
Total Gross Amount	**40,874**	**4,826**	**11.8**
Cumulative ECL Loss allowance:			
12-month ECL-Stage 1	**(183)**	**-**	
Lifetime ECL-Stage 2	**(439)**	**(257)**	
Lifetime ECL (credit-impaired) of which:	**(2,855)**	**(821)**	
- Individually assessed	*(925)*	*(312)*	
- Collectively assessed	*(1,930)*	*(509)*	
Total carrying amount	**37,397**	**3,748**	**10.0**
Collateral received	**26,920**	**3,399**	

The following table presents the movement of forborne loans and advances:

	2020 € million
Gross carrying amount 1st April 2020	**5,762**
Forbearance measures in the period [(1)]	392
Forborne loans derecognised/ reclassified as held for sale during the period [(2)]	(519)
Write-offs of forborne loans	(34)
Repayment of loans	(173)
Loans & advances that exited forbearance status [(3)]	(535)
Other	(66)
Less: cumulative impairment allowance	(1,078)
Carrying amount at 31 December	**3,748**

[(1)] Forbearnce measures in the period 1 Aptil to 31 December 2020, depict loans to which forbearance measures were granted for the first time during the reporting period.
[(2)] "Forborne loans derecognised/ reclassified as held for sale during the period 1 April to 31 December 2020," presents loans derecognized during the period due to a) sale transactions and b) substantial modifications of the loans' contractual terms.
[(3)] An amount of € 97.7 million loans and advances that exited forbearance status refers to loans that were denounced

The following table presents the Group's exposure to forborne loans and advances by product line:

	31 December 2020 € million
Retail Lending	**3,547**
- Mortgage	*2,381*
- Consumer	*238*
- Credit card	*58*
- Small business	*870*
Wholesale Lending	**1,279**
-Large corporate	*541*
-SMEs	*738*
Total gross carrying amount	**4,826**
Less: cumulative impairment allowance	**(1,078)**
Total carrying amount	**3,748**

The following table presents the Group's exposure to forborne loans and advances by geographical region:

	31 December 2020 € million
Greece	**4,415**
Rest of Europe	**403**
Other countries	**8**
Total gross carrying amount	**4,826**
Less: cumulative impairment allowance	**(1,078)**
Total carrying amount	**3,748**

The following table provides information on modifications due to forbearance measures on lending exposures which have not resulted in derecognition. Such financial assets were modified while they had a loss allowance measured at an amount equal to lifetime ECL.

Modified lending exposures	2020 € million
Loans modified during the period with loss allowance measured at an amount equal to lifetime ECL	
Gross carrying amount at 31 December [(1)]	660
Modification loss	5
Loans modified since initial recognition at a time when loss allowance was based on lifetime ECL	
Gross carrying amount at 31 December for which loss allowance has changed to 12-month ECL measurement	441

[(1)] *Gross carrying amount at 31 December includes all loans modifications due to forbearance during the period.*

The gross carrying amount of loans previously modified for which the loan allowance has reverted to being measured at an amount equal to lifetime ECL amounted to € 670 million.

(e) Covid-19 relief ('moratoria') and government support measures

Covid-19 relief measures ('moratoria')

Covid-19 relief measures provided by the Group to the eligible borrowers are mainly in the form of:

- arrears capitalization, payment holidays (installment for Mortgage/Consumer lending portfolios and capital re-payment for Small Business/Wholesale lending portfolios) deferred up to nine months, along with the extension of the respective loans' maturity, and
- support measures specifically addressed to one of the most affected Greek industries - hoteling, the main features being the principal payments' deferral up to 31 December 2021, the disbursement of new working capital facilities and the continuation of the financing of the already approved capital investments.

As at 31 December 2020, the approved amount of performing loans (including performing forborne) under moratoria (both active and expired) stands at € 5 billion for Greece consisting of € 1.5 billion in Wholesale lending and € 3.5 billion in Retail lending. For International (i.e. foreign subsidiaries in Bulgaria, Serbia, Cyprus and Luxembourg) the respective total approved amount stands at € 2 billion consisting of €1.5 billion in Wholesale lending and € 0.5 billion in Retail lending.

The following table presents the respective gross carrying amount under active moratoria as at 31 December 2020:

	31 December 2020		
	Gross Carrying amount		
	Wholesale lending € million	Retail lending € million	TOTAL € million
Greece	1,550	182	1,732
International	930	96	1,026
Total	**2,480**	**278**	**2,758**

In Greece, gross carrying amount of approximately € 1 billion related to active moratoria expired within the first quarter of 2021 while the majority of the remaining active moratoria expires in the second quarter of 2021. In International, the majority of active moratoria expired in the first quarter of 2021.

Eligible borrowers subject to moratoria

For the Retail lending portfolio in Greece eligible borrowers refer to professionals whose business activity falls into highly affected industry sectors, as determined by the government, and were not more than 90 days past due (dpd) at 31 December 2019, as well as individuals who are eligible to the state's subsidy programs due to the pandemic and were in performing status (less than 90 dpd) at 31 March 2020.

For Wholesale lending portfolio in Greece, the measures apply to borrowers with significant activity in the eligible sectors (as per government list for highly affected by the pandemic industry sectors) that were less than 90 dpd at 31 December 2019.

Similarly to the Greek lending portfolios, the relief measures, as those were enacted by the local regulations in the countries in which the Group operates, involve arrears capitalization and payment holidays.

Based on recent banking regulators' and accounting guidance (European Banking Authority (EBA), ECB, IASB, the Covid-19 relief measures should neither be treated as forbearance nor automatically trigger a significant increase in credit risk. Such measures are accounted for as modifications, granted for other than forbearance reasons. As the installments or capital owed are only deferred over a maximum period of up to 9 months or up to 31 December 2021 in case of hoteling, on an interest-bearing basis, no significant impact has arisen upon moratorias' enactment.

Government support measures

In addition to the relief measures provided by the Group (as described above), the government in the countries where the Group operates has initiated various programs, in order to stimulate liquidity and economic activity and to alleviate the consequences of the Covid-19 outbreak. Such measures involve the suspension of tax payments and social security contributions, financial compensations for employees from directly affected by the lockdown companies, as well as, government guarantees, co-financing and subsidized interest payments for new disbursements and subsidized installment payments on existing loans, secured with borrowers' primary residence collaterals.

The main programs applicable to eligible borrowers in Greece include:

(i) State participation (of 40% or 5%) on newly disbursed loans granted by the Bank that is zero-interest bearing, accompanied with a government-subsidy for the interest bearing part of the principal (of 60% or 95% respectively) for the first 2 years (TEPIX II), (ii) State aid in the form of a guarantee for the 80% of the principal and the accrued interest during a period of 90 consecutive days, and (iii) ''Gefyra I'' subsidy program, applicable to the Retail lending portfolio secured with prime residence collateral, involving 9-months installments' state subsidy on existing lending exposures. The "Gefyra II" subsidy program, applicable to Small Business and Wholesale lending portfolios, will be extended to eligible borrowers within 2021.

As of 31 December 2020, the Bank has been allotted € 0.6 billion, of which € 0.3 billion has been utilized, under program i) above and € 1.4 billion, of which € 1.1 billion utilized, under program ii) above. It is noted that the credit enhancement provided by the State under program ii) above is not accounted for separately as it is integral to the loans' terms and as such any potential benefit that may arise to the Bank in the event of the borrower's default is reflected in the guaranteed loans' ECL calculation. Additionally, the gross carrying amount of lending exposures under "Gefyra I" program amounts to € 1.3 billion as at 31 December 2020, mainly relating to Mortgage lending.

In addition, starting from December 2020, the Bank signed an agreement with the European Investment Bank (EIB) for the disbursement of new loans financed by EIB as a response to the Covid-19 Crisis. Moreover, on existing lending facilities in the Corporate lending portfolio, a three-month, which was extended subsequently to five-month, government interest subsidy program was initiated, which could be opted in combination with the other Covid-19 relief measures.

As at 31 December 2020, the gross carrying amount of loans under government support measures enacted as a response to Covid-19 pandemic in the countries that the Group operates amounts to € 106 million in Serbia, € 13 million in Bulgaria and € 18 million in Cyprus.

6.2.1.3 Debt Securities

The following tables present an analysis of debt securities by external credit rating agency designation at 31 December 2020, based on Moody's ratings or their equivalent:

	31 December 2020		
	12-month ECL-Stage 1 € million	Lifetime ECL-Stage 2 € million	Total € million
Investment securities at amortised cost			
Aaa	195	-	195
Aa1 to Aa3	105	-	105
A1 to A3	5	-	5
Lower than A3	2,484	-	2,484
Gross Carrying Amount	2,789	-	2,789
Impairment Allowance	(5)		(5)
Carrying Amount	2,784	-	2,784
Investment securities at FVOCI			
Aaa	276	-	276
Aa1 to Aa3	435	-	435
A1 to A3	586	-	586
Lower than A3	4,070	10	4,080
Unrated	77	-	77
Carrying Amount	5,444	10	5,454

	31 December 2020	
	Securities held for trading € million	Investment securities measured at FVTPL € million
Securities at FVTPL		
Aa1 to Aa3	-	2
Lower than A3	42	0
Carrying Amount	42	2

Securities rated lower than A3 include: € 4,038 million related to Greek sovereign debt, € 1,208 million related to Eurozone members' sovereign debt and € 547 million related to sovereign debt issued mainly by European Union members and candidate members.

The following tables present the Group's exposure in debt securities, as categorized by stage, counterparty's geographical region and industry sector:

	31 December 2020					
	Greece		Other European countries	Other countries		
	12-month ECL-Stage 1 € million	Lifetime ECL-Stage 2 € million	12-month ECL-Stage 1 € million	12-month ECL-Stage 1 € million	Lifetime ECL-Stage 2 € million	Total € million
Investment securities at amortised cost						
Sovereign	1,951	-	527	-	-	2,478
Banks	106	-	161	2	-	269
Corporate	-	-	42	-	-	42
Gross Carrying Amount	2,057	-	730	2	-	2,789
Impairment Allowance	(4)	-	(1)	(0)	-	(5)
Net Carrying Amount	2,053	-	729	2	-	2,784
Investment securities at FVOCI						
Sovereign (1)	2,067	-	1,886	265	-	4,218
Banks	95	-	384	4	-	483
Corporate	149	6	406	188	4	753
Carrying Amount	2,311	6	2,676	457	4	5,454

[(1)] Sovereign debt securities of other European countries include EFSF bonds of carrying amount of € 171 million.

	31 December 2020		
	Greece	Other European countries	Total
	€ million	€ million	€ million
Investment securities at FVTPL			
Corporate	0	2	2
Carrying Amount	0	2	2
Securities held for trading			
Sovereign	22	20	42
Carrying Amount	22	20	42

6.2.1.4 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

(a) are offset in the Group's balance sheet according to IAS 32 'Financial Instruments: Presentation' criteria; or

(b) are subject to enforceable master netting arrangements or similar agreements that cover similar financial instruments, irrespective of whether they are offset in balance sheet.

Regarding the former, financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when, there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously (the offset criteria), as also set out in Group's accounting policy 2.2.4.

Regarding the latter, the International Swaps and Derivatives Association (ISDA) and similar master netting arrangements do not meet the criteria for offsetting in the balance sheet, as they create a right of set-off that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties may not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Similar agreements to ISDA include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, repos and reverse repos agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not subject to this disclosure unless they are offset in the balance sheet.

The following tables present financial assets and financial liabilities that meet the criteria for offsetting and thus are reported on a net basis in the balance sheet, as well as amounts that are subject to enforceable master netting arrangements and similar agreements for which the offset criteria mentioned above are not satisfied. The latter amounts, which mainly relate to derivatives, repos and reverse repos, are not set off in the balance sheet. In respect of these transactions, the Group receives and provides collateral in the form of marketable securities and cash that are included in the tables below under columns 'financial instruments' and 'cash collateral' at their fair value.

	31 December 2020					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments (incl. non-cash collateral)	Cash collateral received	Net amount
	€ million	€ million	€ million	€ million	€ million	€ million
Financial Assets						
Reverse repos with central banks	19	-	19	(19)	-	-
Reverse repos with banks	1,265	(1,065)	200	(200)	-	-
Derivative financial instruments	2,537	-	2,537	(2,385)	(17)	135
Oher financial assets	51	(51)	-	-	-	-
Total	3,872	(1,116)	2,756	(2,604)	(17)	135

	31 December 2020					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial liabilities € million	Gross amounts of recognised financial assets offset in the balance sheet € million	Net amounts of financial liabilities presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral pledged € million	Net amount € million
Financial Liabilities						
Derivative financial instruments	**2,932**	**-**	**2,932**	**(753)**	**(2,163)**	**16**
Repurchase agreements with banks	**1,748**	**(1,065)**	**683**	**(683)**	**-**	**-**
Other financial liabilities	**51**	**(51)**	**-**	**-**	**-**	**-**
Total	**4,731**	**(1,116)**	**3,615**	**(1,436)**	**(2,163)**	**16**

Financial assets and financial liabilities are disclosed in the above tables at their recognized amounts, either at fair value (derivative assets and liabilities) or amortized cost (all other financial instruments), depending on the type of financial instrument.

6.2.2 Market risk

The Group takes on exposure to market risk, which is the risk of potential financial loss due to an adverse change in market variables. Changes in interest rates, foreign exchange rates, credit spreads, equity prices and other relevant factors, such as the implied volatilities, can affect the Group's income or the fair value of its financial instruments. The market risks, the Group is exposed to, are managed and monitored by Group Market and Counterparty Risk Sector (GMCRS).

GMCRS is responsible for the measurement, monitoring, control and reporting of all market risks, including the interest rate risk in the Banking Book (IRRBB) of the Group. The Sector reports to the GCRO and its main responsibilities include:

- Monitoring of all key market & IRRBB risk indicators (VaR, sensitivities, interest rate gaps);
- Implementation of Stress Testing methodologies for market risk (historical and hypothetical), and IRRBB;
- Monitoring and reporting of market and IRRBB risk limits utilization; and
- Development, maintenance and expansion of risk management infrastructure.

The market risks the Group is exposed to, are the following:

(a) Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flows and the fair value of its financial positions. 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. Fair value interest rate risk is further split into 'General' and 'Specific'. The former refers to changes in the fair valuation of positions due to the movements of benchmark interest rates, while the latter refers to changes in the fair valuation of positions due to the movements of specific issuer yields and credit spreads.

(b) Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

(c) Equity risk

Equity price risk is the risk of the decrease of fair values as a result of changes in the levels of equity indices and the value of individual stocks. The equity risk that the Group undertakes arises mainly from the investment portfolio.

(d) Implied volatilities

The Group carries limited implied volatility (vega) risk, mainly as a result of open positions on interest rate options.

The Board's Risk Committee sets limits on the level of exposure to market risks, which are monitored on a daily basis.

Market risk in Greece and International Subsidiaries is managed and monitored mainly using Value at Risk (VaR) methodology. Sensitivity analysis is additionally performed. Information from International operations is also presented separately, as it originates from different economic environments with different risk characteristics.

(i) VaR summary for 2020

VaR is a methodology used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon. The VaR that the Group measures is an estimate based upon a 99% confidence level and a holding period of 1 day and the methodology used for the calculation is Monte Carlo simulation (full re-pricing).

The VaR models are designed to measure market risk in a normal market environment. It is assumed that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to certain limitations. Given this, actual outcomes are monitored regularly, via back testing process, to test the validity of the assumptions and the parameters used in the VaR calculation.

The perimeter of the VaR analysis includes Eurobank S.A. and its banking subsidiaries, taking into account the FVTPL, including trading, and FVOCI portfolios. Consequently, the potential impact as it is depicted in the VaR figures would directly affect Group's Capital (income statement or equity).

Since VaR constitutes an integral part of the Group's market risk control regime, VaR limits have been established for all the above operations (trading and investment portfolios measured at fair value) and actual exposure is reviewed daily by management. However, the use of this approach does not prevent losses outside of these limits in the event of extraordinary market movements.

VaR by risk type-Greece and International Subsidiaries [(1)]

	2020 (Average) € million	2020 € million
Interest Rate Risk	75	12
Foreign Exchange Risk	0	1
Equities Risk	0	0
Total VaR	75	12

[(1)] *Includes all portfolios measured at fair value.*

The aggregate VaR of the interest rate, foreign exchange and equities VaR benefits from diversification effects.

The largest portion of the Group's Interest Rate VaR figures is attributable to the risk associated with interest rate and credit spread sensitive debt securities and derivatives. The average VaR has incorporated the impact of the Covid-19 pandemic that resulted to significant market disruption, mainly in March and April of 2020. The market volatility has gradually decreased, after April 2020, reaching its lowest levels at the end of the year.

The following table presents the Interest Rate Repricing analysis of the items with material contribution to the Group's Interest Rate Risk exposure. These items include debt securities held and issued, securitization notes and derivatives.

	31 December 2020				
	less than 1 month € million	1-3 months € million	3-12 months € million	1-5 years € million	More than 5 years € million
Securities held for trading	**-**	**1**	**-**	**24**	**13**
-Fixed coupon bonds	*-*	*1*	*-*	*24*	*13*
-Variable coupon bonds	*-*	*-*		*-*	*-*
Investment securities & Senior Notes	**219**	**276**	**615**	**4,615**	**4,352**
-Fixed coupon bonds	*180*	*100*	*485*	*2,149*	*3,579*
-Variable coupon bonds	*39*	*143*	*-*	*-*	**2**
-Senior Notes (Cairo & Pillar)		*33*	*130*	2,466	771
Debt issued (Third parties)	**-**	**(594)**	**-**	**-**	**(950)**
-Fixed coupon subordinated notes (Tier 2)	*-*	*-*	*-*	*-*	*(950)*
-Variable coupon securitisations	*-*	*(594)*	*-*	*-*	*-*
Derivatives[(1)]	410	(138)	1,407	1,306	(3,014)

[(1)] For linear interest rate derivatives, notional amounts are shown in the appropriate time band, aggregated across all currencies. For non-linear interest rate derivatives, delta equivalent notional amounts are shown in the appropriate time band, aggregated across all currencies.

In addition to the above, the Bank has exposure on Structural FX position, due to its Subsidiary Bank in Serbia. Under the scenario of 10% depreciation of the RSD versus EUR, the impact in Group's equity as at 31 December 2020 would stand at €49 million loss.

(ii) Foreign exchange risk

The following table presents the Group's exposure to foreign currency exchange risk as at 31 December 2020:

	31 December 2020							
	USD € million	CHF € million	RON € million	RSD € million	BGN € million	OTHER € million	EUR € million	Total € million
ASSETS								
Cash and balances with central banks	**8**	**6**	**0**	**211**	**498**	**7**	**5,907**	**6,637**
Due from credit institutions	**296**	**30**	**25**	**0**	**0**	**104**	**2,881**	**3,336**
Securities held for trading	**0**	**-**	**-**	**-**	**21**	**0**	**68**	**89**
Derivative financial instruments	**44**	**2**	**-**	**-**	**-**	**-**	**2,506**	**2,552**
Loans and advances to customers	**2,116**	**2,518**	**18**	**464**	**2,856**	**350**	**29,102**	**37,424**
Investment securities	**737**	**-**	**-**	**45**	**5**	**18**	**7,560**	**8,365**
Other assets[(1)]	**20**	**0**	**3**	**85**	**175**	**1**	**9,000**	**9,284**
Assets of disposal groups classified as held for sale (note 30)	**-**	**-**	**-**	**-**	**-**	**-**	**39**	**39**
Total Assets	**3,221**	**2,556**	**46**	**805**	**3,555**	**480**	**57,063**	**67,726**
LIABILITIES								
Due to central banks and credit institutions	**81**	**0**	**0**	**0**	**14**	**37**	**9,369**	**9,501**
Derivative financial instruments	**61**	**0**	**0**	**0**	**0**	**-**	**2,878**	**2,939**
Due to customers	**4,370**	**104**	**0**	**328**	**3,240**	**410**	**38,854**	**47,306**
Debt securities in issue	**0**	**-**	**-**	**-**	**-**	**-**	**1,559**	**1,559**
Other liabilities	**27**	**3**	**23**	**8**	**66**	**6**	**1,063**	**1,196**
Liabilities of disposal group classified as held for sale (note 30)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Liabilities	**4,539**	**107**	**23**	**336**	**3,320**	**453**	**53,723**	**62,501**
Net on balance sheet position	**(1,317)**	**2,449**	**23**	**469**	**235**	**27**	**3,340**	**5,225**
Derivative forward foreign exchange position	**1,117**	**(2,452)**	**(18)**	**3**	**0**	**(63)**	**(240)**	**(1,653)**
Total Foreign Exchange Position	**(200)**	**(3)**	**5**	**472**	**235**	**(36)**	**3,100**	**3,572**

[(1)] Other assets include Investments in associates and joint ventures, Property and equipment, Investment property, Intangible assets, Deferred tax assets and Other assets.

6.2.3 Liquidity risk

The Group is exposed to daily calls on its available cash resources due to deposits withdrawals, maturity of medium or long term notes, maturity of secured or unsecured funding (interbank repos and money market takings), loan draw-downs and forfeiture of guarantees. Furthermore, margin calls on secured funding transactions (with ECB and the market), on risk mitigation contracts (CSAs, GMRAs) and on centrally cleared transactions (CCPs) result in liquidity exposure. The Group maintains cash resources to meet all of these needs. The Board Risk Committee sets liquidity limits to ensure that sufficient funds are available to meet such contingencies.

Past experience shows that liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment. This is also the case with credit commitments where the outstanding contractual amount to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

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

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

Liquidity Risk Management Framework

The Group’s Liquidity Risk Management Policy defines the following supervisory and control structure:

- Board Risk Committee's role is to approve all strategic liquidity risk management decisions and monitor the quantitative and qualitative aspects of liquidity risk;
- Group Assets and Liabilities Committee has the mandate to form and implement the liquidity policies and guidelines in conformity with Group's risk appetite, and to review at least monthly the overall liquidity position of the Group;
- Group Treasury is responsible for the implementation of the Group's liquidity strategy, the daily management of the Group’s liquidity and for the preparation and monitoring of the Group’s liquidity budget; and
- Group Market and Counterparty Risk Sector is responsible for measuring, monitoring and reporting the liquidity of the Group.

The following list summarizes the main reports which are produced on a periodic basis:

(a) The regulatory liquidity gap report along with the regulatory liquidity ratios;

(b) Stress test scenarios. These scenarios evaluate the impact of a number of stress events on the Group's liquidity position;

(c) Report on market sensitivities affecting liquidity;

(d) Liquidity coverage ratios (LCR) estimation (Basel III new regulatory ratio); and

(e) Reporting on the Bank’s Asset Encumbrance.

Maturity analysis of assets and assets held for managing liquidity risk

The following table presents maturity analysis of Group assets as at 31 December 2020, based on their carrying values. Loans without contractual maturities are presented in the ‘less than 1 month’ time bucket. The Group has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Under these contracts the Group has posted or received collateral, which covers the corresponding net liabilities or net assets from derivative transactions. The collateral posted is not presented in the below table. For derivative assets not covered by ISDA/CSA agreements the positive valuation is presented at fair value in the ‘over 1 year’ time bucket.

	31 December 2020				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Total € million
- Cash and balances with central banks	6,637	-	-	-	6,637
- Due from credit institutions	612	22	-	223	857
- Loans and advances to customers	2,890	961	3,602	29,971	37,424
- Debt Securities	207	84	491	7,501	8,283
- Equity securities	-	-	-	170	170
- Derivative financial instruments	-	-	-	148	148
- Other assets[(1)]	66	17	9	9,192	9,284
- Assets of disposal groups classified as held for sale (note 31)	-	-	39	-	39
Total	10,412	1,084	4,141	47,205	62,842

[(1)] *Other assets include Investments in associates and joint ventures, Property and equipment, Investment property, Intangible assets, Deferred tax assets and Other assets.*

The Group holds a diversified portfolio of cash and high liquid assets to support payment obligations and contingent deposit withdrawals in a stressed market environment. The Group's assets held for managing liquidity risk comprise:

(a) Cash and balances with central banks;

(b) Eligible bonds and other financial assets for collateral purposes; and

(c) Current accounts with banks and interbank placings maturing within one month.

The unutilized assets, containing highly liquid and central banks eligible assets, provide a contingent liquidity reserve of € 18.0 billion as at 31 December 2020. In addition, the Group holds other types of highly liquid assets, as defined by the regulator, amounting to € 2.1 billion (cash value). It should be noted that a part of ECB's available collateral of € 4.1 billion (cash value) is held by Group's subsidiaries for which temporary local regulatory restrictions are applied and currently limit the level of its transferability between group entities.

Maturity analysis of liabilities

The amounts disclosed in the tables below are the contractual undiscounted cash flows for 2020. Liabilities without contractual maturities (sight and saving deposits) are presented in the 'less than 1 month' time bucket. The Group has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Due to these contracts the Group has already posted collateral which covers the valuation of its net liabilities from interbank derivatives. For derivative liabilities not covered by ISDA/CSA agreements the negative valuation is presented at fair value in the 'less than 1 month' time bucket.

It should be noted that this table represents the worst case scenario since it is based on the assumption that all liabilities will be paid earlier than expected (all term deposits are withdrawn at their contractual maturity). The recent experience shows that even in a period of a systemic financial crisis the likelihood of such an event is remote.

	31 December 2020				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Gross nominal (inflow)/ outflow € million
Non-derivative liabilities:					
- Due to central banks and credit institutions	649	260	83	8,412	9,404
- Due to customers	37,219	4,262	5,541	296	47,318
- Debt securities in issue	-	166	131	1,717	2,014
- Lease liabilities	3	7	27	327	364
- Other liabilities	286	406	285	-	977
	38,157	5,101	6,067	10,752	60,077
Derivative financial instruments:	10	-	-	-	10

Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	1,538	4,173
Contractual commitments[(1)]	40	-
Total	1,578	4,173

[(1)] *It refers to contractual commitments for the purchase of own used and investment property and intangible assets (note 42).*

6.2.4 Interest Rate Benchmark reform – IBOR reform

Following the financial crisis, global regulators undertook a fundamental review of major interest rate benchmarks and convened working groups in various jurisdictions to identify and promote the use of risk-free reference rates (“RFRs”) based on liquid underlying market transactions, as alternatives to the existing Interbank Offered Rates (IBORs). The Working Group on Euro Risk Free Rates, a private sector group, set up by the European Central Bank (ECB), together with the Financial Services and Markets Authority, the European Securities and Markets Authority and the European Commission (the “Working Group on Euro Risk Free Rates”) has undergone work for the facilitation of the transition of the Euro Overnight Index Average rate (EONIA) to the alternative risk –free euro Short Term Rate (€STR), as a result of EONIA not being compliant with the EU Benchmark Regulation (hereinafter, BMR) and, more recently, for the identification of the EURIBOR fallback rates, in accordance with the requirements of the BMR. According to the European Money Market Institute (EMMI), the administrator of EONIA and EURIBOR, the permanent cessation of EONIA will occur on 3 January 2022.

In other jurisdictions, the respective working groups have set-up alternative risk free rates in place of the overnight LIBOR rates. In March 2021, UK Financial Conduct Authority (FCA), the regulatory supervisor of ICE Benchmark Administration (IBA) which is the administrator of LIBOR, announced that all non USD LIBOR rates and the 1-week and 2-months USD LIBOR rates will permanently cease at the end of 2021, while the remaining USD LIBOR rates will permanently cease immediately after June 2023.

The Group participates as a full member in the above Working Group on Euro Risk Free Rates and has established an internal Benchmark Reform Working Group (the “BR Working Group”), led by senior representatives from the business units across the Bank including Economic Analysis and Research, Global Markets, Group Market and Counterparty Risk, and with the support of Legal, Group Organization & Business Analysis (Regulatory Unit) and Group Finance, in order to manage the transition to the new RFRs, to mitigate any related risks and comply with the regulatory requirements of the EU Benchmarks Regulation (BMR).

The main objectives of the BR Working Group include:

- Monitoring of the regulatory, market and industry developments on the Benchmark reform and preparation of the action plans for an orderly transition to the new RFRs,

- Assessment and evaluation of implications to the business activity, including proper integration of the new methodologies to calculate the alternative benchmark rates in the core systems, transition of legacy interbank and clients' contracts to the new alternative benchmark rates, or incorporation of fallback provisions as may be required or recommended by the regulatory authorities of financial markets and industry international associations, in existing and newly originated floating rate financial instruments indexed to benchmark rates and appropriate modification of customers' contracts,
- Communication to all stakeholders of changes resulting from the IBOR Reform, and
- Regular reporting to the Group Assets Liabilities Committee and to the Board Risk Committee when required, in order to assess developments and recommend or approve actions relevant to the Benchmark reform.

The Group has exposure to a significant number of IBOR-linked (EURIBOR, USD LIBOR, CHF LIBOR and EONIA) financial instruments such as derivatives, debt instruments, loans and credit facilities and deposit contracts. Since these benchmark rates are subject to reform there is uncertainty regarding the precise methods of transition to the new benchmarks, as well as the necessary contractual modifications of the financial instruments linked to such benchmarks. Accordingly, the respective transition process to RFRs pose a variety of risks for the Group that include operational, legal and conduct risks considering the compressed timeline for the transition and the large scale of the legacy contracts that need to be modified as well as increases some financial risk in case that markets are disrupted due to the IBOR reform. Additionally, the existing uncertainty on the amount and timing of the cash flows indexed to IBOR could have consequences on the financial instruments' accounting treatment, mainly relating to hedge accounting and hedge designations when existing uncertainties are no longer present.

The Group continuously and systematically evaluates the potential transition risk impacts and adjusts its implementation plans accordingly in order to achieve mitigation of the risks resulting from the transition to the RFRs.

As of 31 December 2020, the Group is exposed to a number of interest rate benchmarks within its hedge accounting relationships that mature after 31 December 2021 or 30 June 2023 for USD LIBOR hedges, when the transition to the new RFRs is expected to be completed. The nominal amount of the hedging instruments designated in these hedge relationships approximates the extent of the risk exposure that the Group manages through hedging relationships.

The table below presents the significant interest benchmarks to which the Group's hedge relationships are exposed along with the nominal amounts of the hedging instruments, maturing after the above mentioned expected cessation dates, as at 31 December 2020:

	As at 31 December 2020			
	Hedging instruments Impacted by IBOR reform Notional Amounts			
	EURIBOR € million	USD LIBOR € million	CHF LIBOR € million	Other € million
Derivatives designated as fair value hedges				
Interest rate swaps	2,664	167	-	61
Cross currency interest rate swaps	4	-	-	-
	2,668	**167**	**-**	**61**
Derivatives designated as cash flow hedges				
Interest rate swaps	1,727	-	-	-
Cross currency interest rate swaps	-	-	1,221	-
	1,727	**-**	**1,221**	**-**
Total Derivatives	**4,395**	**167**	**1,221**	**61**

Regarding EURIBOR rate, which is designated as a critical benchmark under the BMR, and it is BMR compliant since July 2019, its calculation is based on the new "hybrid methodology''. The sustainability of EURIBOR depends on whether the panel of contributing banks continues to support it in the future and there is sufficient activity in its underlying market. Consequently, EURIBOR can continue to be used as a benchmark rate in new and legacy contracts for the foreseeable future and related fair value hedges are not expected to be directly affected by the Benchmark Reform. However, financial instruments referencing EURIBOR need to incorporate new or improved fallback provisions in order to reduce potential uncertainties in the event of EURIBOR's potential cessation. The process for the determination of said fallbacks is in progress, under the Working Group on Euro Risk Free Rates.

With respect to the transition of EONIA and of USD Effective Federal Fund Rate (EFFR), the Group has proceeded to the required changes to its risk systems and valuation methodologies, in order to accommodate the related switch from EONIA to Euro short-term rate (€STR) and from EFFR to Secured Overnight Financing Rate (SOFR) for the discounting curves used in the valuation of interest rate derivatives centrally cleared through LCH clearing house, which was completed in July 2020 and October 2020 respectively and is in contact with its interbank counterparties in order to effect the related necessary changes to its bilateral agreements.

The Group is closely monitoring, evaluating and reviewing the work of international industry associations such as ISDA aimed to guide the benchmark transition process and facilitate compliance to the BMR through the use of "standardized" market solutions and facilitating the bilateral negotiation process across market participants, while reducing the risk of non-orderly transition. In this context, the Bank has adhered to the ISDA 2018 Benchmarks Supplement Protocol as well as the ISDA 2020 IBOR Fallbacks Protocol in Q4 2020.

Furthermore, the Group is taking actions to mitigate the risks, which include new product development and a client outreach programme to ensure readiness to migrate and explain the changes and outcomes arising from the transition to clients. The Group will continue to monitor the market developments and regulatory guidance relating to the Benchmark Reform and adjust its implementation plans accordingly in order to achieve mitigation of the risks resulting from the transition.

6.3 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 maximizes the use of relevant observable inputs and minimizes 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.

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

(a) Level 1-Financial instruments measured based on quoted prices (unadjusted) in active markets for identical financial instruments that the Group 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. Level 1 financial instruments include actively quoted debt instruments held by the Group, equity and derivative instruments traded on exchanges, as well as mutual funds that have regularly and frequently published quotes.

(b) Level 2-Financial instruments measured using valuation techniques with inputs, other than level 1 quoted prices, that are observable either directly or indirectly, such as: i) quoted prices for similar financial instruments in active markets, ii) quoted prices for identical or similar financial instruments in markets that are not active, iii) 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 iv) other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments include over the counter (OTC) derivatives, less liquid debt instruments held or issued by the Group and equity instruments.

(c) Level 3-Financial instruments 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). Level 3 financial instruments include unquoted equities or equities traded in markets that are not considered active, certain OTC derivatives, loans and advances to customers including securitized notes issued by special purpose entities established by the Group and recognized in financial assets and debt securities issued by the Group.

Financial instruments carried at fair value

The fair value hierarchy categorization of the Group's financial assets and liabilities measured at fair value is presented in the following table:

	31 December 2020			
	Level 1	Level 2	Level 3	Total
	€ million	€ million	€ million	€ million
Securities held for trading	87	-	-	87
Investment securities at FVTPL	54	15	58	127
Derivative financial instruments	0	2,551	1	2,552
Investment securities at FVOCI	5,375	79	-	5,454
Loans and advances to customers mandatorily at FVTPL	-	-	27	27
Financial assets measured at fair value	**5,516**	**2,645**	**86**	**8,247**
Derivative financial instruments	0	2,939	-	2,939
Trading liabilities	19	-	-	19
Financial liabilities measured at fair value	**19**	**2,939**	**-**	**2,958**

The Group recognizes transfers into and out of the fair value hierarchy levels at the beginning of the quarter in which a financial instrument's transfer was effected.

Following the Group's assessment on the significance of the CVA adjustment to the entire fair value measurement of OTC derivative financial instruments, calculated based on internal rating models, the Bank transferred an amount of (a) € 2 million from Level 3 to Level 2 and (b) € 2 million from Level 2 to Level 3.

Reconciliation of Level 3 fair value measurements

	2020
	€ million
Opening balance[(1)]	97
Transfers into Level 3	2
Transfers out of Level 3	(2)
Additions, net of disposals and redemptions	(3)
Total gain/(loss) for the period included in profit or loss	(8)
Foreign exchange differences and other	0
Balance at 31 December	**86**

[(1)] *The Level 3 movement is presented from 1 April 2020, onwards.*

Group's valuation processes and techniques

The Group's processes and procedures governing the fair valuations are established by the Group Market Counterparty Risk Sector in line with the Group's accounting policies. The Group uses widely recognized valuation models for determining the fair value of common financial instruments that are not quoted in an active market, such as interest and cross currency swaps, that use only observable market data and require little management estimation and judgment. Specifically, observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded and simple over-the-counter derivatives. 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 independent of the personnel that created them. All models are certified before they are used and models 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. Fair values also reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty, where appropriate.

Valuation controls applied by the Group may include verification of observable pricing, re-performance of model valuations, review and approval process for new models and/or changes to models, calibration and back-testing against observable market transactions, where available, analysis of significant valuation movements, etc. Where third parties' valuations are used for fair value measurement, these are reviewed in order to ensure compliance with the requirements of IFRS 13.

The fair values of OTC derivative financial instruments are estimated by discounting expected cash flows using market interest rates at the measurement date. Counterparty credit risk adjustments and own credit risk adjustments are applied to OTC derivatives, where appropriate. Bilateral credit risk adjustments consider the expected cash flows between the Group and its counterparties under the relevant terms of the derivative instruments and the effect of the credit risk on the valuation of these cash flows. As appropriate in circumstances, the Group considers also the effect of any credit risk mitigating arrangements, including collateral agreements and master netting agreements on the calculation of credit risk valuation adjustments (CVAs). CVA calculation uses probabilities of default (PDs) based on observable market data such as credit default swaps (CDS) spreads, where appropriate, or based on internal rating models. The Group applies similar methodology for the calculation of debit-value-adjustments (DVAs), when applicable. Where valuation techniques are based on internal rating models and the relevant CVA is significant to the entire fair value measurement, such derivative instruments are categorized as Level 3 in the fair value hierarchy. A reasonably possible change in the main unobservable input (i.e. the recovery rate), used in their valuation, would not have a significant effect on their fair value measurement.

The Group determines fair values for debt securities held using quoted market prices in active markets for securities with similar credit risk, maturity and yield, quoted market prices in non active markets for identical or similar financial instruments, or using discounted cash flows method.

Unquoted equity instruments at FVTPL under IFRS 9 are estimated mainly (i) using third parties' valuation reports based on investees' net assets, where management does not perform any further significant adjustments, and (ii) net assets' valuations, adjusted where considered necessary.

Loans and advances to customers including securitized notes issued by the special purpose entities established by the Group of which contractual cash flows do not represent solely payments of principal and interest (SPPI failures), are measured mandatorily at fair value through profit or loss. Quoted market prices are not available as there are no active markets where these instruments are traded. Their fair values are estimated on an individual loan basis by discounting the future expected cash flows over the time period they are expected to be recovered, using an appropriate discount rate or by reference to other comparable assets of the same type that have been transacted during a recent time period. Expected cash flows, which incorporate credit risk, represent significant unobservable input in the valuation and as such, the entire fair value measurement is categorized as Level 3 in the fair value hierarchy.

Financial instruments not measured at fair value

The fair value hierarchy categorization of the Group's financial assets and liabilities not measured at fair value on the balance sheet, is presented in the following table:

	31 December 2020				
	Level 1 € million	Level 2 € million	Level 3 € million	Fair value € million	Carrying amount € million
Loans and advances to customers	-	-	37,071	37,071	37,397
Investment securities at amortised cost	1,724	930	-	2,654	2,784
Financial assets not measured at fair value	**1,724**	**930**	**37,071**	**39,725**	**40,181**
Debt securities in issue	-	947	592	1,539	1,559
Financial liabilities not measured at fair value	**-**	**947**	**592**	**1,539**	**1,559**

The assumptions and methodologies underlying the calculation of fair values of financial instruments not measured at fair value, are in line with those used to calculate the fair values for financial instruments measured at fair value. Particularly:

(a) Loans and advances to customers including securitized notes issued by special purpose entities established by the Group: for loans and advances to customers, quoted market prices are not available as there are no active markets where these instruments are traded. The fair values are estimated by discounting future expected cash flows over the time period they are expected to be recovered, using appropriate risk-adjusted rates. Loans are grouped into homogenous assets with similar characteristics, as monitored by Management, such as product, borrower type and delinquency status, in order to improve the accuracy of the estimated valuation outputs. In estimating future cash flows, the Group makes assumptions on expected prepayments, product spreads and timing of collateral realization. The discount rates for loans to customers incorporate inputs for expected credit losses and interest rates, as appropriate;

(b) Investment securities measured at amortized cost: the fair values of financial investments are determined using prices quoted in an active market when these are available. In other cases, fair values are determined using quoted market prices for securities with similar credit risk, maturity and yield, quoted market prices in non active markets for identical or similar financial instruments, or by using the discounted cash flows method; and

(c) Debt securities in issue: the fair values of the debt securities in issue are determined using quoted market prices, if available. If quoted prices are not available, fair values are determined based on third party valuations, quotes for similar debt securities or by discounting the expected cash flows at a risk-adjusted rate, where the Group's own credit risk is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Group or other Greek issuers.

For other financial instruments, which are short term or re-price at frequent intervals (cash and balances with central banks, due from credit institutions, due to central banks, due to credit institutions and due to customers), the carrying amounts represent reasonable approximations of fair values.

7. Net interest income

	Period 20 March - 31 December 2020 [2] € million
Interest income	
Customers	**982**
- measured at amortised cost	*981*
- measured at FVTPL	*1*
Banks and other assets[1]	**6**
Securities	**143**
- measured at amortised cost	*41*
- measured at FVOCI	*101*
- measured at FVTPL	*1*
Derivatives (hedge accounting)	**22**
Derivatives (no hedge accounting)	**301**
	1,454
Interest expense	
Customers [1]	**(71)**
Banks [1] [3]	**(10)**
Debt securities in issue [1]	**(70)**
Derivatives (hedge accounting)	**(30)**
Derivatives (no hedge accounting)	**(264)**
Lease liabilities - IFRS 16	**(2)**
	(447)
Total	**1,007**

[1] *Measured at amortized cost.*

[2] *The results of Eurobank S.A. subsidiaries are included from 1 April 2020, onwards.*

[3] *It includes a benefit of € 21.2 million that is attributable to the targeted longer-term refinancing operations (TLTRO III) of the European Central Bank (note 32).*

Interest income recognized by quality of Loans and Advances and Product Line is further analyzed below:

	Period 20 March - 31 December 2020 [2]		
	Interest income on non-impaired loans and advances € million	Interest income on impaired loans and advances € million	Total € million
Retail lending	450	53	503
Wholesale lending [1]	442	37	479
Total interest income from customers	892	90	982

[1] *Including interest income on loans and advances to Public Sector.*

[2] *The results of Eurobank S.A. subsidiaries are included from 1 April 2020, onwards.*

8. Net banking fee and commission income

The following table includes net banking fees and commission income from contracts with customers in the scope of IFRS 15, disaggregated by major type of services and operating segments (note 43).

	Period 20 March - 31 December 2020 [2]					
	Retail € million	Corporate € million	Global, Capital Markets & Asset Mngt € million	International € million	Other and Elimination center € million	Total € million
Lending related activities	7	40	4	6	(0)	57
Mutual funds and assets under management	(0)	1	33	5	2	41
Network activities and other [1]	38	7	15	56	(5)	111
Capital markets	(0)	3	24	4	(0)	31
Total	46	51	76	71	(4)	240

[1] *Including income from credit cards related services.*

[2] *The results of Eurobank S.A. subsidiaries are included from 1 April 2020, onwards.*

9. Income from non banking services

Income from non banking services includes rental income of € 66.5 million from real estate properties and other income of € 0.4 million from IT services provided by the Group entities.

10. Net trading income and gains less losses from investment securities

	Period 20 March - 31 December 2020 [1] € million
Debt securities of which:	**811**
- measured at amortised cost	*154*
- measured at FVOCI	*656*
- measured at FVTPL	*1*
Equity securities measured at FVTPL	**23**
Gains/(losses) on derivative financial instruments (hedge accounting)	**(382)**
Gains/(losses) on derivative financial instruments (no hedge accounting)	**(11)**
Revaluation on foreign exchange positions	**2**
Total	**443**

[1] The results of Eurobank S.A. subsidiaries are included from 1 April 2020, onwards.

GGBs swap transaction

In December 2020, the Public Debt Management Agency (PDMA), as part of the efficient management of the public debt, proceeded to an offer to repurchase specific Greek government bonds (GGBs) held by the Bank of face value € 1.2 billion (€1.35 billion carrying amount) with remaining tenor from 7 to 21 years, held at the amortised cost portfolio, against a cash consideration of € 1.5 billion equal to their market value. At the same time, the PDMA proceeded to the re-opening of a GGB of face value € 0.5 billion maturing in 2050 that was offered to the Bank against cash consideration of € 0.8 billion, equal to its market value.

The above transaction, offered by the PDMA and carried out at market terms, represents a commercial renegotiation performed in the context of the State's optimum debt management. Considering the purpose of the exchange and the underlying terms, the transaction was accounted for as a substantial modification. Accordingly, the original bonds were derecognized from the Group's balance sheet with a resulting gain of € 139 million, net of any hedging effect. The new GGB was also classified within the hold-to-collect portfolio measured at amortised cost since the business model is to hold to collect its contractual cash flows and the respective contractual terms give rise to cash flows that are solely payments of principal and interest.

11. Other income/ (expenses)

	Period 20 March - 31 December 2020 [1] € million
Gain/(loss) from change in fair value of investment property [2]	**8**
Derecognition gain/(loss) on loans measured at amortised cost	**(1)**
Fee expense related to the deferred tax credits (note 14)	**(5)**
Gain/(loss) on the disposal of subsidiaries (note 31)	**220**
Dividend income	**3**
Gains/(losses) on loans at FVTPL	**1**
Other	**1**
Total	**227**

[1] The results of Eurobank S.A. subsidiaries are included from 1 April 2020, onwards.
[2] It includes € 4.2 million gains related to the remeasurement of the interests held in Group's former joint ventures Piraeus Port Plaza 2 and Piraeus Port Plaza 3 (note 24).

12. Operating expenses

	Period 20 March - 31 December 2020 [1] € million
Staff costs	**(324)**
Administrative expenses	**(185)**
Contributions to resolution and deposit guarantee funds	**(59)**
Depreciation of real estate properties and equipment	**(29)**
Depreciation of right of use assets	**(30)**
Amortisation of intangible assets	**(25)**
Total	**(652)**

[1] *The results of Eurobank S.A. subsidiaries are included from 1 April 2020, onwards.*

Contributions to resolution and deposit guarantee funds

In 2016, the Single Resolution Mechanism (SRM), which is one of the pillars of the Banking Union in the euro area alongside the Single Supervisory Mechanism (SSM), became fully operational. The Single Resolution Fund (SRF) was established by the SRM Regulation (EU) No 806/2014 in order to ensure uniform practice in the financing of resolutions within the SRM and it is owned by the Single Resolution Board (SRB). The SRM provides that the SRF will be built up over a period of eight years with 'ex-ante' contributions from the banking industry, which may include irrevocable payment commitments as a part of the total amount of contributions (note 42).

Staff costs

	Period 20 March - 31 December 2020 [1] € million
Wages, salaries and performance remuneration	**(239)**
Social security costs	**(43)**
Additional pension and other post employment costs	**(11)**
Other	**(31)**
Total	**(324)**

[1] *The results of Eurobank S.A. subsidiaries are included from 1 April 2020, onwards.*

The average number of employees of the Group during the period ended 31 December 2020, was 12,362. As at 31 December 2020, the number of branches and business/private banking centers of the Group amounted to 625.

13. Other impairments, restructuring costs and provisions

	Period 20 March - 31 December 2020 [1] € million
Impairment and valuation losses on real estate properties	(12)
Impairment (losses)/ reversal on bonds	(3)
Other impairment losses and provisions [2]	(17)
Other impairment losses and provisions	**(32)**
Voluntary exit schemes and other related costs (note 36)	(133)
Other restructuring costs	(8)
Restructuring costs	**(141)**
Total	**(173)**

[1] The results of Eurobank S.A. subsidiaries are included from 1 April 2020, onwards.

[2] Includes impairment losses on equipment and software, other assets and provisions on litigations and other operational risk events.

For the period 20 March to 31 December 2020, the Group recognized € 3 million impairment losses on bonds, is mainly attributable to newly acquired investment securities (note 23.2).

In addition, for the period 20 March to 31 December 2020, the Group recognized € 8 million restructuring costs, mainly relate to the Bank's transformation plan.

14. Income tax

	Period 20 March - 31 December 2020 [1] € million
Current tax	(31)
Deferred tax [2]	(296)
Total income tax	**(327)**

[1] The results of Eurobank S.A. subsidiaries are included from 1 April 2020, onwards.

[2] It includes € 160 million write-down of deferred tax assets (DTA) on Bank's loan losses (see below assessment of the recoverability of DTA).

According to Law 4172/2013 currently in force, the nominal Greek corporate tax rate for credit institutions that fall under the requirements of article 27A of Law 4172/2013 regarding eligible DTAs/deferred tax credits (DTCs) against the Greek State is 29%. As of the year 2019 onwards, according to Law 4646/2019 which was enacted in December 2019 and amended Law 4172/2013, the Greek corporate tax rate for legal entities other than the above credit institutions decreased from 29% to 24%. In addition, according to the aforementioned Law 4646/2019, as of 1 January 2020 the withholding tax rate for dividends distributed, other than intragroup dividends, decreased from 10% to 5%. In particular, the intragroup dividends under certain preconditions are relieved from both income and withholding tax.

The nominal corporate tax rates applicable in the banking subsidiaries incorporated in the international segment of the Group (note 43) are as follows: Bulgaria 10%, Serbia 15%, Cyprus 12.5% and Luxembourg 24.94%.

Tax certificate and open tax years

The first tax year of the Bank (i.e. the new credit institution that has been established and incorporated the hived down business banking sector of Eurobank Ergasias - note 4) ended at 31 December 2020. The Bank's subsidiaries, associates and joint ventures, which operate in Greece (notes 24 and 25) have in principle 1 to 6 open tax years. For the open tax year 2015 these entities, with annual financial statements audited compulsorily, were required to obtain an 'Annual Tax Certificate' pursuant to the Law 4174/2013, which is issued after a tax audit is performed by the same statutory auditor or audit firm that audits the annual financial statements. For fiscal years starting from 1 January 2016 onwards, the 'Annual Tax Certificate' is optional, however, the Bank and (as a general rule) the Group's Greek companies will continue to obtain such certificate.

The tax certificates, which have been obtained by the Bank's subsidiaries, associates and joint ventures, which operate in Greece, are unqualified for the open tax years 2015-2019. For the year ended 31 December 2020, the tax audits from external auditors are in progress.

In accordance with the Greek tax legislation and the respective Ministerial Decisions issued, additional taxes and penalties may be imposed by the Greek tax authorities following a tax audit within the applicable statute of limitations (i.e. in principle five years as from the end of the fiscal year within which the relevant tax return should have been submitted), irrespective of whether an unqualified tax certificate has been obtained from the tax paying company. In light of the above, as a general rule, the right of the Greek State to impose taxes up to tax year 2014 (included) has been time-barred for the Group's Greek entities as at 31 December 2020.

The open tax years of the foreign banking entities of the Group are as follows: (a) Eurobank Cyprus Ltd, 2018-2020, (b) Eurobank Bulgaria A.D., 2015-2020, (c) Eurobank A.D. Beograd (Serbia), 2015-2020, and (d) Eurobank Private Bank Luxembourg S.A., 2016-2020. The remaining foreign entities of the Group (notes 24 and 25), which operate in countries where a statutory tax audit is explicitly stipulated by law, have 2 to 6 open tax years in principle, subject to certain preconditions of the applicable tax legislation of each jurisdiction.

Receivables from withholding taxes

Law 4605/2019 (article 93) provided clarifications regarding the treatment of the Bank's (transferred from Eurobank Ergasias) withholding tax amounts under Law 2238/1994 (amounting to € 50 million) in a manner that safeguards these tax amounts by providing for their offsetting with the Bank's corporate income tax whenever this becomes due.

Law 4605/2019 further addresses the treatment of tax receivables of Law 4046/2012 (for years 2010, 2011 and 2012), which provides for a five year settlement of tax withheld on interest from GGBs/Tbills/corporate bonds with the Greek State's guarantee against the banks' corporate income tax. In particular, Law 4605/2019 clarified that any remaining amounts (i.e. these withholding taxes that cannot be offset within the set five-year period) will be then offset against all taxes within ten years in equal installments starting from 1 January 2020. As at 31 December 2020, the remaining amount of the aforementioned Bank's receivables (transferred from Eurobank Ergasias S.A.) is € 12.3 million.

In reference to its total uncertain tax positions, the Group assesses all relevant developments (e.g. legislative changes, case law, ad hoc tax/legal opinions, administrative practices) and raises adequate provisions.

Deferred tax

Deferred tax is calculated on all deductible temporary differences under the liability method as well as for unused tax losses at the rate in effect at the time the reversal is expected to take place.

The movement on deferred tax is as follows:

	Period 20 March - 31 December 2020 [1] € million
Opening balance	**4,834**
Arising from acquisitions [2]	**(8)**
Income statement credit/(charge)	**(296)**
Investment securities at FVOCI	**(30)**
Cash flow hedges	**6**
Other	**(1)**
Balance at 31 December	**4,505**

[1] The movement of deferred tax of Eurobank S.A. subsidiaries is included from 1 April 2020, onwards.

[2] It refers to the acquisition of Piraeus Port Plaza 2, Piraeus Port Plaza 3 and Tenberco Properties Development and Exploitation Single Member S.A. (note 24).

Deferred tax assets/(liabilities) are attributable to the following items:

	31 December 2020 € million
Impairment/ valuation relating to loans and accounting write-offs	**1,608**
PSI+ tax related losses	**1,051**
Losses from disposals and crystallized write-offs of loans	**1,778**
Other impairments/ valuations through the income statement	**156**
Unused tax losses	**1**
Costs directly attributable to equity transactions	**8**
Cash flow hedges	**20**
Defined benefit obligations	**12**
Real estate properties, equipment and intangible assets	**(74)**
Investment securities at FVOCI	**(142)**
Other	**87**
Net deferred tax	**4,505**

The net deferred tax is analyzed as follows:

	31 December 2020 € million
Deferred tax assets	**4,526**
Deferred tax liabilities (note 36)	**(21)**
Net deferred tax	**4,505**

Deferred income tax (charge)/credit is attributable to the following items:

	Period 20 March - 31 December 2020 (1) € million
Impairment/ valuation relating to loans, disposals and write-offs (2)	(201)
Tax deductible PSI+ losses	(50)
Change in fair value and other temporary differences	(45)
Deferred income tax (charge)/credit	**(296)**

(1) The movement of deferred tax of Eurobank S.A. subsidiaries is included from 1 April 2020, onwards.
(2) It includes € 160 million write-down of deferred tax assets (DTA) on Bank's loan losses (see below assessment of the recoverability of DTA).

As at 31 December 2020, the Group recognized net deferred tax assets amounting to € 4.5 billion as follows:

(a) € 1,608 million refer to deductible temporary differences arising from impairment/valuation relating to loans including the accounting debt write-offs according to the Greek tax law 4172/2013, as in force. These temporary differences can be utilized in future periods with no specified time limit and according to current tax legislation of each jurisdiction;

(b) € 1,051 million refer to losses resulted from Eurobank Ergasias S.A. participation in PSI+ and the Greek's state debt buyback program which are subject to amortization (i.e. 1/30 of losses per year starting from year 2012 onwards) for tax purposes;

(c) € 1,778 million refer to the unamortized part of the crystallized tax losses arising from write-offs and disposals of loans, which are subject to amortization over a twenty-year period, according to the Greek tax law 4172/2013, as in force;

(d) € 8 million mainly refer to deductible temporary differences related to the (unamortized for tax purposes) costs directly attributable to Eurobank Ergasias S.A. share capital increases, subject to 10 years' amortization according to tax legislation in force at the year they have been incurred;

(e) € 1 million refer to the unused tax losses arising from the Bank's subsidiaries; and

(f) € 59 million refer to other taxable and deductible temporary differences (i.e. valuation gains/ losses, provisions for pensions and other post-retirement benefits, etc.) the majority of which can be utilized in future periods with no specified time limit and according to the applicable tax legislation of each jurisdiction.

Assessment of the recoverability of deferred tax assets

The recognition of the above presented deferred tax assets is based on management's assessment that the Group's legal entities will have sufficient future taxable profits, against which the deductible temporary differences and the unused tax losses can be utilized. The deferred tax assets are determined on the basis of the tax treatment of each deferred tax asset category, as provided by the applicable tax legislation of each jurisdiction and the eligibility of carried forward losses for offsetting with future taxable profits. Additionally, the Group's assessment on the recoverability of recognized deferred tax assets is based on (a) the future performance expectations (projections of operating results) and growth opportunities relevant for determining the expected future taxable profits, (b) the expected timing of reversal of the deductible and taxable temporary differences, (c) the probability that the Group entities will have sufficient taxable profits in the future, in the same period as the reversal of the deductible and taxable temporary differences or in the years into which the tax losses can be carried forward, and (d) the historical levels of Group entities' performance in combination with the previous years' tax losses caused by one off or non-recurring events.

In particular, for the year ended 31 December 2020, the Group has conducted a deferred tax asset (DTA) recoverability assessment based on the three-year Business Plan of the Group of its parent entity (mainly comprises Eurobank S.A. Group) that was approved by the Board of Directors of Eurobank Holdings in December 2020, for the period up to the end of 2023, and was also submitted to the Single Supervisory Mechanism (SSM). For the years beyond 2023, the forecast of operating results was based on the management projections considering the growth opportunities of the Greek economy, the banking sector and the Group of the Parent Company. Specifically, the management projections for the Group's future profitability adopted in the Business Plan have considered, among others, (a) the impact of the continuing Covid-19 pandemic and the relevant mitigating measures taken by the national and European authorities on the economy and the banking system (note 2) and (b) the planned strategic initiatives, including securitizations of loan portfolios, for the further reduction of the Group's NPEs. As a result of the above, and mainly due to the expected tax impact of the initiatives stated in point (b) on top of the existing securitizations, an amount of € 160 million DTA on loan losses was currently assessed as being non-recoverable and was reversed on 31 December 2020 accordingly.

The Group closely monitors and constantly assesses the developments on the Covid-19 front and their effect on the assumptions used in its plans and the projections for future profitability and will continue to update its estimates accordingly.

Deferred tax credit against the Greek State and tax regime for loan losses

As at 31 December 2020, pursuant to the Law 4172/2013, as in force, the Bank's eligible DTAs/deferred tax credits (DTCs) against the Greek State amounted to € 3,691 million. The DTCs will be converted into directly enforceable claims (tax credit) against the Greek State provided that the Bank's after tax accounting result for the year is a loss. In particular, DTCs are accounted for on: (a) the losses from the Private Sector Involvement (PSI) and the Greek State Debt Buyback Program and (b) on the sum of (i) the unamortized part of the crystallized loan losses from write-offs and disposals, (ii) the accounting debt write-offs and (iii) the remaining accumulated provisions and other losses in general due to credit risk recorded up to 30 June 2015.

In accordance with the tax regime, in force, the above crystallized tax losses arising from write-offs and disposals on customers' loans are amortised over a twenty-year period, maintaining the DTC status during all this period, while they are disconnected from the accounting write-offs. Accordingly, the recovery of the Bank's deferred tax asset recorded on loans and advances to customers and the regulatory capital structure are safeguarded, contributing substantially to the achievement of the NPEs reduction targets, through the acceleration of write-offs and disposals.

According to tax Law 4172/2013 as in force, an annual fee of 1.5% is imposed on the excess amount of deferred tax assets guaranteed by the Greek State, stemming from the difference between the current tax rate for the eligible credit institutions (i.e. 29%) and the tax rate applicable on 30 June 2015 (i.e. 26%). For the period from 20 March to 31 December 2020, an amount of € 4.7 million has been recognized in "Other income/(expenses)".

Income tax reconciliation and unused tax losses

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

	Period 20 March - 31 December 2020 [(1)] € million
Profit before tax	574
Tax at the applicable tax rate	(166)
Tax effect of:	
- income not subject to tax and non deductible expenses	3
- effect of different tax rates in different countries	17
- change in applicable tax rate	0
- write-down of DTA on Bank's loan losses	(160)
- other	(21)
Total income tax	**(327)**

[(1)] *The movement of deferred tax of Eurobank S.A. subsidiaries is included from 1 April 2020, onwards.*

As at 31 December 2020, the Bank has not recognised deferred tax asset (DTA) on unused tax losses amounting to € 80 million which can be utilized until 2025.

15. Earnings per share

Basic earnings per share as presented below has been calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period (note 38).

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Group as at 31 December 2020 has not potentially dilutive ordinary shares

		Period 20 March - 31 December 2020 [(1)]
Net profit for the period attributable to ordinary shareholders	*€ million*	**247**
Weighted average number of ordinary shares in issue for basic earnings per share	*Number of shares*	***3,683,244,830***
Earnings per share		
- Basic and diluted earnings per share	€	**0.07**

[(1)] The results of Eurobank S.A. subsidiaries and the share of results of its associates/joint ventures are included from 1 April 2020, onwards.

16. Cash and balances with central banks

	31 December 2020 € million
Cash in hand	**388**
Balances with central banks	**6,249**
Total	**6,637**

The Bank and its banking subsidiaries in Eurozone (Cyprus and Luxemburg), are required to hold a minimum level of deposits (minimum reserve requirement - MRR) with their national central bank on an average basis over maintenance periods (i.e. six week periods); these deposits are calculated as 1% of certain liabilities, mainly customers' deposits, and can be withdrawn at any time provided that the MRR is met over the determined period of time. Similar obligations for the maintenance of minimum reserves with their national central bank are also applied to the banking subsidiaries in Bulgaria and Serbia. As at 31 December 2020, the mandatory reserves (i.e. those that the Group entities maintain in order to meet the MRR) and collateral deposits with central banks amounted to € 624 million.

In 2019, the European Central Bank (ECB) decided to introduce a two-tier system for eligible credit institutions' reserve remuneration which exempts part of excess liquidity holdings (i.e. reserve holdings in excess of MRR) from negative deposit facility rate. The exempted part is determined as a multiple of an institution's MRR (current multiplier has been set at 6).

The excess liquidity resulting, among others, from the increase in customers' deposits and ECB funding (notes 32 and 34), contributed to the increase in balances with central banks in 2020.

17. Cash and cash equivalents and other information on cash flow statement

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with original maturities of three months or less:

	31 December 2020 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central banks) (note 16)	**6,013**
Due from credit institutions	**667**
Securities held for trading	**1**
Total	**6,681**

Other (income)/losses on investment securities presented in operating activities are analyzed as follows:

	31 December 2020 € million
Amortisation of premiums/discounts and accrued interest	(37)
(Gains)/losses from investment securities	(428)
Dividends	(3)
Total	**(468)**

In the period ended 31 December 2020, other adjustments of € 257 million, presented in the cash flow statement, mainly comprise of € 219 million gain on the disposal of FPS (note 24).

Changes in liabilities arising from financing activities

During the period ended 31 December 2020, changes in the Group's liabilities arising from financing activities, other than lease liabilities (note 41), are attributable to: a) debt issuance amounting to € 303 million (net of issuance costs), b) debt repayment amounting to € 1,152 million and c) accrued interest and amortisation of debt issuance costs amounting to € 8 million.

18. Due from credit institutions

	31 December 2020 € million
Pledged deposits with banks	2,669
Placements and other receivables from banks	450
Current accounts and settlement balances with banks	217
Total	**3,336**

As at 31 December 2020, the Group's pledged deposits with banks mainly include: a) € 2,546 million cash collaterals on risk mitigation contracts for derivative transactions and repurchase agreements (CSAs, GMRAs), b) € 78 million pledged deposits for the securitized notes issued by the Group's special purpose financing vehicles (note 35) and c) € 45 million cash collateral relating to the sale of the Romanian subsidiaries disposed in 2018.

The Group's exposure arising from credit institutions, as categorized by counterparty's geographical region, is presented in the following table:

	31 December 2020 € million
Greece	30
Other European countries	3,107
Other countries	199
Total	**3,336**

19. Securities held for trading

	31 December 2020 € million
Debt securities (note 6.2.1.3)	42
Equity securities	47
Total	**89**

20. Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments both for hedging and non-hedging purposes.

The table below presents the fair values of the Group's derivative financial instruments by product type and hedge relationship along with their notional amounts. The notional amounts of derivative instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, are not indicative of the Group's exposure at the reporting date.

	31 December 2020		
	Contract/ notional amount € million	Fair values Assets € million	Fair values Liabilities € million
Derivatives for which hedge accounting is not applied/ held for trading			
- Interest rate swaps	28,957	2,473	2,020
- Interest rate options	4,440	37	109
- Cross currency interest rate swaps	118	4	4
- Currency forwards/currency swaps	2,921	16	50
- Currency options	1,155	8	5
- Commodity derivatives	308	7	6
- Credit default swaps	175	-	2
- Other (see below)	51	0	0
		2,545	2,196
Derivatives designated as fair value hedges			
- Interest rate swaps	3,051	3	636
- Cross currency interest rate swaps	4	0	0
		3	636
Derivatives designated as cash flow hedges			
- Interest rate swaps	1,727	1	77
- Cross currency interest rate swaps	1,682	3	30
		4	107
Total derivatives assets/liabilities		2,552	2,939

Other derivative contracts include warrants, exchange traded equity and interest futures and exchange traded equity options.

Information on the fair value measurement and offsetting of derivatives is provided in notes 6.3 and 6.2.1.4, respectively.

In July 2020, the discounting curve of Euro denominated interest rate derivatives centrally cleared through certain central clearing counterparties, changed from EONIA to €STR. The resulted change in the fair value of these instruments was offset by an equal cash compensation amount, to the party suffering the economic loss from the transition, in order to avoid transfer of value between the two parties. As a result, the change in the discounting curve to €STR did not impact the Group's income statement.

The Group uses certain derivatives and other financial instruments, designated in a qualifying hedge relationship, to reduce its exposure to market risks. The hedging practices applied by the Group, as well as the relevant accounting treatment are disclosed in note 2.2.3. In particular:

(a) Fair value hedges
The Group hedges a proportion of its existing interest rate risk resulting from any potential change in the fair value of fixed rate debt securities held or fixed rate loans, denominated both in local and foreign currencies, using interest rate swaps and cross currency interest rate swaps. For the period from 20 March until 31 December 2020, the Group recognized a gain of € 151 million from changes in the carrying amount of the hedging instruments, used as the basis of recognizing hedge ineffectiveness and € 138 million loss from changes in the carrying amount of the hedged items attributable to the hedged risk. The amount of hedge ineffectiveness recognized in income statement was € 13 million gain.

(b) Cash flow hedges
The Group hedges a proportion of its existing interest rate and foreign currency risk resulting from any cash flow variability on floating rate performing customer loans or floating rate deposits, denominated both in local and foreign currency, or unrecognized highly probable forecast transactions, using interest rate and cross currency interest rate swaps. For the period from 20 March until 31 December 2020, an amount of € 21 million loss was recognised in other comprehensive income in relation to derivatives designated as cash flow hedges. Furthermore, in the same period, the ineffectiveness recognized in the income statement that arose from cash flow hedges was nil.

In addition, the Group uses other derivatives, not designated in a qualifying hedge relationship, to manage its exposure primarily to interest rate and foreign currency risks. Non qualifying hedges are derivatives entered into as economic hedges of assets and liabilities for which hedge accounting was not applied. The said derivative instruments are monitored and have been classified for accounting purposes along with those held for trading.

The Group's exposure in derivative financial assets, as categorized by counterparty's geographical region and industry sector, is presented in the following table:

	31 December 2020			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	1,637	-	-	1,637
Banks	0	400	313	713
Corporate	142	56	4	202
Total	1,779	456	317	2,552

At 31 December 2020, the maturity profile of the nominal amount of the financial instruments designated by the Group in hedging relationships is presented in the table below:

	31 December 2020							
	Fair Value Hedges				Cash Flow Hedges			
	3 - 12 months € million	1-5 years € million	Over 5 years € million	Total € million	3 - 12 months € million	1-5 years € million	Over 5 years € million	Total € million
Interest rate swaps	100	470	2,481	3,051	-	647	1,080	1,727
Cross currency interest rate swaps	-	4	-	4	461	1,090	131	1,682
Total	100	474	2,481	3,055	461	1,737	1,211	3,409

(a) Fair value hedges

The following table presents data relating to the hedged items under fair value hedges for the years ended 31 December 2020:

	31 December 2020		
	Carrying amount	Accumulated amount of FV hedge adjustments related to the hedged item	Change in value as the basis for recognising hedge ineffectiveness
	€ million	€ million	€ million
Loans and advances to customers	270	21	(1)
Debt securities AC	1,512	352	108
Debt securities FVOCI	2,472	200	(245)
Total	**4,254**	**573**	**(138)**

At 31 December 2020, the accumulated amount of fair value hedge adjustments remaining in the balance sheet for any items that have ceased to be adjusted for hedging gains and losses was € 162 million.

(b) Cash flow hedges

The cash flow hedge reserves for continuing hedges as at 31 December 2020 were € 48 million loss, of which € 4 million gain relates to loans and advances to customers and € 52 million loss to deposits.

As at 31 December 2020, the balances remaining in the cash flow hedge reserve from any cash flow hedging relationships for which hedge accounting is no longer applied was € 21 million loss.

The reconciliation of the components of Group's special reserves including cash flow hedges is provided in note 39.

21. Loans and advances to customers

	31 December 2020
	€ million
Loans and advances to customers at amortised cost	
- Gross carrying amount	40,874
- Impairment allowance	(3,477)
Carrying Amount	**37,397**
Loans and advances to customers at FVTPL	**27**
Total	**37,424**

The table below presents the carrying amount of loans and advances to customers per business unit and per stage as at 31 December 2020:

	31 December 2020			
	12-month ECL-Stage 1 € million	Lifetime ECL-Stage 2 € million	Lifetime ECL credit-impaired[(1)] € million	Total amount € million
Loans and advances to customers at amortised cost				
Mortgage lending:				
- Gross carrying amount	7,081	2,791	1,779	11,650
- Impairment allowance	(24)	(152)	(665)	(842)
Carrying Amount	7,056	2,638	1,114	10,809
Consumer lending:				
- Gross carrying amount	2,230	445	732	3,408
- Impairment allowance	(41)	(61)	(617)	(719)
Carrying Amount	2,189	384	115	2,688
Small Business lending:				
- Gross carrying amount	2,200	1,189	1,087	4,476
- Impairment allowance	(35)	(119)	(520)	(674)
Carrying Amount	2,165	1,070	567	3,802
Wholesale lending [(2)(3)]:				
- Gross carrying amount	17,204	2,012	2,125	21,340
- Impairment allowance	(83)	(108)	(1,052)	(1,242)
Carrying Amount	17,121	1,904	1,073	20,098
Total loans and advances to customers at AC				
- Gross carrying amount	28,714	6,436	5,724	40,874
- Impairment allowance	(183)	(439)	(2,855)	(3,477)
Carrying Amount	**28,531**	**5,997**	**2,869**	**37,397**
Loans and advances to customers at FVTPL				
Carrying Amount [(4)]				**27**
Total				**37,424**

[(1)] As at 31 December 2020, POCI loans of € 43 million gross carrying amount and € 3.5 million impairment allowance are presented in 'Lifetime ECL credit-impaired' stage.

[(2)] Includes € 3,498 million related to the senior notes of the Pillar and Cairo securitizations, which are under the Hellenic Asset Protection Scheme. The notes have been categorized in Stage 1.

[(3)] Includes loans to public sector.

[(4)] Includes € 7.4 million related to the mezzanine notes of the Pillar and Cairo securitizations.

22. Impairment allowance for loans and advances to customers

The following table presents the movement of the impairment allowance on loans and advances to customers (expected credit losses – ECL):

	31 December 2020 [3]												
	Wholesale			Mortgage			Consumer			Small business			
	12-month ECL-Stage 1 € million	Lifetime ECL-Stage 2 € million	Lifetime ECL credit-impaired[1] € million	12-month ECL-Stage 1 € million	Lifetime ECL-Stage 2 € million	Lifetime ECL credit-impaired[1] € million	12-month ECL-Stage 1 € million	Lifetime ECL-Stage 2 € million	Lifetime ECL credit-impaired[1] € million	12-month ECL-Stage 1 € million	Lifetime ECL-Stage 2 € million	Lifetime ECL credit-impaired[1] € million	Total € million
Opening Balance	65	80	1,214	13	161	684	36	45	732	20	97	535	**3,682**
New loans and advances originated or purchased	24	-	-	1	-	-	8	-	-	17	-	-	50
Transfers between stages													
- to 12-month ECL	7	(7)	(0)	19	(18)	(1)	9	(6)	(2)	15	(14)	(1)	-
- to lifetime ECL	(13)	22	(8)	(1)	73	(73)	(2)	25	(23)	(2)	17	(15)	-
- to lifetime ECL credit-impaired loans	(1)	(3)	4	(0)	(6)	6	(1)	(4)	5	(0)	(4)	4	-
Impact of ECL net remeasurement	3	17	112	(10)	(56)	172	(7)	1	48	(12)	22	91	380
Recoveries from written - off loans	-	-	18	-	-	2	-	-	3	-	-	2	26
Loans and advances derecognised/ reclassified as held for sale during the period[2]	(1)	(0)	(6)	(0)	(0)	(0)	(0)	(0)	(1)	(1)	(0)	(0)	(9)
Amounts written off [4]	-	-	(215)	-	-	(94)	-	-	(125)	-	(0)	(102)	(536)
Unwinding of Discount	0	(0)	(21)	-	(0)	(10)	-	-	(6)	-	-	(11)	(49)
Foreign exchange and other movements	(2)	(0)	(46)	2	(1)	(21)	(1)	0	(13)	(1)	(0)	18	(67)
Impairment allowance as at 31 December	**83**	**108**	**1,052**	**24**	**152**	**665**	**41**	**61**	**617**	**35**	**119**	**520**	**3,477**

[1] The impairment allowance for POCI loans of € 3.5 million is included in 'Lifetime ECL credit-impaired' stage.

[2] It represents the impairment allowance of loans derecognized during the period due to a) sale transactions and b) substantial modifications of the loans' contractual terms.

[3] The movement of impairment allowance is presented from 1 April 2020, onwards.

[4] The contractual amount outstanding on lending exposures that were written off during the period ended 31 December 2020 and that are still subject to enforcement activity is € 498 million

The impairment losses relating to loans and advances to customers recognized in the Group's income statement for the period ended 31 December 2020 amounted to € 449 million and are analyzed as follows:

	Period 20 March 2020 - 31 December 2020 (1) € million
Impairment loss on loans and advances to customers	(430)
Modification loss on loans and advances to customers	(5)
Impairment (loss)/ reversal for credit related commitments	(14)
Total	**(449)**

(1) The results of Eurobank S.A. subsidiaries are included from 1 April 2020, onwards.

Impairment losses on loans and advances to customers recognized in the Group's income statement for the period ended 31 December 2020 include the impact from the deterioration of the forward-looking information applied to the measurement of the expected credit losses (ECL) as a result of the expected large-scale negative effect of the Covid-19 crisis to the economies in which the Group operates, as well as the impact from the anticipated non performing loans' inflows in 2021 that is temporarily delayed due to the borrowers' relief measures and the ongoing government support (note 3.1).

As described in note 3.1, the Group continues to monitor closely and constantly re-assesses all the latest available information considering the high uncertainty, arising from the consecutive rounds of lockdowns and their negative effect on the economies in which the Group operates, the nature, size and effectiveness of the government support measures, as well as, the consumer and investment post-crisis behavioral impact.

23. Investment securities

	31 December 2020 € million
Investment securities at FVOCI	5,454
Investment securities at amortised cost	2,784
Investment securities at FVTPL	127
Total	**8,365**

23.1 Movement of investment securities

The table below presents the movement of the carrying amount of investment securities per measurement category and per stage:

	20 March - 31 December 2020 (1)				
	Investment securities at FVOCI		Investment securities at amortised cost	Investment securities at FVTPL	
	12-month ECL-Stage 1 € million	Lifetime ECL-Stage 2 € million	12-month ECL-Stage 1 € million	€ million	Total € million
Gross carrying amount - Opening balance	5,960	-	2,330	118	8,408
Additions, net of disposals and redemptions	(978)	-	340	(1)	(639)
Transfers between stages	(10)	10	-	-	-
Net gains/(losses) from changes in fair value for the period	520	1	-	10	531
Amortisation of premiums/discounts and interest	28	0	9	0	37
Changes in fair value due to hedging	-	-	108	-	108
Exchange adjustments and other movements	(76)	(1)	2	0	(75)
Gross carrying amount at 31 December	5,444	10	2,789	127	8,370
Impairment allowance	-	-	(5)	-	(5)
Net carrying amount at 31 December	5,444	10	2,784	127	8,365

(1) The movement of Eurobank S.A. subsidiaries is included from 1 April 2020, onwards.

23.2 Movement of ECL

The table below presents the ECL movement per portfolio, including ECL movement analysis per stage:

	20 March - 31 December 2020 [1]		
	Measured at amortised cost € million	Measured at FVOCI € million	Total € million
Opening Balance	**6**	**11**	**17**
New financial assets purchased	**3**	**3**	**6**
- of which 12-month ECL-Stage 1	*3*	*3*	*6*
Remeasurement due to transfers from 12-month ECL-Stage 1 to lifetime ECL-Stage 2	**-**	**1**	**1**
Remeasurement due to change in ECL risk parameters	**(3)**	**(2)**	**(5)**
- of which 12-month ECL-Stage 1	*(3)*	*(2)*	*(5)*
- of which lifetime ECL-Stage 2	*-*	*(0)*	*(0)*
Financial assets disposed during the period	**(2)**	**(2)**	**(4)**
- of which 12-month ECL-Stage 1	*(2)*	*(2)*	*(4)*
Financial assets redeemed during the period	**(0)**	**(0)**	**(0)**
Foreign exchange and other movements	**1**	**(1)**	**(0)**
Balance as at 31 December	**5**	**10**	**15**

[1] The movement of ECL of Eurobank S.A. subsidiaries is included from 1 April 2020, onwards.

23.3 Equity reserve: revaluation of the investment securities at FVOCI

Gains and losses arising from the changes in the fair value of investment securities at FVOCI are recognized in a corresponding revaluation reserve in equity. The movement of the reserve is as follows:

	20 March - 31 December 2020 [1] € million
Opening Balance	**339**
Net gains/(losses) from changes in fair value	**521**
Tax (expense)/benefit	**(147)**
Revaluation reserve from associated undertakings, net of tax	**(8)**
	366
Net (gains)/losses transferred to net profit on disposal	**(655)**
ECL transferred to net profit	**3**
Tax (expense)/benefit on net (gains)/losses transferred to net profit on disposal	**189**
Tax (expense)/benefit on ECL transferred to net profit	**(1)**
	(464)
Net (gains)/losses transferred to net profit from fair value hedges	**245**
Tax (expense)/benefit	**(71)**
	174
Balance at 31 December	**415**

[1] The movement of the reserve of Eurobank S.A. subsidiaries is included from 1 April 2020, onwards.

24. Group composition

The following is a listing of the Bank's subsidiaries as at 31 December 2020, included in the consolidated financial statements for the period ended 31 December 2020:

Name	Note	Percentage holding	Country of incorporation	Line of business
Eurobank Asset Management Mutual Fund Mngt Company Single Member S.A. [(2)]		100.00	Greece	Mutual fund and asset management
Eurobank Equities Investment Firm Single Member S.A.		100.00	Greece	Capital markets and advisory services
Eurobank Ergasias Leasing Single Member S.A.		100.00	Greece	Leasing
Eurobank Factors Single Member S.A.		100.00	Greece	Factoring
Hellenic Post Credit S.A.		50.00	Greece	Credit card management and other services
Herald Greece Single Member Real Estate development and services S.A. 1		100.00	Greece	Real estate
Herald Greece Single Member Real Estate development and services S.A. 2		100.00	Greece	Real estate
Standard Single Member Real Estate S.A.	k	94.10	Greece	Real estate
Cloud Hellas Single Member Ktimatiki S.A.		100.00	Greece	Real estate
Piraeus Port Plaza 1 Single Member Development S.A. [(2)]		100.00	Greece	Real estate
(Under liquidation) Real Estate Management Single Member S.A.	h	100.00	Greece	Real estate services
(Under liquidation) Anchor Hellenic Investment Holding Single Member S.A.	h	100.00	Greece	Real estate
Vouliagmeni Residence Single Member S.A.		100.00	Greece	Real estate
Athinaiki Estate Investments Single Member S.A.		100.00	Greece	Real estate
Piraeus Port Plaza 2 Development S.A.	f	100.00	Greece	Real estate
Piraeus Port Plaza 3 Development S.A.	g	100.00	Greece	Real estate
Tenberco Properties Development and Exploitation Single Member S.A.	j	100.00	Greece	Real estate
Eurobank Bulgaria A.D.		99.99	Bulgaria	Banking
IMO 03 E.A.D.		100.00	Bulgaria	Real estate services
IMO Property Investments Sofia E.A.D.		100.00	Bulgaria	Real estate services
ERB Hellas (Cayman Islands) Ltd		100.00	Cayman Islands	Special purpose financing vehicle
Berberis Investments Ltd		100.00	Channel Islands	Holding company
Eurobank Cyprus Ltd		100.00	Cyprus	Banking
ERB New Europe Funding III Ltd		100.00	Cyprus	Finance company
Foramonio Ltd		100.00	Cyprus	Real estate
NEU 03 Property Holdings Ltd		100.00	Cyprus	Holding company
NEU Property Holdings Ltd		100.00	Cyprus	Holding company
Lenevino Holdings Ltd		100.00	Cyprus	Real estate
Rano Investments Ltd		100.00	Cyprus	Real estate
Neviko Ventures Ltd		100.00	Cyprus	Real estate
Staynia Holdings Ltd		100.00	Cyprus	Holding company
Zivar Investments Ltd		100.00	Cyprus	Real estate
Amvanero Ltd		100.00	Cyprus	Real estate
Ragisena Ltd		100.00	Cyprus	Real estate
Revasono Holdings Ltd		100.00	Cyprus	Real estate
Volki Investments Ltd		100.00	Cyprus	Real estate
Adariano Investments Ltd	c	100.00	Cyprus	Real estate
Elerovio Holdings Ltd	c	100.00	Cyprus	Real estate
Sagiol Ltd	f	100.00	Cyprus	Holding company
Macoliq Holdings Ltd	g	100.00	Cyprus	Holding company
Eurobank Private Bank Luxembourg S.A.		100.00	Luxembourg	Banking
Eurobank Fund Management Company (Luxembourg) S.A.		100.00	Luxembourg	Fund management
Eurobank Holding (Luxembourg) S.A.		100.00	Luxembourg	Holding company

Name	Note	Percentage holding	Country of incorporation	Line of business
ERB Lux Immo S.A.		100.00	Luxembourg	Real estate
Grivalia New Europe S.A. [(1)]		100.00	Luxembourg	Real estate
ERB New Europe Funding B.V.		100.00	Netherlands	Finance company
ERB New Europe Funding II B.V.		100.00	Netherlands	Finance company
ERB New Europe Holding B.V.		100.00	Netherlands	Holding company
ERB IT Shared Services S.A.		100.00	Romania	Informatics data processing
IMO Property Investments Bucuresti S.A.		100.00	Romania	Real estate services
IMO-II Property Investments S.A.		100.00	Romania	Real estate services
Eliade Tower S.A.		99.99	Romania	Real estate
Retail Development S.A.		99.99	Romania	Real estate
Seferco Development S.A.		99.99	Romania	Real estate
Eurobank A.D. Beograd		99.99	Serbia	Banking
ERB Leasing A.D. Beograd-In Liquidation		99.99	Serbia	Leasing
IMO Property Investments A.D. Beograd		100.00	Serbia	Real estate services
Reco Real Property A.D. Beograd		100.00	Serbia	Real estate
ERB Istanbul Holding A.S.		100.00	Turkey	Holding company
ERB Hellas Plc		100.00	United Kingdom	Special purpose financing vehicle
Karta II Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion II Mortgage Finance Plc [(1)]		-	United Kingdom	Special purpose financing vehicle
Themeleion III Mortgage Finance Plc [(1)]		-	United Kingdom	Special purpose financing vehicle
Themeleion IV Mortgage Finance Plc [(1)]		-	United Kingdom	Special purpose financing vehicle
Themeleion Mortgage Finance Plc [(1)]		-	United Kingdom	Special purpose financing vehicle
Maximus Hellas Designated Activity Company		-	Ireland	Special purpose financing vehicle
Astarti Designated Activity Company		-	Ireland	Special purpose financing vehicle
ERB Recovery Designated Activity Company	d	-	Ireland	Special purpose financing vehicle

[(1)] Entity under liquidation at 31 December 2020.

[(2)] In the context of the Greek Law 4548/2018, the legal name of the company has been amended or is in the process of being amended with the inclusion of the term "Single member".

The Group holds half of the voting rights of Hellenic Post Credit S.A. which is fully consolidated. The Bank with the consent of the other shareholder who holds the remaining 50% of the share capital, has appointed the majority of the Board's directors and directs the current operations that significantly affect the returns of the company.

The following entities are not included in the consolidated financial statements mainly due to immateriality:

(i) Holding and other entities of the Group's special purpose financing vehicles: (a) Themeleion III Holdings Ltd, Themeleion IV Holdings Ltd, Themeleion V Mortgage Finance Plc, Themeleion VI Mortgage Finance Plc, Anaptyxi APC Ltd, and Byzantium II Finance Plc, which are under liquidation and (b) Karta II Holdings Ltd.

(ii) Dormant entity: Enalios Real Estate Development S.A.

(iii) Entities controlled by the Group pursuant to the terms of the relevant share pledge agreements: Finas S.A., Rovinvest S.A., Provet S.A. and Promivet S.A.

In 2020, the changes in the Group structure due to: a) acquisitions, mergers and establishment of companies, b) sales and other corporate actions, which resulted in loss of control, c) transactions with the non-controlling interests, which did not result in loss of control and d) liquidations, are as follows:

(a) Eurobank FPS Loans and Credits Claim Management S.A., Greece

In June 2020, in the context of the binding agreements that Eurobank Ergasias S.A. had entered into with doValue S.p.A. in December 2019, the Bank sold 80% of its subsidiary then named Eurobank FPS Loans and Credits Claim Management S.A. - project "Europe". Further information is provided in notes 25 and 31.

(b) ERB Hellas Funding Ltd, Channel Islands
In June 2020, the liquidation of the company was decided and its dissolution was completed in December 2020.

(c) Adariano Investments Ltd and Elerovio Holdings Ltd, real estate companies, Cyprus
In the context of the management of its NPEs, in the second quarter of 2020, the Bank's subsidiary Eurobank Cyprus Ltd established the wholly owned subsidiaries, Adariano Investments Ltd and Elerovio Holdings Ltd, to operate as real estate companies in Cyprus.

(d) ERB Recovery Designated Activity Company, Ireland
In June 2020, the Bank established ERB Recovery Designated Activity Company, a special purpose financing vehicle for the securitization of a portfolio of mortgage, consumer, SME (small and medium enterprise) and corporate loans.

(e) Eurobank Finance S.A., Romania
The distribution of the company's surplus assets to its shareholders and its dissolution were completed in July and October 2020, respectively.

(f) Sagiol Ltd, Cyprus and Piraeus Port Plaza 2, Greece
In July 2020, the Bank acquired 100% of the shares and voting rights of Sagiol Ltd for a cash consideration of € 9.1 million. The acquisition was accounted for as a business combination using the purchase method of accounting. At the date of acquisition, the fair value of the total assets amounted to € 9.2 million referring to 51% of the shares and voting rights of the Group's joint venture Piraeus Port Plaza 2, while total liabilities amounted to € 0.01 million. The resulting gain of € 0.07 million has been recognized in "Other income/(expenses)". Following the above transaction, Piraeus Port Plaza 2 became a wholly owned subsidiary of the Bank.

In accordance with the requirements for business combinations achieved in stages, the Group has remeasured its previously held interest of 49% in Piraeus Port Plaza 2 at fair value of € 8.8 million, with a resulting gain of € 1.9 million that was recognized in "Other income/(expenses)".

(g) Macoliq Holdings Ltd, Cyprus and Piraeus Port Plaza 3, Greece
In October 2020, the Bank acquired 100% of the shares and voting rights of Macoliq Holdings Ltd for a cash consideration of € 12.5 million. The acquisition was accounted for as a business combination using the purchase method of accounting. At the date of acquisition, the fair value of the total net assets amounted to € 12.1 million referring to 51% of the shares and voting rights of the Group's joint venture Piraeus Port Plaza 3. Accordingly, the resulting goodwill asset amounted to € 0.4 million. Following the above transaction, Piraeus Port Plaza 3 became a wholly owned subsidiary of the Bank. In accordance with the requirements for business combinations achieved in stages, the Group has remeasured its previously held interest of 49% in Piraeus Port Plaza 3 at fair value of € 11.6 million, with a resulting gain of € 2.3 million that was recognized in "Other income/(expenses)".

(h) (Under liquidation) Real Estate Management Single Member S.A. and (Under liquidation) Anchor Hellenic Investment Holding Single Member S.A., Greece
In December 2020, the liquidation of the companies was decided.

(i) Tegea Holdings Ltd, Tegea Plc, Anaptyxi SME I Holdings Ltd and Anaptyxi SME I Plc, UK
In the fourth quarter of 2020, the liquidation of the special purpose financing vehicles was completed.

(j) Tenberco Properties Development and Exploitation Single Member S.A., Greece
In December 2020, the Bank acquired 100% of the shares and voting rights of Tenberco Properties Development and Exploitation Single Member S.A. for a cash consideration of € 27.1 million. At the date of acquisition, the fair value of the total assets amounted to € 30.6 million, while total liabilities amounted to € 1.4 million, mainly consisting of a deferred tax liability arising from the fair value measurement of the assets acquired. Accordingly, the effect of the transaction was € 2.2 million gain, which has been recognized in "Other income/(expenses)".

(k) Standard Single Member Real Estate S.A., Greece
In December 2020, following the capitalization of the company's finance lease liability, the Group's percentage holding in the company's share capital decreased from 100% to 94.10%. The transaction resulted in a) a gain of € 0.7 million that was recognized directly in the equity attributable to the shareholders of Eurobank S.A. and b) the increase of non controlling interests by € 0.1 million.

Post balance sheet event

Grivalia New Europe S.A., Luxembourg
In January 2021, the liquidation of the company was completed.

Significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group

The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from regulatory, statutory and contractual requirements, set out below:

- Banking and other financial institution subsidiaries are subject to regulatory restrictions and central bank requirements in the countries in which the subsidiaries operate. Such supervisory framework requires the subsidiaries to maintain minimum capital buffers and certain capital adequacy and liquidity ratios, including restrictions to limit exposures and/or the transfer of funds to the Bank and other subsidiaries within the Group. Accordingly, even if the subsidiaries' financial assets are not pledged at an individual entity level, their transfer within the Group may be restricted under the existing supervisory framework.

- As at 31 December 2020, the carrying amount of the Group financial institution subsidiaries' assets and liabilities, before intercompany eliminations, amounted to € 18.7 billion and € 16.5 billion, respectively.

- Subsidiaries are subject to statutory requirements mainly relating with the level of capital and total equity that they should maintain, restrictions on the distribution of capital and special reserves, as well as dividend payments to their ordinary shareholders. Information relating to the Group's non-distributable reserves is provided in (note 39).

- The Group uses its financial assets as collateral for repo and derivative transactions, secured borrowing from central and other banks, issuances of covered bonds, as well as securitizations. As a result of financial assets' pledge, their transfer within the Group is not permitted. Information relating to the Group's pledged financial assets is provided in notes 18, 30 and 40.

- The Group is required to maintain balances with central banks and also posts cash collaterals for obtaining funding from Eurosystem. Information relating to mandatory and collateral deposits with central banks is provided in note 16.

25. Investments in associates and joint ventures

As at 31 December 2020, the carrying amount of the Group's investments in associates and joint ventures amounted to € 276 million. The following is the listing of the Group's associates and joint ventures as at 31 December 2020:

Name	Note	Country of incorporation	Line of business	Group's share
Femion Ltd		Cyprus	Special purpose investment vehicle	66.45
(Under liquidation) Tefin S.A.		Greece	Dealership of vehicles and machinery	50.00
Sinda Enterprises Company Ltd		Cyprus	Special purpose investment vehicle	48.00
Singidunum - Buildings d.o.o. Beograd	a	Serbia	Development of building projects	20.01
Alpha Investment Property Kefalariou S.A.		Greece	Real estate	41.67
Global Finance S.A.[(2)]		Greece	Investment financing	33.82
Rosequeens Properties Ltd[(3)]		Cyprus	Special purpose investment vehicle	33.33
Famar S.A.[(1)]		Luxembourg	Holding company	23.55
Odyssey GP S.a.r.l.		Luxembourg	Special purpose investment vehicle	20.00
Eurolife FFH Insurance Group Holdings S.A.[(2)]		Greece	Holding company	20.00
Alpha Investment Property Commercial Stores S.A.		Greece	Real estate	30.00
Peirga Kythnou P.C.		Greece	Real estate	50.00
Value Touristiki S.A.		Greece	Real estate	49.00
Grivalia Hospitality S.A.[(3)]		Luxembourg	Real estate	25.00
Information Systems Impact S.A.		Greece	Information systems services	15.00
doValue Greece Loans and Credits Claim Management S.A.	b	Greece	Loans and Credits Claim Management	20.00
Perigenis Business Properties S.A.	d	Greece	Real estate	18.90

[(1)] *Entity under liquidation at 31 December 2020.*

[(2)] *Eurolife Insurance group (Eurolife ERB Insurance Group Holdings S.A., which as of 18 May 2020 was renamed to Eurolife FFH Insurance Group Holdings S.A, and its subsidiaries) and Global Finance group (Global Finance S.A. and its subsidiaries) are considered as Group's associates.*

[(3)] *Rosequeens Properties Ltd (including its subsidiary Rosequeens Properties SRL) and Grivalia Hospitality group (Grivalia Hospitality S.A. and its subsidiaries) are considered as Group's joint ventures.*

Omega Insurance and Reinsurance Brokers S.A. in which the Group holds 26.05% is not accounted under the equity method in the consolidated financial statements. The Group is not represented in the Board of Directors of the company, therefore does not exercise significant influence over it.

Femion Ltd. is accounted for as a joint venture of the Group based on the substance and the purpose of the arrangement and the terms of the shareholder's agreement which require the unanimous consent of the shareholders for significant decisions and establish shared control through the equal representation of the shareholders in the management bodies of the company.

Information Systems Impact S.A. is accounted as an associate of the Group based on the terms of the shareholders' agreement.

For 2020, the Group's share of results of Eurolife Insurance group amounting to € 25 million includes € 30 million, after tax, gains on sale of investment securities.

(a) Singidunum - Buildings d.o.o. Beograd, Serbia
The Group's participation in Singidunum decreased from 21.65% in March 2020 to 20.01% in December 2020, following share capital increases in favor of the other shareholder.

(b) doValue Greece Loans and Credits Claim Management S.A., Greece
On 5 June 2020, Eurobank Holdings announced the completion of the sale of 80% of Eurobank FPS Loans and Credits Claim Management S.A. (note 24). Hence, as of June 2020 the company is considered as a Group's associate and accordingly is accounted under the equity method in the consolidated financial statements. Also, in June 2020, the company was renamed to "doValue Greece Loans and Credits Claim Management S.A." ("doValue Greece").

In addition, on 22 October 2020, the Board of Directors of doValue Greece approved the merger with "doValue Greece Holding Single Member S.A." ("doValue Greece Holding"). Before the merger, doValue Greece Holding, which was fully owned by doValue S.p.A., held 80% of doValue Greece's share capital.

The companies agreed to merge by way of absorption of doValue Greece Holding by doValue Greece, in accordance with the provisions of Law 4601/2019, Law 4548/2018 and article 54 of Law 4172/2013.

The merger was completed in December 2020, after receiving the necessary regulatory approvals.

Upon completion of the merger all existing shares of the merging companies were cancelled and new ordinary shares were issued by the absorbing entity, doValue Greece, to its shareholders, doValue S.p.A. and Eurobank S.A, at a 68.5%/ 31.5% shareholding ratio. Contemporaneously with the merger and pursuant to the contractual arrangements between Eurobank and doValue S.p.A., Eurobank sold to doValue S.p.A. a shareholding of 11.5% in doValue Greece for a consideration of € 22.7 million, so that the Group's shareholding in the merged entity was restored to 20%. The consideration received was recognised against the carrying amount of the Group's investment in doValue Greece, to reflect the Group's share in the combined net assets of the company.

(c) Piraeus Port Plaza 2, Greece
As of July 2020, Piraeus Port Plaza 2 ceased to be a Group's joint venture and became a wholly owned subsidiary of the Bank (note 24).

(d) Perigenis Business Properties S.A., Greece
In the third quarter of 2020, in the context of the debt restructuring of a Bank's corporate customer, Perigenis Business Properties S.A., a special purpose real estate company was established, in which the Bank holds a participation of 18.90%. Based on the Bank's representation in the Board of Directors and the decision-making process as prescribed in the company's articles of association, the Bank is considered to have significant influence over the company. Therefore, the company is accounted for as an associate of the Group.

(e) Piraeus Port Plaza 3, Greece
As of October 2020, Piraeus Port Plaza 3 ceased to be a Group's joint venture and became a wholly owned subsidiary of the Bank (note 24).

Post balance sheet event

Singidunum - Buildings d.o.o. Beograd, Serbia

In March 2021, the Group's entity IMO Property Investments A.D. Beograd signed a share transfer agreement with the other shareholder of Singidunum - Buildings d.o.o for the disposal of its participation (20.01%) in the company.

Associates and joint ventures material to the Group

With regards to the Group's associates and joint ventures, Eurolife FFH Insurance Group Holdings S.A., doValue Greece Loans and Credits Claim Management S.A. and Grivalia Hospitality S.A. are considered individually material for the Group. Financial information regarding those entities is provided in the tables below:

Eurolife FFH Insurance Group Holdings S.A.

	2020 € million
Current assets	3,383
Non-current assets	127
Total assets	**3,510**
Current liabilities	439
Non-current liabilities	2,331
Total liabilities	**2,770**
Operating income	198
Net profit	124
Other comprehensive income	(41)
Total comprehensive income	**83**

doValue Greece Loans and Credits Claim Management S.A.

	2020 € million
Current assets	106
Non-current assets	309
Total assets	**415**
Current liabilities	114
Non-current liabilities	153
Total liabilities	**267**
Equity	**148**
Group's share in equity	30
Goodwill [1]	12
Group's carrying amount of the investment	**42**
Operating income	90
Net profit	12
Total comprehensive income	**12**

[1] it refers to the positive difference between the carrying amount of the Group's investment in doValue Greece (based on the sale agreement with doValue S.p.A.) and the Group's share in the entity's net assets as they both have been adjusted with the absorption of doValue Greece Holding by the entity (see above)

Grivalia Hospitality S.A.

	2020 € million
Current assets(1)	**40**
Non-current assets	**326**
Total assets	**366**
Current liabilities(2)	**57**
Non-current liabilities(3)	**87**
Total liabilities	**144**
Operating income/(loss)	**(29)**
Net profit/(loss)	**(21)**
Other comprehensive income/(loss)	**(3)**
Total comprehensive income/(loss)	**(24)**

(1) Includes cash and cash equivalents of € 29 million.
(2) Current financial liabilities excluding trade and other payables and provisions amount to € 2 million.
(3) Non-current financial liabilities excluding trade and other payables and provisions amount to € 72 million.

Note 1: The total comprehensive income of the above presented associates/join ventures refers to the period from 1 April 2020 onwards.
Note 2: The financial data for Grivalia Hospitality S.A. have been based on the available information by the end of the third quarter of 2020

The carrying amount, in aggregate, of the Group's joint ventures excluding Grivalia Hospitality S.A. as at 31 December 2020 amounted to € 15 million. The Group's share of profit and loss and total comprehensive income of the above entities amounted to € 4 million.

The carrying amount, in aggregate, of the Group's associates excluding Eurolife FFH Insurance Group Holdings S.A. and doValue Greece Loans and Credits Claim Management S.A. which is presented above (i.e. Global Finance S.A., Alpha Investment Property Kefalariou S.A., Singidunum - Buildings d.o.o. Beograd, AEP Commercial Stores S.A., Odyssey GP S.a.r.l., Information Systems Impact S.A. and Perigenis Business Properties S.A.) as at 31 December 2020 amounted to € 25 million. The Group's share of profit and loss and total comprehensive income of the above entities was immaterial.

The Group has not recognized losses in relation to its interest in its joint ventures, as its share of losses exceeded its interest in them and no incurred obligations exist or any payments were performed on behalf of them. For the period 20 March to 31 December 2020, the unrecognized share of losses for the Group's joint ventures amounted to € 2 million. The cumulative amount of unrecognized share of losses for the joint ventures amounted to € 22 million.

Following the merger with Grivalia in 2019, Eurobank Ergasias S.A. assumed contractual commitments to subscribe in future share capital increases in the entities over which it obtained joined control (Piraeus Port Plaza 2, Piraeus Port Plaza 3, Value Touristiki S.A) in accordance with the agreed upon investment budgets on a pro-rata basis to its respective holdings. In addition, Eurobank Ergasias S.A. agreed to eventually acquire the other shareholders' interest in these joint ventures upon the satisfaction of certain conditions, relating to the completion of the underlying investments, at a price to be determined by reference to the adjusted net asset value of each entity. During 2020, Piraeus Port Plaza 2 and Piraeus Port Plaza 3 became wholly owned subsidiaries of the Bank (note 24), therefore as at 31 December 2020 the Group's contractual commitments remain for Value Touristiki S.A.

Apart from the aforementioned commitments, the Group has no other unrecognized commitments in relation to its participation in joint ventures nor any contingent liabilities regarding its participation in associates or joint ventures, which could result to a future outflow of cash or other resources.

The Group's associate Eurolife FFH Insurance Group Holdings S.A is subject to regulatory and statutory restrictions and is required to maintain sufficient capital to satisfy its insurance obligations.

Except as described above, no significant restrictions exist (e.g. resulting from loan agreements, regulatory requirements or other contractual arrangements) on the ability of associates or joint ventures to transfer funds to the Group either as dividends or to repay loans that have been financed by the Group.

26. Structured Entities

The Group is involved in various types of structured entities, such as securitization vehicles, mutual funds and private equity funds.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities, a narrow well-defined objective, insufficient equity to permit it to finance its activities without subordinated financial support and financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

An interest in a structured entity refers to contractual and non-contractual involvement that exposes the Group to variability of returns from the performance of the structured entity. Examples of interest in structured entities include the holding of debt and equity instruments, contractual arrangements, liquidity support, credit enhancement, residual value.

Structured entities may be established by the Group or by a third party and are consolidated when the substance of the relationship is such that the structured entities are controlled by the Group, as set out in note 2.2.1(i). As a result of the consolidation assessment performed, the Group has involvement with both consolidated and unconsolidated structured entities, as described below.

Consolidated structured entities
The Group, as part of its funding activity, enters into securitization transactions of various classes of loans (corporate, small and medium enterprise, mortgage, consumer loans, credit card and bond loans), which generally result in the transfer of the above assets to structured entities (securitization vehicles), which, in turn issue debt securities held by investors and the Group's entities. The Group monitors the credit quality of the securitizations' underlying loans, as well as the credit ratings of the debt instruments issued, when applicable, and provides either credit enhancements to the securitization vehicles and/or transfers new loans to the pool of their underlying assets, whenever necessary, in accordance with the terms of the relevant contractual arrangements in force.

A listing of the Group's consolidated structured entities is set out in note 24

As at 31 December 2020, the face value of debt securities issued by the securitizations sponsored by the Group amounted to € 11,147 million, of which € 10,552 million were held by the Bank (note 35).

The Group did not provide any non contractual financial or other support to these structured entities, where applicable, and currently has no intention to do so in the foreseeable future.

Unconsolidated structured entities
The Group enters into transactions with unconsolidated structured entities, which are those not controlled by the Group, in the normal course of business, in order to provide fund management services or take advantage of specific investment opportunities.

Group managed funds
The Group establishes and manages structured entities in order to provide customers, either retail or institutional, with investment opportunities. Accordingly, through its subsidiaries Eurobank Asset Management Mutual Fund Mngt Company S.A. and Eurobank Fund Management Company (Luxembourg) S.A., it is engaged with the management of different types of mutual funds, including fixed income, equities, funds of funds and money market.

Additionally, the Group is entitled to receive management and other fees and may hold investments in such mutual funds for own investment purposes as well as for the benefit of its customers.

The Group is involved in the initial design of the mutual funds and, in its capacity as fund manager, takes investment decisions on the selection of their investments, nevertheless within a predefined, by relevant laws and regulations, decision making framework. Therefore, the Group has determined that it has no power over these funds.

Furthermore, in its capacity as fund manager, the Group primary acts as an agent in exercising its decision making authority over them. Based on the above, the Group has assessed that it has no control over these mutual funds and as a result does not consolidate them. The Group does not have any contractual obligation to provide financial support to the managed funds and does not guarantee their rate of return.

Non-Group managed funds

The Group purchases and holds units of third party managed funds including mutual funds, private equity and other investment funds.

Securitizations

The Group has interests in unconsolidated securitization vehicles by investing in residential mortgage backed and other asset-backed securities issued by these entities.

The table below sets out the carrying amount of the Group's interests in unconsolidated structured entities, recognized in the consolidated balance sheet as at 31 December 2020, representing its maximum exposure to loss in relation to these interests. Information relating to the total income derived from interests in unconsolidated structured entities, recognized either in profit or loss or other comprehensive income during 2020 is also provided (i.e. fees, interest income, net gains or losses on revaluation and derecognition):

	31 December 2020			
	Unconsolidated structured entity type			
	Securitizations € million	Group managed funds € million	Non- Group managed funds € million	Total € million
Group's interest- assets				
Loans and advances to customers [1]	3,505	-	-	**3,505**
Investment securities	67	41	28	**136**
Other Assets	-	1	-	**1**
Total	**3,572**	**42**	**28**	**3,642**
Total income from Group interests	50	44	1	**95**

[1] *Includes the senior and mezzanine notes of the Pillar and Cairo securitizations (note 4).*

For the period 20 March to 31 December 2020, total income related to the Group's interests from securitizations mainly includes: (i) € 49.7 million interest income of debt securities retained by the Group measured at amortized cost and (ii) € 0.5 million from gains or losses on revaluation recognized in other comprehensive income. Total income from Group interests in relation to Group managed funds consists of: (i) € 38.2 million income relating to management fees and other commissions for the management of funds and (ii) € 5.3 million gains or losses on revaluation or from sale of the Group's holding in funds recognized in profit or loss. In addition, total income in relation to non-Group managed funds consists mainly of gains or losses on revaluation or from sale of the Group's holding in funds and has been recognized in profit or loss.

As at 31 December 2020, the total assets of funds under the Group's management as well as the notional amount of notes in issue by unconsolidated securitization vehicles amounted to € 2,303 million and € 12,685 million, respectively.

27. Property and equipment

	20 March - 31 December 2020 [2]				
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Right of use assets (RoU)[1] € million	Total € million
Cost:					
Opening balance	681	196	457	226	1,560
Arising from acquisitions (note 24)	22	-	-	-	22
Transfers	(19)	-	1	-	(18)
Additions	10	7	21	24	62
Disposals, write-offs and adjustment to RoU [3]	(1)	(5)	(2)	24	16
Exchange adjustments	0	0	-	-	0
Held for sale (note 31)	(8)	-	-	-	(8)
Balance at 31 December	685	198	477	274	1,634
Accumulated depreciation:					
Opening balance	(208)	(156)	(400)	(47)	(811)
Transfers	1	1	-	-	2
Disposals, write-offs and adjustment to RoU [3]	0	4	2	4	10
Charge for the period	(11)	(6)	(13)	(29)	(59)
Held for sale (note 31)	2	-	-	-	2
Balance at 31 December	(216)	(157)	(411)	(72)	(856)
Net book value at 31 December	469	41	66	202	778

[1] The respective lease liabilities are presented in "other liabilities" (note 36).
[2] The movement of Eurobank S.A. subsidiaries is included from 1 April 2020, onwards.
[3] It refers to termination, modifications and remeasurements of RoU. It includes the remeasurement from revised estimates of the lease term during the period, considering all facts and circumstances that affect the Group's housing needs.

As at 31 December 2020, the RoU assets amounting to € 202 million refer to leased office and branch premises, ATM locations, residential properties of € 194 million and motor vehicles of € 8 million.

Leasehold improvements relate to premises occupied by the Group for its own activities.

28. Investment property

The Group applies the fair value model regarding the measurement of Investment Property according to IAS 40 "Investment property". The movement of investment property is as follows:

	20 March - 31 December 2020 [3] € million
Balance at beginning of period	1,330
Additions	11
Arising from acquisition [2]	111
Transfers from/to repossessed assets	2
Other transfers	17
Disposals	(15)
Net gain/(loss) from fair values adjustments	3
Balance at 31 December [1]	1,459

[1] RoU assets that meet the definition of investment property amount to € 14 million
[2] It refers to the acquisition of Piraeus Port Plaza 2, Piraeus Port Plaza 3 and Tenberco Properties Development and Exploitation Single Member S.A. (note 24).
[3] The movement of Eurobank S.A. subsidiaries is included from 1 April 2020, onwards.

Changes in fair values of investment property are recognized as gains/(losses) in profit or loss and included in the "Other Income/(expense)". All gains/(losses) are unrealized. During the period ended 31 December 2020, an amount of € 65 million was recognized as rental income from investment property in income from non banking services. As at 31 December 2020, there were no significant contractual obligations in relation to investment property.

The main classes of investment property have been determined based on the nature, the characteristics and the risks of the Group's properties. The fair value measurements of the Group's investment property, which are categorized within level 3 of the fair value hierarchy, are presented in the below table.

	31 December 2020 € million
Residential	**30**
Commercial	**1,381**
Land Plots	**25**
Industrial	**23**
Total	**1,459**

The basic methods used for estimating the fair value of the Group's investment property are the income approach (income capitalization/discounted cash flow method), the comparative method and the cost approach, which are also used in combination depending on the class of property being valued.

The discounted cash flow method is used for estimating the fair value of the Group's commercial investment property. Fair value is calculated through the projection of a series of cash flows using explicit assumptions regarding the benefits and liabilities of ownership (income and operating costs, vacancy rates, income growth), including the residual value anticipated at the end of the projection period. To this projected cash flows series, an appropriate, market-derived discount rate is applied to establish its present value.

Under the income capitalization method, also used for the commercial class of investment property, a property's fair value is estimated based on the normalized net operating income generated by the property, which is divided by the capitalization rate (the investor's rate of return).

The comparative method is used for the residential, commercial and land plot classes of investment property. Fair value is estimated based on data for comparable transactions, by analyzing either real transaction prices of similar properties, or by asking prices after performing the necessary adjustments.

The cost approach is used for estimating the fair value of the residential and the industrial classes of the Group's investment property. This approach refers to the calculation of the fair value based on the cost of reproduction/replacement (estimated construction costs), which is then reduced by an appropriate rate to reflect depreciation.

The Group's investment property valuations are performed taking into consideration the highest and best use of each asset that is physically possible, legally permissible and financially feasible.

The main method used to estimate the fair value of Group's Investment Property portfolio as at 31 December 2020, is the discounted cash flow method. Significant unobservable inputs used in the fair value measurement of the relevant portfolio are the rental income growth and the discount rate. Increase in rental income growth would result in increase in the carrying amount while an increase in the discount rate would have the opposite result. The discount rate used ranges from 7.5% to 12.3%. As at 31 December 2020, an increase or decrease of 5% in the discount rate used in the DCF analysis, would result in a downward or upward adjustment of the carrying value of the respective investment properties of € 29 million and € 31 million, respectively.

The Covid-19 outbreak and the subsequent lockdowns have significantly affected the economic activity in Greece, as well as Internationally, particularly the sectors of shopping centers, high street retail (excluding hypermarkets) and hospitality. As the Covid-19 pandemic still evolves, its duration and the full scope of its economic impact is still unknown at this time. Moreover, there is no solid market information and sufficient number of comparable transactions to quantify any relevant effects to the real estate market or determine their nature, while these effects are usually incorporated gradually and with a time lag in the real-estate market valuations.

The Group's investment property portfolio demonstrated significant resilience in 2020 to the pressures from the covid-19 pandemic, mainly due to its composition, as it primarily consists of office and big box/supermarket properties, as well as its particular characteristics in terms of the tenant's quality and the terms of the lease contracts, that were taken into account by the valuators in determining the fair value of the Group's investment properties.

Due to the lower levels of transactional activity in the real estate market , as mentioned above, a high degree of judgment has been applied in determining the estimated cash flows used in the assessment of the fair value of investment properties. The valuations are therefore reported by professional valuators as being subject to 'material valuation uncertainty' in line with International Valuation Standards, with a higher degree of caution attached to them.

The Group will continue to monitor closely the effect of the economic environment on the valuation of its investment properties.

29. Goodwill and other intangible assets

Goodwill

Impairment testing of goodwill

For the purposes of impairment testing, the goodwill recognised upon the acquisition of Grivalia has been allocated to the Investment Property Segment, which is defined as the Cash Generating Unit ("CGU") expected to benefit from that business combination.

The recoverable amount of the Investment Property Segment was determined from value-in-use calculations. For calculating value in use, the Group considered the business plan approved by the Board of Directors in December 2020, taking into account future prospects of the real estate market, as well as operational and market specific assumptions.

During the period ended 31 December 2020, the Group recognized an impairment loss of € 160 million against the goodwill allocated to the investment property segment.

As a result, the goodwill asset was reduced to nil and the carrying amount of the Investment Property Segment was reduced to its recoverable amount, being € 1,123 million (excluding relevant properties classified as held for sale), reflecting the fair value of the underlying assets. The pre-tax discount rate used in the estimate of value-in-use was 14.9%. The impairment loss was recognised under 'Impairment losses on goodwill' in the Consolidated Income Statement, since the prolonged uncertainty related to the Covid-19 pandemic affected the risk parameters applied for the determination of the segment's recoverable amount. As such, the parameters applied reflect the deteriorating macroeconomic factors and increased volatility in the global markets. Furthermore, due to the disruption in the economic activity, timing differences have also arisen with respect to the realization of forthcoming investment projects.

Although the goodwill impairment assessment parameters have been negatively impacted by the uncertainty arising from the pandemic, the valuation results of the underlying investment property portfolio are only marginally negative, while new acquisitions exhibit mark ups. In particular, the Group's investment property portfolio demonstrates significant resilience to the pressures from the Covid-19 pandemic, mainly due to its composition and its particular characteristics, reflecting in parallel its high quality of tenants and strong leases.

As at 31 December 2020, the Group's remaining carrying amount of goodwill amounts to € 1.3 million, out of which € 0.9 million relates to ERB Lux Immo S.A.

Other intangible assets

The movement of other intangible assets which refer to purchased and developed software is as follows:

	20 March - 31 December 2020 [1] € million
Cost:	
Opening balance	491
Transfers	1
Additions	65
Disposals and write-offs	(21)
Impairment	(1)
Balance at 31 December	535
Accumulated amortisation:	
Opening balance	(271)
Transfers	(1)
Amortisation charge for the period	(25)
Disposals and write-offs	15
Balance at 31 December	(282)
Net book value at 31 December	253

[1] *The movement of other intangible assets of Eurobank S.A. subsidiaries is included from 1 April 2020, onwards.*

30. Other assets

	31 December 2020 € million
Receivable from Deposit Guarantee and Investment Fund	708
Repossessed properties and relative prepayments	616
Pledged amount for a Greek sovereign risk financial guarantee	237
Balances under settlement [2]	11
Prepaid expenses and accrued income	102
Other guarantees	111
Income tax receivable [1]	24
Other assets	183
Total	1,992

[1] *Includes withholding taxes, net of provisions.*
[2] *Includes settlement balances with customers, balances under settlement relating to the auction process and brokerage activity.*

As at 31 December 2020, other assets net of provisions, amounting to € 183 million include, among others, receivables related to (a) prepayments to suppliers, (b) public entities, (c) property management activities and (d) legal cases.

31. Assets of disposal groups classified as held for sale

Eurobank FPS Loans and Credits Claim Management S.A., Greece

On 19 December 2019, the Group announced that it has reached an agreement with doValue S.p.A. ("doValue") to dispose 80% of its subsidiary Eurobank FPS Loans and Credits Claim Management S.A. ("FPS"), for a cash consideration of € 248 million, subject to certain adjustments.

As per the agreement, FPS, which was part of Eurobank Ergasias Troubled Asset Group ("TAG") - the unit responsible for the management of the troubled assets portfolio, would take over Eurobank Ergasias TAG unit in order for the sale to be completed. The relevant arrangements were completed at the end of March 2020.

After receiving all regulatory approvals, the above sale transaction was completed on 5 June 2020.

Upon the completion of the transaction, the Group derecognized the assets and liabilities of FPS and recognized its retained 20% interest as an associate, to be accounted for using the equity method of accounting, at its fair value of € 62 million. The fair value was determined by reference to the implied enterprise value of € 310 million for 100% of the entity.

The terms of the transaction remained as per the binding agreement of 19 December 2019, which provided for certain adjustments related with the net cash position of the company, assets under management as of December 2019 and the net economic benefit accrued since 1 January 2020.

The cash consideration received, after the above consideration adjustments, amounted to € 211 million and the resulting gain on disposal was € 219 million before tax (€ 173 million after tax), including the costs directly attributable to the transaction and the remeasurement of the retained interest in FPS.

The transaction was capital accretive, as the effect on Total Capital ratio amounted to approximately + 75 bps excluding transaction expenses and tax.

In the context of the strategic partnership with doValue S.p.A. for the management of its Non Performing Exposures ("NPEs"), the Group entered into a 14-year Service Level Agreement ("SLA") with FPS (renamed as doValue Greece Loans and Credits claim Management S.A., "doValue Greece") for the servicing of Eurobank's NPEs and retail early arrears, as well as any future production of them.

Real estate properties

In November 2019, the Group, in the context of its strategy for the active management of its real estate portfolio (repossessed, investment properties and own used properties) reached pre-sale agreements with prospective investors for the disposal of three pools of real estate assets amounting to a total value of ca. € 0.1 billion. Consequently, the disposal of these properties' portfolios was considered highly probable and they have been classified as held for sale (HFS) as of the end of November 2019. The fair value less cost to sell of these properties, based on the offer prices included in the pre-sale agreements, was lower than their carrying amount, therefore an impairment loss of € 24 million was recognized in the fourth quarter of 2019 upon their remeasurement in accordance with the IFRS 5 requirements. After the completion of certain sales during 2020, the carrying amount of these real estate assets as at 31 December 2020 was reduced to € 39 million.

The closing date of the pre-sale agreement regarding one of the relevant portfolios of carrying value € 6.1 million as at 31 December 2020, lapsed on 30 April 2020 without being further extended. However, the Group remains committed to its plan to sell the aforementioned portfolio, which continues to be actively marketed for sale, while a number sales of individual items within the portfolio have already taken place. As such, the portfolio remains classified as HFS as at 31 December 2020.

The sale of the real estate properties classified as HFS, which was initially expected to be concluded within 2020, is now extended beyond this period due to the current extraordinary conditions related to Covid-19 pandemic.

The above non-recurring fair value measurement in year 2019 was categorized as Level 3 of the fair value hierarchy due to the significance of the unobservable inputs used with no change occurring in year 2020.

32. Due to central banks

	31 December 2020 € million
Secured borrowing from ECB	**7,999**

The European Central Bank (ECB) has introduced a series of measures since March 2020 in order to further support the liquidity conditions of the banking system, the money market activity and the lending to the real economy in the face of the effects of the Covid-19 pandemic. In particular, a series of longer term refinancing operations (LTROs) entered into force until 24 June 2020, while the terms and conditions of targeted longer-term refinancing operations (TLTRO III) have been modified within 2020 in terms of lending performance thresholds, applicable interest rates and borrowing allowance in order to support the continuous access of households and firms to bank credit in the face of Covid-19 pandemic's outbreak.

Based on the modified terms of TLTRO III facilities up to December 2020, the interest rate on TLTRO III facilities has been reduced to -0.50% for the period from June 2020 to June 2021, while for the banks subject to meeting the required lending thresholds the interest rate for the abovementioned period may be capped at -1% (i.e. the minimum of the average deposit facility rate minus 0.5% and the rate of -1%). Additionally, based on the ECB's decision in January 2021, the reduction of interest rate to -0.5% is extended to the period from June 2021 to June 2022 (also capped at -1%), provided that the lending thresholds for the additional observation period as set in the above mentioned ECB's decision are met.

As at 31 December 2020, the borrowing from ECB's longer-term refinancing operations amounted to € 8.02 billion, using as collaterals, among others, Greek government bonds which became eligible for such financing following ECB's relevant decision in April 2020. The Group has assessed the terms of the program and concluded that TLTRO III contains a significant benefit in comparison to the market's pricing for other similarly collateralized borrowings available to the Group and this benefit should be accounted for as a government grant under IAS 20. Consequently, the Group considers that the grant is intended to compensate for its funding costs incurred over the term of each TLTRO-III facility and therefore, the benefit should be allocated systematically under interest expense.

As at 31 December 2020, the Group has recognized on an accrual basis, the benefit of '-0.50%' from TLTRO III for the period June 2020 to June 2021 amounting to € 21.2 million. The Group will revisit its expectations of meeting the conditions attached to the more favorable interest rates applicable to TLTRO III facilities and once it has reasonable assurance of meeting the lending targets required it will recognize the benefit into the income statement.

33. Due to credit institutions

	31 December 2020 € million
Secured borrowing from credit institutions	**683**
Borrowings from international financial and similar institutions	**695**
Current accounts and settlement balances with banks	**87**
Interbank takings	**37**
Total	**1,502**

As at 31 December 2020, secured borrowing from credit institutions refers mainly to transactions with foreign institutions, which were conducted with collaterals government - mainly Greek - corporate and bank securities (note 6.2.1.3). As at 31 December 2020, borrowings from international financial and similar institutions include borrowings from European Investment Bank, European Bank for Reconstruction and Development and other similar institutions.

34. Due to customers

	31 December 2020 € million
Savings and current accounts	31,679
Term deposits	15,417
Repurchase agreements	200
Other term products (note 35)	10
Total	**47,306**

The other term products relate to senior medium-term notes held by the Bank's customers.

For the period ended 31 December 2020, due to customers for the Greek and International operations amounted to € 34,206 million and € 13,100 million, respectively.

35. Debt securities in issue

	31 December 2020 € million
Securitisations	594
Subordinated notes (Tier 2)	950
Medium-term notes (EMTN) (note 34)	15
Total	**1,559**

Securitisations

The carrying value of the asset backed securities issued by the Bank's special purpose financing vehicles Maximus Hellas DAC and Astarti DAC and held by an international institutional investor (Class A notes), as at 31 December 2020 amounted to € 146 million and € 145 million, respectively.

On 13 July 2020 the Bank, through its special purpose financing vehicle ERB Recovery Designated Activity Company, issued asset backed securities of total face value of € 9.6 billion, collateralized by a portfolio of mortgage, consumer, SME (small and medium enterprise) and corporate loans, which consisted of two classes of notes: (a) a senior class of notes of face value of € 1 billion and (b) junior class of variable funding notes of face value of € 8.6 billion. The aforementioned notes were fully retained by the Bank.

In September 2020, the Bank, through its special purpose financing vehicle Karta II plc and following a cancellation of asset backed securities of carrying value of € 400 million issued by the said financing vehicle and held by the Bank, issued asset backed securities of total face value of € 369.6 million, collateralized by a portfolio of credit card loans, which consisted of: (a) a senior class of notes (the "Class A notes") of face value of € 303 million at a cost of three month Euribor plus 230 basis points which was sold via a private placement to a multi-seller asset-backed commercial paper (ABCP) conduit administered by an international institutional investor and (b) a subordinated class of notes (the "Class B notes") of face value of € 66.6 million, which were retained by the Bank. The transaction has been accounted as a collateralized borrowing, considering that the Bank retains all significant risks and rewards of the securitized assets. As at 31 December 2020, the carrying value of Class A notes amounted to € 303 million.

Tier 2 Capital instruments

In January 2018, Eurobank Ergasias issued Tier 2 capital instruments of face value of € 950 million, in replacement of the preference shares which had been issued in the context of the first stream of Hellenic Republic's plan to support liquidity in the Greek economy under Law 3723/2008. The aforementioned instruments have a maturity of ten years (until 17 January 2028) and pay fixed nominal interest rate of 6.41% that shall be payable semi-annually.

In the context of the hive down (note 4), considering that the obligations of Eurobank Ergasias (' Demerged Entity') arising from the Tier 2 Subordinated capital instruments were not transferred to Eurobank SA ('the Beneficiary'), the latter pursuant to the terms of the Draft Demerger Deed has explicitly and irrevocably undertaken to fulfil the relevant obligations. Accordingly, on 20 March 2020, the Beneficiary issued a subordinated instrument of equivalent terms with those of TIER 2 mentioned above which was fully subscribed by the Demerged Entity. As at 31 December 2020, the carrying amount of the subordinated instrument issued amounted to € 950 million.

Covered Bonds

On 2 November 2020, covered bonds of face value of € 500 million issued by the Bank and held by third party investors, matured.

Financial disclosures required by the Act 2620/28.08.2009 of the Bank of Greece in relation to the covered bonds issued, are available at the Bank's website (Investor Report for Covered Bonds Programs).

Post balance sheet events

On 4 February 2021, the Bank proceeded with a new covered bonds' issue of face value of € 600 million, fully retained by the Bank.

On 22 February 2021 the Bank proceeded with the early termination of the Maximus Hellas DAC securitization.

On 22 March 2021 the Bank proceeded with the restructuring of ASTARTI securitization upsizing the Class A notes held by an international institutional investor to € 250 million while the Class B notes, retained by the Bank, were decreased from € 219 million to € 98 million.

36. Other liabilities

	31 December 2020 € million
Lease liabilities	**221**
Balances under settlement [1]	**267**
Deferred income and accrued expenses	**133**
Other provisions	**93**
ECL allowance for credit related commitments (note 6.2.1.2)	**66**
Standard legal staff retirement indemnity obligations (note 37)	**45**
Employee termination benefits	**97**
Sovereign risk financial guarantee	**38**
Acquisition obligation	**15**
Income taxes payable	**10**
Deferred tax liabilities, (note 14)	**21**
Other liabilities	**190**
Total	**1,196**

[1] *Includes settlement balances relating to bank cheques and remittances, credit card transactions, other banking and brokerage activities.*

As at 31 December 2020, other liabilities amounting to € 190 million mainly consist of payables relating with (a) suppliers and creditors, (b) contributions to insurance organizations, (c) duties and other taxes and (d) trading liabilities.

As at 31 December 2020, other provisions amounting to € 93 million mainly include: (a) € 60 million for outstanding litigations against the Group (note 42), (b) € 28 million for other operational risk events, of which € 22 million is mainly related to open (non-expired) taxable periods of Eurobank Ergasias S.A. subsidiary Bancpost S.A. until the completion of its disposal in 2018 and (c) € 1 million for restructuring costs mainly relating to the acquisition of Piraeus Bank Bulgaria A.D.

The movement of the Group's other provisions, is presented in the following table:

	20 March - 31 December 2020 [1]		
	Litigations and claims in dispute € million	Other € million	Total € million
Balance at 20 March	**59**	**39**	**98**
Amounts charged during the period	**10**	**4**	**14**
Amounts used during the period	**(4)**	**(8)**	**(12)**
Amounts reversed during the period	**(4)**	**(3)**	**(7)**
Foreign exchange and other movements	**(1)**	**1**	**(0)**
Balance at 31 December	**60**	**33**	**93**

[1] *The movement of other provisions of Eurobank S.A. subsidiaries is included from 1 April 2020, onwards.*

For the period ended 31 December 2020, an amount of € 123.9 million has been recognised in the Group's income statement for employee termination benefits in respect of the Voluntary Exit Schemes (VES), which is further analysed as follows: (a) € 118.3 million cost for the new VES, that was launched by the Group in September 2020 for eligible units in Greece and offered to employees over a specific age limit. The new VES is implemented through either lump-sum payments or long term leaves during which the employees will be receiving a percentage of a monthly salary, or a combination thereof, while the estimated saving in personnel expenses amounts to € 35.3 million on an annual basis, and (b) € 5.6 million relating to the additional cost for the VES that was launched by the Bank in 2019, which has been offered to employees over an age limit as well as to employees of specific eligible Bank units independent of age and is implemented through the aforementioned ways.

37. Standard legal staff retirement indemnity obligations

The Group provides for staff retirement indemnity obligation for its employees in Greece and abroad, who are entitled to a lump sum payment based on the number of years of service and the level of remuneration at the date of retirement, if they remain in the employment of the Group until normal retirement age, in accordance with the local labor legislation. The above retirement indemnity obligations typically expose the Group to actuarial risks such as interest rate risk and salary risk. Therefore, a decrease in the discount rate used to calculate the present value of the estimated future cash outflows or an increase in future salaries will increase the staff retirement indemnity obligations of the Group.

The movement of the liability for standard legal staff retirement indemnity obligations is as follows:

	20 March - 31 December 2020 [1] € million
Opening balance	**52**
Current service cost	**2**
Interest cost	**1**
Past service cost and (gains)/losses on settlements	**53**
Remeasurements:	
Actuarial (gains)/losses arising from changes in financial assumptions	**2**
Actuarial (gains)/losses arising from changes in demographic assumptions	**(0)**
Actuarial (gains)/losses arising from experience adjustments	**0**
Benefits paid	**(65)**
Exchange adjustments	**0**
Balance at 31 December	**45**

[1] *The movement of the liability for standard legal staff retirement of Eurobank S.A. subsidiaries is included from 1 April 2020, onwards.*

The benefits paid by the Group during 2020, in the context of the Voluntary Exit Scheme (VES) (note 36), amounted to € 65 million. The provision for staff retirement obligations of the staff that participated in the above scheme, amounted to € 10 million.

The significant actuarial assumptions (expressed as weighted averages) were as follows:

	31 December 2020 %
Discount rate	**0.6**
Future salary increases	**2.2**

As at 31 December 2020, the average duration of the standard legal staff retirement indemnity obligation was 16 years.

A quantitative sensitivity analysis based on reasonable changes to significant actuarial assumptions as at 31 December 2020 is as follows:

An increase/(decrease) of the discount rate assumed, by 50 bps/(50 bps), would result in a (decrease)/increase of the standard legal staff retirement obligations by (€ 3.6 million)/ € 4.0 million.

An increase/(decrease) of the future salary growth assumed, by 0.5%/(0.5%) would result in an increase/(decrease) of the standard legal staff retirement obligations by € 3.9 million/(€ 3.6 million).

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The methods and assumptions used in preparing the above sensitivity analysis were consistent with those used to estimate the retirement benefit obligation.

38. Share capital and share premium

As at 31 December 2020, following the demerger of Eurobank Ergasias through the banking sector's hive down (note 4), the Bank's total share capital amounts to € 4,052 million divided into 3,683,244,830 common voting shares of nominal value of € 1.10 each. All shares are fully paid.

39. Reserves and retained earnings

	Statutory reserves € million	Non-taxed reserves € million	Fair value reserve € million	Other reserves € million	Retained earnings € million	Total € million
Balance at 20 March 2020 [(1)]	**181**	**57**	**339**	**(119)**	**409**	**867**
Net profit	-	-	-	-	247	**247**
Transfers between reserves	1	4	-	-	(5)	**-**
Debt securities at FVOCI	-	-	84	-		**84**
Cash flow hedges	-	-	-	(14)	-	**(14)**
Foreign currency translation	-	-	-	(1)	-	**(1)**
Associates and joint ventures						
-changes in the share of other comprehensive income, net of tax	-	-	(8)	(1)	-	**(9)**
Actuarial gains/(losses) on post employment benefit obligations, net of tax	-	-	-	(2)	-	**(2)**
Other	-	-	-	0	(0)	**0**
Balance at 31 December 2020	**182**	**60**	**415**	**(136)**	**652**	**1,173**

[(1)] The movement of Reserves and retained earnings of Eurobank S.A. subsidiaries and the share of reserves and retained earnings of its associates/join ventures are included from 1 April 2020, onwards.

As at 31 December 2020, other reserves mainly comprise: (a) € 202 million accumulated loss relating to foreign operations' translation differences, including € 27 million accumulated gain relating to net investment hedging and (b) € 49 million accumulated loss relating to cash flow hedging.

Statutory reserves, fair value reserve and cash flow hedges are not distributable while non-taxed reserves are taxed when distributed.

Dividends

Based on the 2020 accounts, pursuant to the Company Law 4548/2018, the distribution of dividends is not permitted. Furthermore, under the provisions of the Tripartite Relationship Agreement between Eurobank Holdings, the Bank and the HFSF (signed 23.3.2020) and article 10 par.3 of Law 3864/2010 for the "establishment of a Hellenic Financial Stability Fund", for as long the HFSF participates in the share capital of Eurobank Holdings, the amount of dividends that may be distributed to shareholders of either Eurobank Holdings or the Bank cannot exceed 35% of the profits as provided in article 161 par. 2 of Company Law 4548/2018.

40. Transfers of financial assets

The Group enters into transactions by which it transfers recognized financial assets directly to third parties or to Special Purpose Entities (SPEs).

(a) The Group sells, in exchange for cash, securities under an agreement to repurchase them (repos) and assumes a liability to repay to the counterparty the cash received. In addition, the Group pledges, in exchange for cash, securities, covered bonds, as well as loans and receivables and assumes a liability to repay to the counterparty the cash received. The Group may also transfer securities under securities lending agreements with no exchange of cash or pledging of other financial assets as collateral. For all the aforementioned transactions, the Group has determined that it retains substantially all the risks, including associated credit and interest rate risks, and rewards of these financial assets and therefore has not derecognized them. As a result of the above transactions, the Group is unable to use, sell or pledge the transferred assets for the duration of the transaction. The related liability, where applicable, is recognized in Due to central banks and credit institutions (notes 32 and 33), Due to customers (note 34) and Debt securities in issue (note 35), as appropriate.

The Group enters into securitizations of various classes of loans (corporate, small and medium enterprise, consumer and various classes of non performing loans), under which it assumes an obligation to pass on the cash flows from the loans to the holders of the notes. The Group has determined that it retains substantially all risks, including associated credit and interest rate risks, and rewards of these loans and therefore has not derecognized them. As a result of the above transactions, the Group is unable to use, sell or pledge the transferred assets for the duration of their retention by the SPE. Moreover, the note holders' recourse is limited to the transferred loans. As at 31 December 2020, the securitizations' issues held by third parties amounted to € 594 million (note 35).

The table below sets out the details of Group's financial assets that have been sold or otherwise transferred, but which do not qualify for derecognition:

	Carrying amount 31 December 2020 € million
Securities held for trading	**7**
Loans and advances to customers	**16,015**
-securitized loans [(1)]	***6,740***
-pledged loans under covered bond program	***3,707***
-pledged loans with central banks	***5,357***
-other pledged loans	***211***
Investment securities	**6,076**
Total	**22,098**

[(1)] It includes securitized loans of issues held by the Bank, not used for funding.

(b) The Group may sell or re-pledge any securities borrowed or obtained through reverse repos and has an obligation to return the securities. The counterparty retains substantially all the risks and rewards of ownership and therefore the securities are not recognized by the Group. As at 31 December 2020, the Group had obtained through reverse repos securities of face value of € 1,154 million, of which € 1,038 sold under repurchase agreements with cash value of € 1,270 million. Furthermore, as at 31 December 2020, the Group had obtained Greek treasury bills as collaterals for derivatives transactions with the Hellenic Republic of face value of € 1,285 million, sold under repurchase agreements with € 1,080 million cash value.

As at 31 December 2020, the cash value of the assets transferred or borrowed by the Group through securities lending, reverse repo and other agreements (points a and b) amounted to € 12,843 million, while the associated liability from the above transactions amounted to € 10,558 million, of which € 1,065 million repo agreements offset in the balance sheet against reverse repo deals (notes 32, 33, 34, 35 and 6.2.1.4). In addition, the Group's financial assets pledged as collaterals for repos, derivatives, securitizations and other transactions other than the financial assets presented in the table above are provided in notes 18 and 30.

41. Leases

<u>Group as a lessee</u>

The Group leases office and branch premises, ATM locations, residential properties for the Group's personnel, and motor vehicles.

The majority of the Group's property leases are under long term agreements (for a term of 12 years or more in the case of leased real estate assets), with options to extend or terminate the lease according to the terms of each contract and the usual terms and conditions of commercial leases applicable in each jurisdiction, while motor vehicles generally have lease terms of up to 4 years. Extension options held by the Group are included in the lease term when it is reasonably certain that they will be exercised based on its assessment. For contracts having an indefinite remaining life as at 1 January 2020, the lease term has been determined at an average of 7 years for the Bank, after considering all relevant facts and circumstances. Depending on the terms of each lease contract, lease payments are adjusted annually in line with the consumer Price Index, as published by the Greek Statistical Authority, plus an agreed fixed percentage.

Information about the leases for which the Group is a lessee is presented below:

<u>Right-of-Use Assets</u>
As at 31 December 2020, the right-of-use assets included in property and equipment amounted to € 202 million (note 27), while those that meet the definition of investment property amounted to € 14 million (note 28).

<u>Lease Liabilities</u>
The lease liability included under other liabilities amounted to € 221 million as at 31 December 2020 (note 36). The maturity analysis of lease liabilities as at 31 December 2020, based on the contractual undiscounted cash flows, is presented in note 6.2.3.

<u>Amounts recognised in profit or loss</u>
Interest on lease liabilities is presented in note 7 and the lease expense relating to short term leases is ca. € 3 million.

The Group had total cash outflows for leases of € 44 million in 2020.

<u>Group as a lessor</u>

<u>Finance lease</u>

The Group leases out certain real estate properties and equipment under finance leases, in its capacity as a lessor.

The maturity analysis of finance lease receivables, based on the undiscounted lease payments to be received after the reporting date, is provided below:

	31 December 2020 € million
Not later than 1 year	18
1-2 years	13
2-3 years	10
3-4 years	7
4-5 years	5
Later than 5 years	13
Lease payments:	66
Unguaranteed residual values	821
Gross investment in finance leases	887
Less: unearned finance income	(54)
Net investment in finance leases	833
Less: Impairment allowance	(306)
Total	527

Operating Leases

The Group leases out its investment property under the usual terms and conditions of commercial leases applicable in each jurisdiction. When such leases do not transfer substantially all of the risks and rewards incidental to the ownership of the leased assets, the Group classifies these lease as operating leases. Information relating to operating leases of investment property, including the rental income recognised by the Group during the year, is provided in note 28.

In the context of the relief measures taken in response to the Covid-19 outbreak, the Group as a lessor has granted certain rent concessions to its tenants directly affected by the Covid-19 pandemic. The total reduction in rent receivable from the above lease modifications up to 31 December 2020 amounts to approximately € 7 million before tax and will be recognised gradually over the remaining lease term of the respective lease contracts. The part of the reduction recognised up to 31 December 2020 in "Income from non banking services" amounts to approximately € 1 million.

Rent concessions granted to the Group as a lessee up to 31 December 2020, as direct consequence of the Covid-19 pandemic, amount to approximately € 1 million and have been recognised in "Other Income/ (expenses)", in accordance with "Covid-19-Related Rent Concessions (Amendment to IFRS 16)" issued in May 2020.

The maturity analysis of operating lease receivables, based on the undiscounted lease payments to be received after the reporting date, is provided below:

	31 December 2020 € million
Not later than one year	90
One to two years	85
Two to three years	79
Three to four years	72
Four to five years	62
More than five years	324
Total	712

42. Contingent liabilities and other commitments

The Group presents the credit related commitments it has undertaken within the context of its lending related activities into the following three categories: a) financial guarantee contracts, which refer to guarantees and standby letters of credit that carry the same credit risk as loans (credit substitutes), b) commitments to extend credit, which comprise firm commitments that are irrevocable over the life of the facility or revocable only in response to a material adverse effect and c) other credit related commitments, which refer to documentary and commercial letters and other guarantees of medium and low risk according to the Regulation No 575/2013/EU.

Credit related commitments are analyzed as follows:

	31 December 2020 € million
Financial guarantee contracts	641
Commitments to extend credit	1,200
Other credit related commitments	484
Total	**2,325**

The credit related commitments within the scope of IFRS 9 impairment requirements amount to € 5.7 billion, including revocable loan commitments of € 3.4 billion, while the corresponding allowance for impairment losses amounts to € 66 million.

In addition, the Group has issued a sovereign risk financial guarantee of € 0.24 billion (for which an equivalent amount has been deposited under the relevant pledge agreement (note 30).

Other commitments

(a) The Bank has signed irrevocable payment commitment and collateral arrangement agreements with the Single Resolution Board (SRB) amounting in total to € 16 million as at 31 December 2020, representing 15% of its resolution contribution payment obligation to the Single Resolution Fund (SRF) for the years 2016-2020.

According to the agreements, which are backed by cash collateral of an equal amount, the Bank undertook to pay to the SRB an amount up to the above irrevocable payment commitment, in case of a call and demand for payment made by it, in relation to a resolution action. The said cash collateral has been recognized as a financial asset in the Group's balance sheet (note 30).

(b) As at 31 December 2020, the contractual commitments for the acquisition of own used property, equipment and intangible assets amounted to € 40 million.

Legal proceedings

As at 31 December 2020, a provision of € 60 million has been recorded for a number of legal proceedings outstanding against the Group. The said amount includes € 34 million for an outstanding litigation related to the acquisition of New TT Hellenic Postbank S.A. in 2013.

Furthermore, in the normal course of its business, the Group has been involved in a number of legal proceedings, which are either at still a premature or at an advanced trial instance. The final settlement of these cases may require the lapse of a certain time so that the litigants exhaust the legal remedies provided for by the law. Management, having considered the advice of the Legal Services General Division, does not expect that there will be an outflow of resources and therefore does not acknowledge the need for a provision.

Following the completion of the banking sector's hive down of Eurobank Ergasias S.A. (Demerged entity) the Beneficiary (i.e. Eurobank S.A., "Bank") substitutes the Demerged Entity (currently Eurobank Holdings), by way of universal succession, to all the transferred assets and liabilities (note 4), while pending lawsuits where the Demerged entity was an involved party and are related to the hived down banking sector, will continue ipso jure by the Bank or against it.

Against the Bank various legal remedies and redresses have been filed amongst others in the form of lawsuits, applications for injunction measures, motions to vacate payment orders and appeals in relation to the validity of clauses for the granting of loans in Swiss Francs. To date the vast majority of the judgments issued by the first instance and the appellate Courts have found in favour of the Bank's positions. As to certain aspects of Swiss Francs loans there was a lawsuit before the Supreme Court at plenary session which was initiated from an individual lawsuit. The Decision issued on 18 April 2019 was in favour of the Bank.

On the class action that has been filed by a consumer union, a judgment of the Athens Court of Appeals was issued in February 2018, which was in favour of the Bank and rejected the lawsuit on its merits. The judgment has been challenged by the consumer unions with a petition of cassation which was heard on 13 January 2020 and the decision is pending to be issued.

In any event, the Management of the Bank is closely monitoring the developments to the relevant cases so as to ascertain potential accounting implications in accordance with the Group's accounting policies.

43. Operating segment information

Management has determined the operating segments based on the internal reports reviewed by the Strategic Planning Committee that are used to allocate resources and to assess their performance in order to make strategic decisions. The Strategic Planning Committee considers the business both from a business unit and geographic perspective. Geographically, management considers the performance of its business activities originated from Greece and other countries in Europe (International).

Greece is further segregated into retail, corporate, global capital markets & asset management and investment property. International is monitored and reviewed on a country basis. The Group aggregates segments when they exhibit similar economic characteristics and profile and are expected to have similar long-term economic development.

In more detail, the Group is organized in the following reportable segments:
- Retail: incorporating customer current accounts, savings, deposits and investment savings products, credit and debit cards, consumer loans, small business banking and mortgages.
- Corporate: incorporating current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products to corporate entities, custody, cash management and trade services.
- Global, Capital Markets & Asset Management: incorporating investment banking services including corporate finance, merger and acquisitions advice, financial instruments trading and institutional finance to corporate and institutional entities, as well as, specialized financial advice and intermediation to private and large retail individuals and to small and large corporate entities. In addition, this segment incorporates mutual fund and investment savings products, institutional asset management and equity brokerage.
- International: incorporating operations in Bulgaria, Serbia, Cyprus, Luxembourg and Romania
- Investment Property: the investment property activities (Bank, Eurobank Ergasias Leasing S.A. and former Grivalia group) relating to a diversified portfolio of commercial assets, with high yield on prime real estate assets, in the office, retail, logistics, infrastructure and hospitality sectors, are monitored as a separate Group segment..

Other segment of the Group refers mainly to a) property management (including repossessed assets), b) other investing activities (including equities' positions) , c) private banking services to medium and high net worth individuals and d) the Group's share of results of Eurolife Insurance group and doValue Greece Loans and Credits Claim Management S.A..

The Group's management reporting is based on International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies of the Group's operating segments are the same with those described in the principal accounting policies.

Revenues from transactions between business segments are allocated on a mutually agreed basis at rates that approximate market prices.

43.1 Operating segments

	Period 20 March - 31 December 2020 [3]						
	Retail	Corporate	Global, Capital Markets & Asset Mngt	Investment Property	International	Other and Elimination center [1]	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net interest income	327	248	167	(15)	252	28	1,007
Net commission income	46	51	76	(0)	71	(4)	240
Other net revenue	(11)	2	423	76	8	239	737
Total external revenue	362	301	666	61	331	263	1,984
Inter-segment revenue	10	31	(18)	1	(3)	(21)	-
Total revenue	372	332	648	62	328	242	1,984
Operating expenses	(313)	(95)	(46)	(26)	(172)	(0)	(652)
Impairment losses relating to loans and advances to customers	(226)	(141)	-	-	(81)	-	(449)
Impairment losses on goodwill	-	-	-	(160)	-	-	(160)
Other impairment losses and provisions	(6)	(8)	(2)	(0)	(6)	(10)	(32)
Share of results of associates and joint ventures	(0)	1	0	(0)	(2)	25	24
Profit/(loss) before tax from continuing operations before restructuring costs	(173)	87	600	(125)	67	258	715
Restructuring costs	(34)	(4)	(1)	-	-	(102)	(141)
Profit/(loss) before tax from continuing operations	(207)	83	599	(125)	67	156	574
Loss before tax from	-	-	-	-	0	-	0
Non controlling interests	-	-	-	-	(0)	(0)	(0)
Profit/(loss) before tax attributable to shareholders	(207)	83	599	(125)	67	156	574

	31 December 2020						
	Retail [3]	Corporate	Global, Capital Markets & Asset Mngt	Investment Property	International	Other and Elimination center [1]	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Segment assets	16,745	13,377	12,309	1,444	16,694	7,157	67,726
Segment liabilities	27,305	8,129	6,819	310	14,993	4,945	62,501

The International segment is further analyzed as follows:

	Period 20 March - 31 December 2020 [3]					
	Bulgaria	Serbia	Cyprus	Luxembourg	Romania	Total
	€ million	€ million	€ million	€ million	€ million	€ million
Net interest income	133	39	55	21	4	252
Net commission income	39	9	18	5	(1)	71
Other net revenue	(2)	4	6	1	(0)	8
Total external revenue	170	52	79	27	3	331
Inter-segment revenue	0	(0)	0	(3)	-	(3)
Total revenue	170	52	79	24	3	328
Operating expenses	(86)	(36)	(32)	(15)	(4)	(172)
Impairment losses relating to loans and advances to customers	(41)	(11)	(13)	(0)	(16)	(81)
Other impairment losses and provisions	(3)	(1)	(1)	(0)	(1)	(6)
Share of results of associates and joint ventures	-	(2)	-	-	0	(2)
Profit/(loss) before tax	40	2	32	9	(18)	67
Profit/(loss) before tax	40	2	32	9	(18)	67
Non controlling interests	(0)	(0)	-	-	-	(0)
Profit/(loss) before tax attributable to shareholders	40	2	32	9	(18)	67

	31 December 2020					
	Bulgaria € million	Serbia € million	Cyprus € million	Luxembourg € million	Romania € million	International € million
Segment assets[2]	6,010	1,691	6,852	1,892	301	16,694
Segment liabilities[2]	5,359	1,275	6,232	1,699	481	14,993

[1] Interbank eliminations between International and the other Group's segments are included.

[2] Intercompany balances among the Countries have been excluded from the reported assets and liabilities of International segment.

[3] The results of Eurobank S.A. subsidiaries are included from 1 April 2020, onwards.

44. Post balance sheet events

Details of post balance sheet events are provided in the following notes:

Note 2.1 – Basis of preparation
Note 5 – Capital Management
Note 6.2 – Financial risk factors
Note 24 – Shares in subsidiaries
Note 25 – Investments in associates and joint ventures
Note 32 – Due to central banks
Note 35 – Debt securities in issue
Note 47 – Board of Directors

45. Related parties

On 20 March 2020, Eurobank Ergasias S.A. ("Demerged Entity") announced that the demerger of Eurobank Ergasias S.A. through the banking sector's hive down and the establishment of a new company-credit institution ("Demerger") under the corporate name "Eurobank S.A." (the Bank) were approved, while on 23 March 2020 "the Demerged Entity" was renamed to "Eurobank Ergasias Services and Holdings S.A." ("Eurobank Holdings'') (note 4). Following the demerger, Eurobank Holdings is considered to be the parent company of Eurobank S.A. In respect of the key management personnel (KMP) of Eurobank Ergasias S.A., it remained as Eurobank S.A.'s KMP. Furthermore, the Board of Directors (BoD) of Eurobank Holdings is the same as the BoD of Eurobank S.A. and part of the KMP of Eurobank S.A. provides services to Eurobank Holdings according to the terms of the relevant agreement between the two entities. As at 31 December 2020, the percentage of the Eurobank Holdings' ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF) stands at 1.40%. The HFSF is considered to have significant influence over Eurobank S.A. pursuant to the provisions of the Law 3864/2010, as in force, the Relationship Framework Agreement (RFA) Eurobank Ergasias S.A. has entered into with the HFSF on 4 December 2015 and the Tripartite Relationship Framework Agreement (TRFA) between Eurobank S.A., the Company and the HFSF signed on 23 March 2020. 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 Holdings for the year ended 31 December 2020.

In addition, as of December 2019, Fairfax Financial Holdings Limited has obtained the required regulatory approvals in relation to the increase of its shareholding in Eurobank Ergasias S.A., which arose from the merger of the latter with Grivalia Properties REIC in the same year. Accordingly Fairfax Group, which as at 31 December 2020 holds 31.27% in the parent company's share capital, is considered to have significant influence over Eurobank S.A.

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arm's length basis. These include loans, deposits and guarantees. In addition, as part of its normal course of business in investment banking activities, the Group at times may hold positions in debt and equity instruments of related parties.

The outstanding balances of the transactions with (a) Eurobank Holdings, (b) Fairfax Group, (c) the key management personnel (KMP) and the entities controlled or jointly controlled by KMP and (d) the associates and joint ventures, as well as the relating income and expenses are as follows:

	31 December 2020			
	Eurobank Holdings [(1)] € million	Fairfax Group € million	KMP[(2)] and Entities controlled or jointly controlled by KMP € million	Associates and joint ventures € million
Loans and advances to customers	-	9.02	4.69	28.94
Derivative financial instruments	-	0.10	-	-
Other assets	0.40	1.92	0.27	65.33
Due to customers	15.89	0.15	22.29	114.06
Debt securities in issue	950.17	-	-	-
Other liabilities	1.82	0.01	0.96	19.77
Guarantees issued	-	-	0.01	2.00
Guarantees received	-	-	0.02	-
	Period 20 March - 31 December 2020			
Net interest income	(35.38)	0.11	(0.01)	(2.38)
Net banking fee and commission income	7.48	-	0.02	8.78
Net trading income	0.19	-	-	(0.02)
Impairment losses relating to loans and advances including relative fees	(1.33)	(0.01)	-	(41.03)
Other operating income/(expenses) [(3)]	(3.88)	6.48	(10.99)	(9.93)

[(1)] Includes also Eurobank S.A. fellow subsidiaries.

[(2)] Includes the KMP of Eurobank S.A. Group, the KMP of the parent company and their close family members.

[(3)] The amount of € 10.99 million relates to the services agreement with Grivalia Management Company S.A. for the management of the Group's real estate properties.

For the period 20 March to 31 December 2020, there were no material transactions with the HFSF. In addition, as at 31 December 2020 the loans, net of provisions, granted to non consolidated entities controlled by the Bank pursuant to the terms of the relevant share pledge agreements amounted to € 0.3 million.

For the period 20 March to 31 December 2020, a reversal of impairment of € 0.3 million has been recorded against loan balances with Group's associates and joint ventures, while the respective impairment allowance amounts to € 0.1 million. In addition, as at 31 December 2020, the fair value adjustment for loans to Group's associates and joint ventures measured at FVTPL amounts to € 17.7 million.

Key management compensation (directors and other key management personnel of the Group)

Key management personnel are entitled to compensation in the form of short-term employee benefits of € 5.09 million and long-term employee benefits of € 0.74 million. In addition, as at 31 December 2020, the defined benefit obligation for the KMP amounts to € 1.82 million, while the respective cost for the period through the income statement (including adjustment in past service cost) amounts to € 0.05 million and the actuarial gains through the other comprehensive income amount to € 0.06 million.

46. External Auditors

The Bank has adopted a Policy on External Auditors' Independence which provides amongst others, for the definition of the permitted and non-permitted services the Group auditors may provide further to the statutory audit. For any such services to be assigned to the Group's auditors there are specific controlling mechanisms in order for the Bank's Audit Committee to ensure there is proper balance between audit and non-audit work.

The total fees of the Group's principal independent auditor "KPMG Certified Auditors", along with the KPMG network, for audit and other services provided are analyzed as follows:

	Period 20 March - 31 December 2020 € million
Statutory audit [1]	**(2.4)**
Tax certificate	**(0.4)**
Other audit related assignments	**(0.7)**
Non audit assignments	**(0.1)**
Total	**(3.6)**

[1] Includes fees for statutory audit of the annual standalone and consolidated financial statements.

It is noted that the non-audit assignment fees of "KPMG Certified Auditors A.E." Greece, statutory auditor of the Bank, amounted to € 0.03 million.

47. Board of Directors

On 20 March 2020 the demerger of Eurobank Ergasias S.A. through the banking sector's hive down and the establishment of the new company credit institution under the corporate name Eurobank S.A. were approved by the Ministry of Development and Investments.

In the article 18 of the final and transitional provisions of the articles of association of "Eurobank S.A." it is provided, among others, the composition and term of office of its first Board of Directors.

Further to that:

- Mr. Theodoros Kalantonis, submitted his resignation, effective as of 3 April 2020.
- The BoD by its decision dated 8 April 2020, appointed Ms. Alice Gregoriadi and Ms. Irene Rouvitha Panou as their new independent non-executive members, in replacement of the resigned independent non-executive members Mr. Richard Boucher and Mr. Nikolaos Bertsos, their resignations being effective as of 8 April 2020, and their term of office will expire concurrently with the term of office of the other members of the BoD.
- Mr. George Myhal, submitted his resignation, effective as of 10 December 2020. The BoD by its decision the same date appointed Ms. Cinzia Basile as new independent Non-Executive Director, in replacement of the resigned independent non-executive member Mr. George Myhal for an equal term to the remaining term of the resigned member.
- The BoD by its decision dated 10 December 2020 appointed Mr. Andreas Athanasopoulos as new executive Director in replacement of the resigned executive Director Mr. Theodoros Kalantonis for an equal term to the remaining term of the resigned member.
- The BoD by its decision dated 28 January 2021, appointed Ms Efthymia Deli as the new representative of the HFSF and non-executive member of Eurobank's BoD in replacement of the departing Mr. Dimitrios Miskou, according to the provisions of Law 3864/2010 and the existing Relationship Framework Agreement with the HFSF (TRFA), for an equal term to the remaining term of the resigned member.

Following the above, the BoD is as follows:

G. Zanias	Chairman, Non-Executive
G. Chryssikos	Vice Chairman, Non-Executive
F. Karavias	Chief Executive Officer
S. Ioannou	Deputy Chief Executive Officer
K. Vassiliou	Deputy Chief Executive Officer
A. Athanasopoulos	Deputy Chief Executive Officer
B. P. Martin	Non-Executive
A. Gregoriadi	Non-Executive Independent
I. Rouvitha- Panou	Non-Executive Independent
R. Kakar	Non-Executive Independent
J. Mirza	Non-Executive Independent
C. Basile	Non-Executive Independent
E. Deli	Non-Executive (HFSF representative under Law 3864/2010)

Athens, 12 April 2021

Georgios P. Zanias	**Fokion C. Karavias**	**Harris V. Kokologiannis**
I.D. No AI - 414343	I.D. No AI - 677962	I.D. No AN - 582334
CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER	GENERAL MANAGER OF GROUP FINANCE GROUP CHIEF FINANCIAL OFFICER