EUROBANK ERGASIAS SERVICES AND HOLDINGS S.A.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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Index to the Financial Statements .... Page

Notes to the Financial Statements

Balance Sheet

	Note	31 December 2021 € million	31 December 2020 € million
ASSETS			
Due from credit institutions	4.1	**62**	14
Investment securities	11	**949**	942
Shares in subsidiaries	12	**4,093**	4,091
Other assets	13	**5**	4
Total assets		**5,109**	5,051
LIABILITIES			
Debt securities in issue	14	**947**	947
Other liabilities	15	**2**	1
Total liabilities		**949**	948
EQUITY			
Share capital	16	**816**	816
Share premium	16	**8,056**	8,056
Corporate law reserves	17	**6,919**	6,919
Special reserves	17	**1,004**	1,004
Other Reserves	17	**1,179**	1,179
Retained earnings/(losses)	17	**(13,814)**	(13,871)
Total equity		**4,160**	4,103
Total equity and liabilities		**5,109**	5,051

Note: Information for the change in presentation of reserves and retained earnings is provided in note 17

Notes on pages 6 to 32 form an integral part of these financial statements.

Income Statement

	Note	Year ended 31 December 2021 € million	2020 € million
Interest income		**61**	121
Interest expense		**(61)**	(58)
Net interest income/(expense)	5	**(0)**	63
Other income/(expenses)	6	**57**	(10)
Operating income		**57**	53
Operating expenses	7	**(9)**	(9)
Profit from operations before impairments		**48**	44
Impairment losses relating to loans and advances to customers	8	**-**	(1,508)
Other impairment losses	11	**7**	(7)
Profit/(Loss) before tax		**55**	(1,471)
Income tax	9	**(0)**	-
Net profit/(loss) from continuing operations		**55**	(1,471)
Net profit/(loss) from discontinued operations	10	**-**	(41)
Net profit/(loss)		**55**	(1,512)

Notes on pages 6 to 32 form an integral part of these financial statements.

Statement of Comprehensive Income

	Year ended 31 December			
		2021		2020
		€ million		€ million
Net profit/(loss)		**55**		(1,512)
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	-		8	
- transfer to net profit, net of tax	-	-	(1)	7
Debt securities at FVOCI				
- changes in fair value, net of tax	-		(143)	
- transfer to net profit, net of tax	-	-	(46)	(189)
		-		(182)
Items that will not be reclassified to profit or loss:				
-Actuarial gains/ (losses) on post employment benefit obligations, net of tax		**(0)**		(0)
Other comprehensive income		**(0)**		(182)
Total comprehensive income				
- from continuing operations		**55**		(1,471)
- from discontinued operations		-		(223)
		55		(1,694)

Notes on pages 6 to 32 form an integral part of these financial statements.

Statement of Changes in Equity

	Share capital € million	Share premium € million	Reserves and Retained earnings € million	Hybrid capital € million	Total € million
Balance at 1 January 2020 (note 15)	853	8,056	(3,054)	2	5,857
Net loss (note 15)	-	-	(1,512)	-	(1,512)
Other comprehensive income (note 15)	-	-	(182)	-	(182)
Total comprehensive income for the year ended 31 December 2020 (note 15)	-	-	(1,694)	-	(1,694)
Share capital decrease and capitalization of taxed reserves (note 16)	(37)	-	(21)	-	(58)
Hybrid capital's redemption and dividend paid, net of tax	-	-	(0)	(2)	(2)
	(37)	-	(21)	(2)	(60)
Balance at 31 December 2020	816	8,056	(4,769)	-	4,103
Balance at 1 January 2021	**816**	**8,056**	**(4,769)**	**-**	**4,103**
Net profit	-	-	55	-	**55**
Other comprehensive income	-	-	(0)	-	**(0)**
Total comprehensive income for the year ended 31 December 2021	-	-	**55**	-	**55**
Share-based payment: - Value of employee services (note 18)	-	-	2	-	**2**
	-	-	**2**	-	**2**
Balance at 31 December 2021	**816**	**8,056**	**(4,712)**	**-**	**4,160**
	Note 16	Note 16	Note 17		

Notes on pages 6 to 32 form an integral part of these financial statements.

Cash Flow Statement

	Note	Year ended 31 December 2021 € million	2020 € million
Cash flows from continuing operating activities			
Profit/(loss) before income tax from continuing operations		**55**	(1,471)
Adjustments for :			
Impairment losses relating to loans and advances to customers	8	**-**	1,508
Other impairment losses	11	**(7)**	7
Depreciation and amortisation		**0**	0
Other (income)/losses relating to investing activities	6.1	**(54)**	-
Other adjustments		**1**	(3)
		(5)	41
Changes in operating assets and liabilities			
Net (increase)/decrease in due from credit institutions		**-**	2
Net (increase)/decrease in loans and advances to customers		**-**	(24)
Net (increase)/decrease in other assets		**(1)**	(7)
Net increase/(decrease) in other liabilities		**0**	3
		(1)	(26)
Net cash from/(used in) continuing operating activities		**(6)**	15
Cash flows from continuing investing activities			
(Purchases)/sales and redemptions of investment securities	6.1	**54**	-
Acquisition of subsidiaries and participation in capital increases		**-**	(1)
Net cash from/(used in) continuing investing activities		**54**	(1)
Net increase in cash and cash equivalents from continuing operations		**48**	14
Net cash flows from discontinued operating activities		**-**	(74)
Net cash flows from discontinued investing activities		**-**	(903)
Net cash flows from discontinued financing activities		**-**	(8)
Net increase/(decrease) in cash and cash equivalents from discontinued operations		**-**	(985)
Cash and cash equivalents of hived down banking sector on 20 March 2020		**-**	(1,788)
Cash and cash equivalents at beginning of year		**14**	2,773
Cash and cash equivalents at end of year	19	**62**	14

Notes on pages 6 to 32 form an integral part of these financial statements.

1. General information

Eurobank Ergasias Services and Holdings S.A. (the Company or Eurobank Holdings) is the parent company of Eurobank S.A. (the Bank), which resulted from the demerger of Eurobank Ergasias S.A. ("Demerged entity") through its banking sector's hive down. In particular, 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" ("the Beneficiary") 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 the Demerged Entity became the shareholder of the Beneficiary by acquiring all the shares issued by the Beneficiary and the Beneficiary substituted 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. In addition, the corporate name and the distinctive title of the Demerged Entity was amended to "Eurobank Ergasias Services and Holdings S.A." and "Eurobank Holdings" respectively.

Eurobank S.A. (the Bank), along with its subsidiaries (Eurobank S.A. Group), comprise the major part of Eurobank Holdings Group (the Group) (note 12). The Company operates mainly in Greece and through the Bank's subsidiaries in Central and Southeastern Europe. Its main activities relate to the strategic planning of the administration of non-performing loans and the provision of services to its subsidiaries and third parties, while the Eurobank S.A. Group is active in retail, corporate and private banking, asset management, treasury, capital markets and other services. The Company is incorporated in Greece and its shares are listed on the Athens Stock Exchange.

These financial statements were approved by the Board of Directors on 5 April 2022. The Independent Auditor's Report is included in section V of the Annual Financial Report.

2. Basis of preparation and principal accounting policies

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

The financial statements are prepared under the historical cost basis except for the financial assets measured at fair value through other comprehensive income and financial assets and financial liabilities measured at fair-value-through-profit-or-loss.

The accounting policies for the preparation of the financial statements have been consistently applied to the years 2021 and 2020, after taking into account the amendments in IFRSs as described in section 2.1.1 "New and amended standards and interpretations" and the amendments in the Company's accounting policies as described in section 2.1.2 "Other accounting developments". The comparative information has been restated due to change in accounting policy for employee benefits (note 2.1.2). In addition, where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

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

The Company's presentation currency is the Euro (€). 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 Company's business strategy and activities are linked to those of its banking subsidiary Eurobank S.A. In this context, the directors monitor closely the capital and liquidity position of the Bank as well as the associated risks, uncertainties and the mitigating factors affecting its operations. 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:

2021 was a year of strong recovery, as the Greek economy reclaimed most of its pandemic inflicted losses. The significant progress of vaccination programs allowed the gradual relaxation of containment measures and the reopening of the economy that led to the strengthening of consumption and the recovery of the tourism sector providing substantial boost to real GDP growth. Based on Hellenic Statistical Authority's (ELSTAT) provisional data, Greek real GDP increased by 8.3% in 2021 (9% decrease in 2020), the seasonally adjusted unemployment rate dropped to 12.8% in December 2021 (December 2020: 16.3%), while the inflation, as measured by the 12-month average Harmonized Index of Consumer Prices (HICP), closed at 0.6% in 2021, compared to -1.3% in 2020. According to ELSTAT, the HICP increased by 6.3% in February 2022 compared to -1.9% in February 2021 mainly reflecting the current rise in energy and fuel costs. The European Commission (EC), in its winter economic forecasts (February 2022), estimates the real GDP growth rate in Greece at 4.9% and 3.5% in 2022 and 2023 respectively. On the fiscal front, according to 2022 State Budget, the general government's primary balance in European System of Accounts (ESA2010) terms in 2021 and 2022 is expected to register deficits of 7.0% and 1.4% of GDP respectively as a result of the implementation of public support measures amounted to € 16.9 billion in 2021, and € 3.3 billion in 2022 aiming to address the economic and social effects of the Covid-19 pandemic. The gross public debt is estimated at 197.1% and 189.6% of GDP in 2021 and 2022 respectively (2020: primary deficit at 7.1% and public debt at 206.3%). These forecasts take into account the public support measures aiming to alleviate the impact of increased energy and fuel costs in 2021 (€0.9 billion), but not the additional and more encompassing measures announced in 2022 (an additional €2.8 billion as of 17 March 2022). However, since a large part of these measures will be covered by funds earmarked especially for this purpose as well as additional government proceeds, their fiscal impact will be significantly smaller than the above amount. The deviation from the Enhanced Surveillance (ES) primary surplus target of 3.5% of GDP in 2021 and 2022 is not considered a violation of Greece's commitments under the ES framework, as in March 2020 EC activated the general escape clause, allowing for non-permanent deviations from the agreed fiscal paths of the member-states due to the extraordinary health and economic distress caused by the pandemic. According to the 2 June 2021 EC press release, the clause shall remain in force in 2022, and is expected to be deactivated in 2023. These forecasts may change as a result of the actual size of the public sector's support measures, the impact of inflationary pressure on economic growth, and the repercussions of the energy price hikes on public finances.

In response to the Covid-19 outbreak, on 21 July 2020, the European Council agreed on a recovery package under the EC's Next Generation EU framework to support the recovery and resilience of the member states' economies. In this context, on 13 July 2021, the Economic and Financial Affairs Council (ECOFIN) approved the Greek National Recovery and Resilience Plan (NRRP), titled "Greece 2.0". Greece shall receive European Union (EU) funds of more than €30.5 billion (€17.8 billion in grants and €12.7 billion in loans) up to 2026 from the Recovery and Resilience Facility (RRF) to finance projects and initiatives laid down in its NRRP. A pre-financing of € 4 billion was disbursed in August 2021, while on 28 February 2022 the EC preliminarily endorsed Greece's payment request for the first RRF instalment, amounting to €3.6 billion. Greece has been also allocated about €40 billion through EU's Multiannual Financial Framework (MFF) 2021-2027. Furthermore, on 24 March 2020, the European Central Bank (ECB) established a temporary Pandemic Emergency Purchase Programme (PEPP), with a financial envelope of € 1,850 billion since December 2020, out of which ca € 37 billion are available for the purchase of Greek Government Bonds (GGBs). On 16 December 2021, the ECB announced that it would cease net bond purchases under PEPP at the end of March 2022, as scheduled. Reinvestment of principal from maturing securities will, however, continue at least until the end of 2024, allowing explicitly for the purchase of Greek Government Bonds (GGBs) over and above rollovers of redemptions.

In 2021, the Greek State proceeded with the issuance of six bonds of various maturities, (5-year, 10-year, and 30-year) drawing a total of €14 billion from international financial markets. More recently, on 19 January 2022, the Public Debt Management Agency (PDMA) issued a 10-year bond of € 3 billion at a yield of 1.836%.

Regarding the outlook for the next 12 months the major macroeconomic risks and uncertainties in Greece are as follows: (a) the geopolitical conditions in the near or in broader region, especially the ongoing Russian invasion in Ukraine, and its ramifications on the regional and global stability and security, the European and Greek economy, and the energy sector in particular (b) a prolongation and/or exacerbation of the ongoing inflationary pressure, especially in the energy sector and the supply chain, and its impact on economic growth, employment, public finances, household budgets, and firms' production costs, (c) further increase in the interest rates worldwide, and in the Euro Area in particular, that may exert upwards pressures on sovereign and private borrowing costs, (d) the actual size and duration of the current and potentially new fiscal measures aimed at alleviating the impact of rising energy and food prices, and their impact on the long-term sustainability of the country's public debt, (e) the impact of the withdrawal of the temporary support measures on growth, employment and the continual service of household and corporate debt, (f) the prospect of the so-called "twin deficits" (i.e. fiscal and current account deficit) becoming more structural, although currently they appear to be more a repercussion of the pandemic, (g) the absorption capacity of the NGEU and MFF funds and the attraction of new investments in the country, (h) the implementation of the reforms and privatizations' agenda in order to meet the ES and

EC's Recovery and Resilience Facility (RRF) targets and milestones, (i) the evolution of the health crisis and the probability of emergence of new Covid-19 variants that could adversely impact economic recovery and bring about new movement restrictions and fiscal support measures and (j) the exacerbation of natural disasters due to the climate change and their effect on GDP, employment and fiscal balance.

Materialization of the above risks including those related to increased energy prices and inflation, would have potentially adverse effects on the fiscal planning of the Greek government, as it could decelerate the pace of expected growth and on the liquidity, solvency and profitability of the Greek banking sector, as well as on the realization of its NPE reduction plans. The Russian invasion in Ukraine poses uncertainties in global economy and international trade with far-reaching and long-term consequences. As the events are still unfolding, any assessment of their impact is premature. However, the risks coming from geopolitical upheaval could be potentially mitigated with coordinated measures at the European level, as per the pandemic precedent. In this context, the Group holds non-significant exposure in Russian assets and is continuously monitoring the developments on the macroeconomic and geopolitical fronts 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 protection of its asset and capital base and the resilience of its pre-provision profitability.

As at 31 December 2021, following the completion of the project "Mexico" (sale of 95% mezzanine and junior "Mexico" securitization notes) and the subsequent derecognition of the underlying securitized loan portfolio of € 3.1 billion (consisting primarily of NPE) (notes 20.1 of the Group's consolidated financial statements and 6.1), the Group decreased significantly its NPE stock by € 2.9 billion to € 2.8 billion (31 December 2020: € 5.7 billion), driving the NPE ratio at 6.8% (31 December 2020: 14%), while the NPE coverage ratio stood at 69.2% (31 December 2020: 61.8%). At the Group level, the net profit attributable to shareholders for the year ended 31 December 2021 amounted to € 328 million, of which € 143 million was related to the international operations. The adjusted net profit, excluding the loss of € 77 million from "Mexico" project and the restructuring costs (after tax) of € 19 million, amounted to € 424 million (2020: € 538 million profit). The net profit for the company equals to € 55 million (2020: € 1,512 million loss). The Group's Total Capital Adequacy (total CAD) and Common Equity Tier 1 (CET1) ratios stood at 16.1% (31 December 2020: 16.3%) and 13.7% (31 December 2020: 13.9%) respectively as at 31 December 2021. Pro-forma with the completion of the sale of Eurobank's merchant acquiring business, the total CAD and CET1 ratios would be 16.8% and 14.5% respectively. In addition, the Group completed successfully the 2021 SSM stress test (ST), which was coordinated and conducted by the ECB.

In terms of liquidity, as at 31 December 2021, the Group deposits have increased by € 5.9 billion to € 53.2 billion (31 December 2020: € 47.3 billion), while the funding from the targeted long term refinancing operations of the European Central Bank – TLTRO III programme reached € 11.7 billion (31 December 2020: € 8 billion). During the year, in the context of its medium-term strategy to meet its MREL target, the Bank proceeded with two issues of preferred senior debt with a nominal value of € 500 million each, in April and September respectively. The rise in high quality liquid assets of the Group led the respective Liquidity Coverage ratio (LCR) to 152% (31 December 2020: 124%).

<u>Going concern assessment</u>

The Board of Directors, acknowledging the geopolitical and macroeconomic risks to the economy and the banking system and taking into account the above factors relating to (a) the strong recovery of economic activity in 2021 and the prospects for sustainable growth rates in Greece onwards, (b) the Group's pre-provision income generating capacity and the adequacy of its capital and liquidity position, and (c) the significant improvement of the Group's NPE ratio in 2021, has been satisfied that the financial statements of the Company can be prepared on a going concern basis.

2.1.1 New and amended standards and interpretations

New and amended standards adopted by the Company as of 1 January 2021

The following amendments to standards as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), that are relevant to the Company, apply from 1 January 2021:

Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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 the issues that affect financial reporting once an existing rate is replaced with an RFR and provides specific disclosure requirements. The Phase 2 amendments provide key reliefs related to the contractual modifications due to the reform and the hedging designations affected by the reform. In addition, Phase 2 amendments introduce additional disclosure requirements, 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 adoption of the amendments had no material impact on the financial statements.

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

A number of amendments to existing standards are effective after 2021, as they have not yet been endorsed by the European Union (EU), or have not been early applied by the Company. Those that may be relevant to the Company are set out below:

IFRS 3, Amendments, Reference to the Conceptual Framework (effective 1 January 2022)

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 financial statements.

Annual improvement to IFRSs 2018-2020 cycle: IFRS1, IFRS9 and IFRS 16 (effective 1 January 2022)

The improvements introduce changes to several standards. The amendments that are relevant to the Company'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 amendments 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 financial statements.

IAS 37, Amendment, Onerous Contracts – Costs of Fulfilling a Contract (effective 1 January 2022)

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 financial statements.

IAS 8, Amendments, Definition of Accounting Estimates (effective 1 January 2023)

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 financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective 1 January 2023)

IASB issued amendments to IAS 1 "Presentation of Financial Statements" that 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 amendments 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 these amendments 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 financial statements.

IAS 1, Amendments, Classification of Liabilities as Current or Non-Current (effective 1 January 2023, not yet endorsed by EU)

The amendments, published in January 2020, 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 financial statements.

IAS 12, Amendments, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023, not yet endorsed by EU)

The amendments clarify that the initial recognition exemption set out in IAS 12 'Income Taxes' does not apply for transactions such as leases and decommissioning obligations that, on initial recognition, give rise to equal amount of taxable and deductible temporary differences. Accordingly, for such transactions an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented.

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

2.1.2 Other accounting developments

IFRIC agenda decision - Attributing Benefit to Periods of Service (IAS 19)

In May 2021, an IFRIC agenda decision was published that concludes about the periods of service over which an entity should attribute benefits under a specific retirement defined benefit plan based on the existing requirements of IAS 19. In particular, according to the above decision, the attribution of the benefit shall not begin from the start of the employment date but from the date when the employee service first leads to benefits under the terms of the plan until the date when further employee service will lead to no material amount of further benefits.

The Company implemented the above agenda decision in the fourth quarter of 2021 by amending its accounting policy for 'Employee benefits' (note 2.2.14) and accounted for any resulting adjustments retrospectively, in accordance with IAS 8 ''Accounting Policies, Changes in Accounting Estimates and Errors''.

The adjustments performed due to the retrospective application of the IFRIC agenda decision are presented in note 15.

2.2 Principal accounting policies

2.2.1 Investments in subsidiaries

Investments in subsidiaries, including investments acquired through common control transactions, are accounted at cost less any impairment losses. Cost is the fair value of the consideration given being the amount of cash or shares issued, or if that cannot be determined reliably, the consideration received together with any directly attributable costs.

As an exception to the above measurement basis, when the Company transfers an existing Group entity or business sector to a new subsidiary formed for this purpose in a share for share exchange that does not have commercial substance, the Company's investment in that newly formed subsidiary is recognized at the carrying amount of the transferred entity.

A listing of the Company's subsidiaries is set out in note 12.

2.2.2 Foreign currencies

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.

Non-monetary assets and liabilities are translated into the functional currency at the exchange rates prevailing at initial recognition.

2.2.3 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, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses.

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

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

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

(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 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 are recognised at the point in time when the transaction takes place.

2.2.4 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 Company 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.

2.2.5 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 Company 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.

2.2.6 Impairment of subsidiaries

The Company assesses as at each reporting balance sheet date whether there is any indication that its investments in subsidiaries may be impaired by considering both external and internal sources of information, such as the net assets compared to the carrying value of each entity, as well as forward looking developments and/or economy sector in which they operate. In addition, the collection of dividends from subsidiaries is also a potential trigger that may indicate that the respective investments are impaired. In particular, when dividend is received from the Company's subsidiaries, it is also examined whether that dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared, to determine whether an indication of impairment exists.

If any indication of impairment exists at each reporting date, the Company estimates the recoverable amount of the investment, being the higher of its fair value less costs to sell and its value in use.

An impairment loss is recognized in profit or loss when the recoverable amount of the investment is less than its carrying amount.

Investments in subsidiaries for which an impairment loss was recognized in prior reporting periods, are reviewed for possible reversal of such impairment at each reporting date.

2.2.7 Impairment of non-financial assets

Non-financial 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 for which an impairment loss was recognized in prior reporting periods, are reviewed for possible reversal of such impairment at each reporting date.

2.2.8 Financial assets

Financial assets - Classification and measurement

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

Financial Assets measured at Amortized Cost ('AC')

The Company classifies and measures a financial asset at AC only if both of the following conditions are met and is not designated as at 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 or minus direct and incremental transaction costs that are attributable to the acquisition of these assets, and are subsequently measured at amortized cost, using the effective interest rate (EIR) method (as described in 2.2.3 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.

Equity Instruments designated at FVOCI

The Company 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 Company classifies and measures all other financial assets that are not classified at AC or FVOCI, at FVTPL. Accordingly, this measurement category includes financial instruments that are held within the hold–to-collect (HTC) but fail the SPPI assessment, equities that are not designated at FVOCI and financial assets held for trading. 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 Company manages a group of assets to generate cash flows. That is, whether the Company's objective is solely to collect contractual cash flows from the asset, 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 Company'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 Company will consider a number of factors including the risks associated with the performance of the business model and how those risks are evaluated and managed, 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 Company's business models fall into two 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. 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. The Company'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 Company's strategy and main activities.

Cash flow characteristics assessment

For a financial instrument to be measured at AC, its contractual terms must give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

For the purpose of the SPPI assessment, the Company considers the existence of various features, including among others, contractually linked terms, prepayment terms, deferred interest-free payments, extension and equity conversion options and terms that introduce leverage including index linked payments. 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 Company, 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.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual cash flows expire, or the rights to receive those cash flows are transferred in an outright sale in which substantially all risks and rewards of ownership have been transferred. In addition, a financial asset is derecognized even if rights to receive cash flows are retained but at the same time the Company assumes an obligation to pay the received cash flows without a material delay (pass through agreement) or when substantially all the risks and rewards are neither transferred nor retained but the Company has transferred control of the asset. Control is 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.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received (including any new asset obtained less any new liability assumed) is recognized in income statement.

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 Company 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.

2.2.9 Reclassifications of financial assets

The Company 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 Company either begins or ceases to perform an activity that is significant to its operations. In the rare event when there is a change to the existing business model, the updated assessment is approved by the Company's competent Committees and the amendment is reflected appropriately in the Company's budget and business plan.

Changes in intention related to particular financial assets (even in circumstances of significant changes in market conditions) and the temporary disappearance of a particular market for financial assets , are not considered by the Company 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.

2.2.10 Financial liabilities

Financial liabilities - Classification and measurement

The Company classifies its financial liabilities at amortized cost category.

These financial liabilities are recognized initially at fair value minus transaction costs that are attributable to the issue of these liabilities, and are subsequently measured at amortized cost, using the effective interest rate (EIR) method (as described in 2.2.3 above).

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 Company is replaced by another from the same counterparty on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability and any difference arising is recognized in the income statement.

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

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

2.2.11 Fair value measurement of financial instruments

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

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses 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 Company has elected to use mid-market pricing as a practical expedient for fair value measurements within a bid-ask spread.

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

For assets and liabilities that are measured at fair value on a recurring basis, the Company 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.

2.2.12 Impairment of financial assets

The Company recognizes allowance for expected credit losses (ECL) that reflect changes in credit quality since initial recognition to financial assets that are measured at AC. ECL are a probability-weighted average estimate of credit losses that reflects the time value of money.

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

Loss allowances for receivables presented under Other Assets are always measured at an amount equal to lifetime ECL under the simplified approach. 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.

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

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

For investment securities, the Company determines the risk of default using an internal credit rating scale. The Company considers debt securities as credit impaired if the internal rating of the issuer/counterparty corresponds to a rating equivalent to "C" (Moody's rating scale) or the external rating of the issuer/counterparty at the reporting date is equivalent to "C" (Moody's rating scale) and 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 since initial recognition.

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

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

Transfers from Stage 2 to Stage 1

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

Transfers from Stage 3 to Stage 2

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

Measurement of Expected Credit Losses

The ECL calculations are based on the term structures of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). Generally, these parameters are based on observed point-in-time and historical data, derived by international rating agencies.

For investment 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 Company assigns internal credit ratings to each issuer/counterparty based on these PDs. In case of counterparties for which no information is available, the Company 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.

For investment 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.

Presentation of impairment allowance

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

Write-off of financial assets

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

2.2.13 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, 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 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.

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 Company 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. 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 Company 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, the Company 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 Company'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 Company 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 Company presents in its balance sheet all uncertain tax balances as current or deferred tax assets or liabilities.

The Company as a general rule has opted to obtain 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, is provided in note 9.

2.2.14 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 Company 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 Company'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 Company operates unfunded defined benefit plans, under the regulatory framework. In accordance with the local labor legislation, the Company provides for staff retirement indemnity obligation for employees which are entitled to a lump sum payment based on the number of years of service, as of the date when employee service first leads to benefits under the plan until the date when further employee service will lead to no material amount of further benefits, and the level of remuneration at the date of retirement, if they remain in the employment of the Company 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. 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 Company'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 Company 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 Company 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 Company). The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company 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.

In the fourth quarter of 2021, the Company implemented the IFRIC agenda decision Attributing Benefit to Periods of Service (IAS 19) and changed its accounting policy regarding the attribution of benefit, arising from defined benefit plans (note 2.1.2). In accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors", the above change in the Company's accounting policy for employee benefits was applied retrospectively as of 1 January 2020 (note 15).

(iv) Performance-based cash payments

The Company'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 Company's shareholders.

(v) Share-based payments

The Company's Management awards employees with bonuses in the form of shares and share options on a discretionary basis and after taking into account the current legal framework. 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 share options granted is recognized as an employee benefit expense over the vesting period, with no impact on the Company's equity. The amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The fair value of the share options at grant date is determined by using an adjusted option pricing model which takes into account the exercise price, the exercise dates, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options. The expected volatility is measured at the grant date of the options and is based on the historical volatility of the share price.

For share-based payment awards with non-vesting conditions, the fair value of the share-based payment at grant date also reflects such conditions and there is no true-up for differences between expected and actual outcomes.

When the options are exercised and new shares are issued, the proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium.

Share options granted by the Company to employees of group entities are treated as a contribution by the Company to these entities, thus increasing the investment cost in them.

2.2.15 Related party transactions

Related parties of the Company include:

(a) an entity that has control over the Company 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 Company and entities controlled by this entity,

(c) members of key management personnel of the Company, their close family members and entities controlled or jointly controlled by the abovementioned persons;

(d) associates and joint ventures of the Company; and

(e) 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.

2.2.16 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits 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.

2.2.17 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 Company's equity when approved by the General Meeting of shareholders and the required regulatory approvals, if any, are obtained. Interim dividends are recognized as a deduction in the Company's equity when approved by the Board of Directors.

Intercompany non-cash distributions that constitute transactions between entities under common control are recorded in the Company's equity by reference to the book value of the assets distributed.

Where the Company purchases own shares (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.

2.2.18 Hybrid capital

Hybrid capital issued by the Company is 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 hybrid capital are shown in equity as a deduction from the proceeds, net of tax.

Dividend distribution on hybrid capital is recognized as a deduction in the Company's equity on the date it is due.

Where hybrid capital, issued by the Company, is 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.

2.2.19 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 Company presents discontinued operations in a separate line in the income statement if a component of the Company's operations 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;

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. Upon classification of a component of the Company's operations as a discontinued operation, the Company restates prior periods in the income statement.

2.2.20 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.

3. Critical accounting estimates and judgments in applying accounting policies

In the process of applying the Company's accounting policies, the 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 Company makes judgments, estimates and assumptions in applying its accounting policies are set out below:

3.1 Impairment losses on investment securities

The expected credit losses (ECL) measurement of the Tier 2 subordinated instrument requires management to apply judgement relating to the risk parameters used in the calculation of the ECL and in assessing whether a significant increase of credit risk (SICR) has occurred since initial recognition. These estimates are based on quantitative and qualitative information reasonable and supportable forward looking information. A degree of uncertainty is involved in making estimations using assumptions that may be subjective and sensitive to the risk factors.

Specifically, the assessment of SICR is performed on an individual basis based on the number of notches downgrade in the internal credit rating scale since the origination date while the PD used for the ECL measurement is received by an international rating agency using risk methodologies that maximize the use of observable variables and market data. Furthermore, the LGD used is based on historical data derived from rating agencies' studies that present the recoveries on such instruments taking into account the seniority of the exposure.

Changes in the metrics applied and the assumptions underlined would have a significant effect on the ECL outcome. The Company independently validates all ECL key inputs and underlying assumptions used in the ECL measurement through competent resources.

3.2 Impairment losses on investment in subsidiaries

The Company assesses for impairment its investment in subsidiaries at each reporting date as described in note 2.2.6. If an indication of impairment exists, the Company performs an impairment test by comparing the carrying value of the investment in the subsidiary with its estimated recoverable amount, determined as the higher of its fair value less cost to sell and its value in use, based on reasonable and supportable information. The calculation of the recoverable amount involves the exercise of judgement in selecting the appropriate parameters, such as the applicable discount and growth rates.

3.3 Income tax

The Company is subject to income taxes and estimates are required in determining the liability for income taxes. The Company 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 in the period in which such determination is made.

In addition, the Company 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 Company. As at 31 December 2021, based on the Management's assessment the Company is not expected to have sufficient future taxable profits, against which the unused tax losses can be utilized (note 9).

3.4 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 Company 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. 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 Company'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 Company's retirement benefit obligations refer to note 15.

3.5 Share-based payments

The Company grants shares and share options to its employees as well as the employees of the Group's entities, as a common feature of employee remuneration.

For shares granted to employees, the fair value is measured directly at the market price of the entity's shares, adjusted to take into account the terms and conditions upon which the shares were granted. For share options granted to employees, in many cases market prices are not available because the options granted are subject to terms and conditions that do not apply to traded options. If this is the case, the Company estimates the fair value of the equity instruments granted using a valuation technique, which is consistent with generally accepted valuation methodologies.

The valuation method and the inputs used to measure the share options granted to employees of the Company and its Group entities are presented in note 18.

4. Financial risk management and fair value

The Company is exposed to financial risks such as credit risk, market risk (including currency and interest rate risk) liquidity risk and operational risks.

4.1 Financial risk factors and risk management

As part of its overall system of internal controls the Company has engaged in a Service Level Agreement (SLA) with Eurobank S.A. in order to receive supporting and advisory services in all applicable areas of risk management (credit, market, liquidity and operational risks) undertaken by the Company.

The Company's overall risk management strategy seeks to minimize any potential adverse effects on its financial performance, financial position and cash flows.

The main financial risks to which the Company is exposed relate to:

(a) Credit risk

The Company takes on exposure to credit risk which is the risk that a counterparty will be unable to fulfill its payment obligations in full when due. The Company is mainly exposed to a subordinated instrument (note 11) issued by its subsidiary Eurobank S.A. and € 62 million deposits that are placed with the latter. Accordingly, the aggregate carrying amount of the above financial assets approximates the maximum credit risk exposure of the Company.

(b) Market risk

The Company takes on exposure to market risk, which is the risk of potential financial loss due to an adverse change in market variables, such as interest rates and foreign exchange rates.

The Company's interest rate risk, which mainly arises from the position in the aforementioned subordinated fixed rate instrument, is eliminated by the Tier 2 subordinated capital instrument issued by the Company, which has equivalent terms with those of the former.

The Company's financial assets and liabilities are in Euro, therefore, currency risk is eliminated.

(c) Liquidity risk

The maturity of the Company's main assets and liabilities, which relate to the aforementioned subordinated instruments, match, and the underlying cash flows are the same. Accordingly, the Company's liquidity or cash flow risk is substantially eliminated.

4.2 Fair value of financial assets and liabilities

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

- Level 1 - Financial instruments are measured based on quoted prices (unadjusted) in active markets for identical financial instruments that the Company can access at the measurement date. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. None of the Company's financial instruments is categorised into Level 1 of the fair value hierarchy.
- Level 2 – Financial instruments are measured using valuation techniques with inputs other than level 1 quoted prices, observable either directly or indirectly, such as (i) quoted prices for similar financial instruments in active markets (ii) quoted prices for identical 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 recognised market data providers and (iv) other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments include the subordinated instrument (note 11) issued by its subsidiary Eurobank S.A. and the Tier 2 subordinated capital instrument (note 14) issued by the Company.

- Level 3 - Financial instruments are measured using valuation techniques with significant unobservable inputs. When developing unobservable inputs, best information available is used, including own data, while at the same time market participants' assumptions are reflected (e.g. assumptions about risk). The Company's financial instruments, which are categorised into Level 3 of the fair value hierarchy refer mainly to the sight deposits with Eurobank S.A.

The fair value of the Tier 2 capital instrument issued by the Company was determined by using quotes for identical financial instruments in non-active markets obtained from Bloomberg and amounted to € 974 million (2020: € 932 million). The fair value of the subordinated instrument issued by the Company's subsidiary Eurobank S.A. was determined based on the aforementioned instrument, which has equivalent terms, therefore, amounted also to € 974 million. Moreover, the carrying amount of the Company's sight deposits with Eurobank S.A. represents reasonable approximation of their fair value.

5. Net interest income

	2021 € million	2020 € million
Interest income		
Customers	**0**	75
Securities	**61**	46
	61	121
Interest expense		
Debt securities in issue	**(61)**	(58)
	(61)	(58)
Total from continuing operations	**(0)**	63

In the year ended 31 December 2021, interest expense amounting to € 61 million (2020: € 46 million continuing operations) relates to the TIER 2 capital instruments issued by the Company, while interest income of a similar amount (2020: € 46 million) relates to the subordinated TIER 2 note issued by Eurobank SA and held by the Company.

In the year ended 31 December 2020, interest expense includes € 12.4 million for the financial liability relating to the Senior notes of the Cairo securitization contributed to Eurobank S.A. as of the hive down date i.e. 20 March 2020 (note 1) and interest income from customers refers to the underlying loan portfolio of the Cairo securitization until its derecognition in June 2020 (note 8).

6. Other income/(expenses)

In the year ended 31 December 2021, other income/(expenses), amounting to € 57 million, consist of € 54 million income resulting from distribution in kind (note 6.1 below), € 2 million income from IT services and € 1 million income regarding loan portfolio's related services provided to the Bank.

In the year ended 31 December 2020, other income/(expenses), amounting to € 10 million, mainly relate to a) € 8 million commission expense, which refers to the administrative fees to Eurobank FPS Loans and Credits Claim Management S.A. (renamed to doValue Greece Loans and Credits Claim Management S.A.) for the management of the Cairo loan portfolio and b) € 3 million foreign exchange losses in relation to the said loan portfolio which was derecognized in June 2020, in the context of "Cairo" transaction (note 8).

6.1 Income resulting from distribution in kind– Project 'Mexico'

On 1 June 2021, the General Shareholders' Meeting (GM) of Eurobank S.A (Bank), following the relevant decision of its Board of Directors (BoD), approved the distribution of the 95% of the mezzanine and junior notes of Mexico securitization to the Company through the decrease in kind of the Bank's share capital. The aforementioned GM's approval for the Bank's share capital reduction and the relevant amendment of its articles of association were subject to the regulator's approval. The initiation of the regulatory approval process for the Bank's share capital decrease took place in early July, while the required approvals were provided in August 2021.

The settlement of the distribution in kind took place in September 2021 and resulted in the recognition of the distributed notes at fair value in the Company's balance-sheet. In particular, the Company accounted for the distribution in kind as dividend, recognizing in profit and loss the fair value of the distributed notes of € 54 million. The fair value of the distributed notes was determined by reference to their sale price. Moreover, the Company obtained the direct control of the ''Mexico Finance Designated Activity Company'' (SPV) and the related real estate company ''Mexico estate single member S.A.''.

In August 2021, a commitment letter was signed between the Company, Eurobank and doValue S.p.A. for the sale of 95% of mezzanine and junior notes of Mexico securitization that were distributed to the Company, subject to the fulfilment of certain conditions, including the settlement of the mezzanine and junior notes' distribution from the Bank to Eurobank Holdings that was completed in September 2021, as well as the issuance of the Ministerial Decision on the inclusion of the Mexico securitization under HAPS and the regulatory approval by the SSM for the significant risk transfer of the underlying loan portfolio that were received in December 2021.

In September 2021, the BoD of the Company approved to proceed with the sale of 95% of the mezzanine and junior notes of Mexico securitization and the ongoing servicing of the portfolio by doValue Group. After the fulfilment of all conditions and having received all appropriate approvals, the aforementioned sale transaction was concluded in December 2021.

Further information about the NPE securitisation transaction (Project "Mexico") is provided in the note 20.1 of the consolidated financial statements of the Company for the year end 31 December 2021.

7. Operating expenses

In the year ended 31 December 2021, the operating expenses of € 9 million mainly refer to a) € 3.7 million staff cost (2020: € 3.7 million) and b) € 5.1 million other administrative expenses (2020: € 5.2 million). Administrative expenses include € 4.4 million (2020: € 4 million) insurance premiums relating to the Group's financial lines insurance, including protection for professional liability.

8. Impairment allowance for loans and advances to customers

The impairment losses relating to loans and advances to customers recognized in the Company's income statement for the year ended 31 December 2020, related to Cairo securitization and amounted to € 1,508 million, as analyzed below:

	2020 € million
Impairment loss on loans and advances to customers	(1,506)
Modification loss on loans and advances to customers	(2)
Total from continuing operations	(1,508)

Project "Cairo" – loans' derecognition in the year 2020

In December 2019, Eurobank Ergasias announced that it has entered into a binding agreement with doValue S.p.A. for the sale of 20% of the mezzanine and 50.1% of the junior notes of a securitization of a mixed portfolio consisting primarily of non-performing loans (NPEs) of total face value of ca. € 7.5 billion ("Cairo securitization").

In June 2020, following the completion of the sale of the aforementioned notes, the Company proceeded with the re-measurement of the loan portfolio's expected credit losses in accordance with its accounting policy for the impairment of financial assets and, as a result, an impairment loss of € 1,506 million was recognised in the income statement. Following the above, the Company (i) derecognized the underlying loan portfolio in its entirety of carrying amount € 2,341 million (comprising loans with gross carrying amount of € 7,259 million) and the related net securitization receivables of € 163 million, (ii) derecognized from its financial liabilities the obligations for the Cairo notes transferred to Eurobank S.A. through the hive down process, i.e. 100% of senior, 5% of mezzanine and 5% of junior notes, of carrying amount € 2,422 million and (iii) recognized the fair value of the retained mezzanine and junior notes within its financial assets, i.e. 75% of mezzanine and 44.9% of junior notes of € 56 million as well as the cash consideration received from doValue S.p.A. of € 14 million.

Furthermore, in June 2020, Eurobank Holdings, following a decision of the Board of Directors (BoD), proceeded to the contribution of the retained Cairo notes along with an amount of € 1.5 million in cash to its Cyprus-based subsidiary Mairanus Ltd, renamed to 'Cairo Mezz Plc', in exchange for the newly-issued shares of the above mentioned subsidiary.

On 7 July 2020, the BoD of the Company proposed to the General Shareholders' Meeting the distribution of Cairo Mezz Plc shares to Eurobank Holding's shareholders through the decrease in kind of its share capital. On 28 July 2020, the General Shareholders' Meeting approved the decrease in kind of the Company's share capital (note 16).

9. Income tax

According to Law 4799/2021 which was enacted in May 2021 and amended Law 4172/2013, the Greek corporate tax rate for legal entities other than credit institutions (i.e. credit institutions that fall under the requirements of article 27A of Law 4172/2013 regarding eligible DTAs/deferred tax credits) decreased from 24% to 22% from the tax year 2021 onwards. In addition, the withholding tax rate for dividends distributed, other than intragroup dividends, is 5%. In particular, the intragroup dividends under certain preconditions are relieved from both income and withholding tax.

Based on the management's assessment the Company is not expected to have sufficient future taxable profits against which the unused tax losses can be utilized and accordingly, in the year ended 31 December 2021, no deferred tax has been recognized in the income statement.

Tax certificate and open tax years

The Company, in accordance with the general principles of the Greek tax legislation has 6 open tax years (i.e. five years as from the end of the fiscal year within which the relevant tax return should have been submitted). For fiscal years starting from 1 January 2016 onwards, an 'Annual Tax Certificate' on an optional basis, is provided for the Greek entities, with annual financial statements audited compulsorily, 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. The Company will continue to obtain such certificate.

In January 2021, the Company received two orders for a tax audit by the tax authorities for the tax years 2015 and 2016. In December 2021, the tax audit for 2015 was completed, while for 2016 is still in progress.

The tax certificates, which have been obtained by the Company are unqualified for the open tax years 2016-2020. For the year ended 31 December 2021, the tax audit from external auditor is 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/aforementioned statute of limitations, 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 2015 (included) has been time-barred for the Company as at 31 December 2021.

In reference to its total uncertain tax positions, the Company assesses all relevant developments (e.g. legislative changes, case law, ad hoc tax/legal opinions, administrative practices) and raises adequate provisions.

Unused tax losses

As at 31 December 2021, the Company has not recognised deferred tax asset (DTA) on unused tax losses amounted to € 378 million (2020: € 400 million). The analysis of unrecognized DTA on unused tax losses of the Company per year of maturity of related tax losses is presented in the table below:

	Unrecognised DTA € million
Year of maturity of unused tax losses	
2023	**44**
2024	**62**
2025	**260**
2026	**12**
Total	**378**

10. Discontinued operations

On 20 March 2020 the demerger of Eurobank Ergasias S.A. through the banking sector's hive down was completed. In the comparative period the loss of the banking sector, which comprised the major part of the demerged company's operations, amounted to € 41 million.

11. Investment securities

As at 31 December 2021, the carrying amount of the subordinated instrument held by the Company and categorised as at amortised cost, amounted to € 949 million (31 December 2020: € 942 million), including accrued interest of € 0.2 million and impairment allowance of € 1.5 million (31 December 2020: € 8 million) (12-month ECL). In particular, during the year ended 31 December 2021, the Company recognised in the income statement € 6.8 million gain in relation to the reversal of the aforementioned impairment allowance. The fair value of the said security was determined based on quotes for the related Tier 2 instrument (note 14) and amounted to € 974 million (31 December 2020: € 932 million).

12. Shares in subsidiaries

The following is a listing of the Company's subsidiaries held directly at 31 December 2021:

Name	Percentage holding	Country of incorporation	Line of business
Eurobank S.A.	100.00	Greece	Banking
Be Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services	98.01	Greece	Business-to-business e-commerce, accounting, tax and sundry services

As at 31 December 2021, in line with the Company's accounting policy for the impairment of its investments in subsidiaries, and considering the distribution in kind of 95% of the mezzanine and junior notes of Mexico securitization that was settled in September 2021 (note 6.1), the Company assessed and concluded that no indication of impairment existed regarding its investment in Eurobank S.A.

13. Other assets

As at 31 December 2021, other assets amounting to € 5.1 million (31 December 2020: € 3.7 million) primarily consist of (a) € 1.9 million (31 December 2020: € 2.1 million) prepaid expenses mainly for insurance premiums, (b) € 1 million (31 December 2020: € 1.1 million) receivables for IT services provided to the Group companies and third parties, (c) 1.4 million receivable from withholding taxes (31 December 2020: nil) d) € 0.3 million receivables from Fairfax Group relating to financial consulting services (31 December 2020: €0.1million) and e) € 0.07 million in relation to property and equipment and intangible assets.

14. Debt securities in issue

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 carrying amount of the aforementioned instruments, which 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, as at 31 December 2021, amounted to € 947 million (31 December 2020: € 947 million), including € 2.6 million unamortized issuance costs and 0.2 million accrued interest. Their fair value, which was determined by using quotes for identical financial instruments in non-active markets, amounted to € 974 million (31 December 2020: € 932 million).

15. Other liabilities

As at 31 December 2021, other liabilities amounting to € 1.8 million (31 December 2020: € 1.6 million) primarily consist of (a) € 0.6 million (31 December 2020: € 0.6 million) accrued expenses, (b) € 0.9 million (31 December 2020: € 0.5 million) current payables to suppliers and (c) € 0.2 million (31 December 2020: € 0.4 million) Standard legal staff retirement indemnity obligations.

Standard legal staff retirement indemnity obligations

The Company provides for staff retirement indemnity obligation for its employees, 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 Company until normal retirement age, in accordance with the local labor legislation. The above retirement indemnity obligations typically expose the Company 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 Company.

The movement of the liability for standard legal staff retirement indemnity obligations is as follows:

	2021 € million	2020 restated € million
Balance at 1 January	**0.2**	46
Restatement due to change in accounting policy related to continued operations	-	(0.16)
Balance at 1 January, as restated	**0.2**	46
Current service and interest cost [1], restated	**0.03**	1
of which continued operations, restated	-	*0.02*
Past service cost and (gains)/losses on settlements	-	2
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions, restated	**(0)**	0
Actuarial (gains)/losses arising from experience adjustments, restated	**0**	(0)
Benefits paid	-	(2)
Hive down banking sector	-	(47)
Balance at 31 December	**0.2**	0.2

[1] *For the year 2020, restated current service cost amounts to € 0.8 million and interest cost amounts € 0.05 million.*

In the fourth quarter of 2021, the Company implemented the IFRIC agenda decision – Attributing Benefit to Periods of Service - IAS 19. The said IFRIC decision was accounted for as an accounting policy change (note 2.1.2) and was retrospectively applied for the Company's continued operations. In particular, the impact on the comparative information relating to the Company's continued operations was the net decrease of "Standard legal staff retirement indemnity obligations" by ca. € 0.2 million as at 31 December 2020 against a) € 0.16 million increase in equity as of 1 January 2020, b) € 0.01 million increase of loss for the year ended 31 December 2020 due to revised current service and interest cost and c) € 0.05 million increase of other comprehensive income for the year ended 31 December 2020 due to revised actuarial gains/losses from remeasurements.

The significant actuarial assumptions (expressed as weighted averages) were as follows:

	2021 %	2020 %
Discount rate	0.5	0.1
Future salary increases	1.8	2.0

As at 31 December 2021, the average duration of the standard legal staff retirement indemnity obligation was 9 years (31 December 2020: 8 years).

A quantitative sensitivity analysis based on reasonable changes to significant actuarial assumptions as at 31 December 2021 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 (€ 0.01 million)/ € 0.01 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 € 0.01 million/ (€ 0.01 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 and did not change compared to the previous year.

16. Share capital and share premium

As at 31 December 2021, the par value of the Company's shares is € 0.22 per share (2020: € 0.22). All shares are fully paid. The movement of share capital, share premium and number of shares issued are as follows:

	Share capital € million	Share premium € million	Number of issued shares
Balance at 1 January 2020	853	8,056	3,709,161,852
Share capital decrease	(57)	-	-
Capitalization of taxed reserves	21	-	-
Balance at 31 December 2020	**816**	**8,056**	**3,709,161,852**
Balance at 31 December 2021	**816**	**8,056**	**3,709,161,852**

Decrease of the share capital in kind in the year 2020

On 7 July 2020, the Board of Directors of the Company proposed to the General Shareholders' Meeting the distribution of Mairanus Ltd (renamed to Cairo Mezz Plc) shares to the Company's shareholders through the decrease in kind of its share capital.

Following the above, on 28 July 2020, the Annual General Meeting of the Shareholders of the Company approved among others:

(a) the decrease of the share capital in kind with the decrease in the nominal value of each ordinary share issued by the Company by € 0.0155 and the distribution to its shareholders of shares issued by Cairo Mezz Plc, with a value corresponding to the value of the share capital decrease, i.e. 309,096,821 common shares issued by Cairo Mezz Plc, each common registered share of nominal value € 0.10, at a ratio of 1 share of Cairo Mezz Plc for every 12 shares of the Company already held and

(b) the capitalization of taxed reserves amounting to € 20,400,390.19 for the purpose of rounding the new nominal value of each ordinary share issued by the Company.

Following the aforementioned decision, the Company's total share capital amounts to € 816,015,607.44 and the total number of shares remains unchanged, i.e. 3,709,161,852 common voting shares of a nominal value of € 0.22 each.

Treasury shares

According to paragraph 1 of Article 16c of Law 3864/2010, during the period of the participation of the HFSF in the share capital of the Company, the Company is not permitted to purchase treasury shares without the approval of the HFSF.

17. Reserves and retained earnings/(losses)

	Corporate law reserves € million	Special reserves € million	Non-taxed reserves € million	Other reserves € million	Retained earnings/(losses) € million	Total € million
Balance at 1 January 2020 [(1)]	6,919	1,004	770	837	(12,584)	(3,054)
Restatement due to change in accounting policy (note 2.1.2)	-	-	-	-	0	0
Net profit	-	-	-	-	(1,512)	(1,512)
Capitalization of taxed reserves [(1)] (note 16)	-	-	-	(7)	(14)	(21)
Debt securities at FVOCI - discontinued operations	-	-	-	(189)	-	(189)
Cash flow hedges - discontinued operations	-	-	-	7	-	7
Actuarial gains/(losses) on post employment benefit obligations, net of tax	-	-	-	-	(0)	(0)
Hybrid capital's dividend paid and buy back, net of tax	-	-	-	-	(0)	(0)
Hive down banking sector	-	-	-	(239)	239	-
Balance at 31 December 2020 [(1)]	6,919	1,004	770	409	(13,871)	(4,769)
Balance at 1 January 2021 [(1)]	**6,919**	**1,004**	**770**	**409**	**(13,871)**	**(4,769)**
Net profit	-	-	-	-	55	**55**
Actuarial gains/(losses) on post employment benefit obligations, net of tax	-	-	-	-	(0)	**(0)**
Share-based payment:						
- Value of employee services (note 18)	-	-	-	-	2	**2**
Balance at 31 December 2021	**6,919**	**1,004**	**770**	**409**	**(13,814)**	**(4,712)**

(1) *Change in the presentation of the comparative information (see below).*

As of 31 December 2021, the Company has proceeded to the change in the presentation of certain types of reserves after taking into account their nature and purpose in accordance with the applicable legal framework. In particular, a) reserves of € 6,705.7 million, which were previously included within other reserves, are presented in the separate category "Corporate law reserves" (see below analysis), b) reserves of € 1,004 million relating to dividends from participations, which were previously included within retained earnings are presented in the separate category "Special reserves", c) other reserves of € 49 million (debit balance), which were previously included within retained earnings are presented in category "Other reserves", and d) reserves of € 117 million, which were previously included within "Non-taxed reserves" are presented in category "Other reserves". In addition, a) the fair value reserve (applicable in 2020 till the hive down of banking sector) is presented within category "Other reserves" and b) the actuarial gains/losses on post employment benefit obligations that were previously included in other reserves are presented in retained earnings. Comparative information has been adjusted in order to align with the aforementioned changes in the presentation of reserves and retained earnings.

At the end of 2021 and 2020, corporate law reserves comprise a) statutory reserves of € 213.7 million, which are not distributable and b) other corporate law reserves of € 6,705.7 million, pursuant to the provisions of the corporate law in force (of which € 5,579 million according to article 31 of law 4548/2018).

Dividends

Based on the 2021 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 on 23 March 2020 as amended on 3 February 2022) 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.

18. Share options

The Annual General Meeting of the shareholders of Eurobank Holdings held on 28 July 2020 approved the establishment of a five year shares award plan, starting from 2021, in the form of share options rights by issuing new shares with a corresponding share capital increase, in accordance with the provisions of article 113 of law 4548/2018, awarded to executives and personnel of Eurobank Holdings and its affiliated companies according to article 32 of law 4308/2014. The maximum number of rights that can be approved was set at 55,637,000 rights, each of which would correspond to one new share (1.5% of the current paid share capital). The exercise price of each new share would be equal to its nominal value i.e. € 0.23. The Annual General Meeting authorized the Board of Directors of Eurobank Holdings to define the eligible staff and determine the remaining terms and conditions of the plan.

In June and July 2021, the Board of Directors approved the final terms and the implementation of the share options plan, which is a forward-looking long-term incentive aiming at the retention of key executives. In this respect, 12,374,561 stock options were allocated to key executives at an exercise price of € 0.23, with grant date in July 2021. The options are exercisable in portions, annually during the period from 2022 to 2025. Each portion may be exercised wholly or partly and converted into shares at the employees' option, provided that they remain employed by the Group until the first available exercise date. A retention period of 1 year applies to the first portion of the share options vesting 1 year after the grant date. The corporate actions that adjust the number and the price of shares also adjust accordingly the share options. In addition, the exercise of 6,844,524 of the aforementioned share options allocated to certain key executives who are subject to variable and/or accumulated annual remuneration restrictions of Law 3864/2010 is conditional on the amendment of the specific provisions of the law during the exercise period, so that the respective restrictions are lifted, or the exit of the HFSF from the share capital of the Company.

The share options outstanding at the end of the period have the following expiry dates:

	Share options
Expiry date	**31 December 2021**
2022	3,607,200
2023	3,607,200
2024	4,634,321
2025	525,840
Weighted average remaining contractual life of share options outstanding at the end of the period	1.6

In accordance with the Company's accounting policy on employees' share based payments, the grant date fair value of the options is recognized as an expense with a corresponding increase in equity over the vesting period. The share options granted by the Company to employees of group entities during the year 2021, were treated as a contribution by the Company to the Bank, being their parent entity, thus increasing the investment cost of the Company in the latter.

The fair value at grant date is determined using an adjusted form of the Black-Scholes model for Bermudan equity options which takes into account the exercise price, the exercise dates, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options.

Furthermore, the aforementioned additional condition on certain share options granted to key executives subject to the remuneration restrictions of Law 3864/2010, is treated as a non-vesting condition. Accordingly, the fair value measurement at grant date of such share options takes into consideration the probability that the relevant restrictions will be lifted, based on Management judgement, and is not subsequently revised regardless of whether the condition is eventually satisfied.

The weighted average fair value of the share options granted in July 2021 was € 0.42. The significant inputs into the model were the share price of € 0.7823 at the grant date, exercise price of € 0.23, annualized dividend yield of 3%, expected average annualized volatility of 68%, the expected option life ranging from 1 to 4 years, and the risk-free interest rate corresponding to the options' maturities, based on the EUR swap yield curve. The expected volatility is measured at the grant date of the options and is based on the average historical volatility of the share price over the last one and a half year.

19. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents with original maturities of three months or less, as at 31 December 2021, amount to € 62 million (31 December 2020: € 14 million):

20. Post balance sheet events

Details of post balance sheet events are provided in the following notes:

Note 2.1 - Basis of preparation
Note 17- Reserves and retained earnings/(losses)
Note 21-Related parties

21. Related parties

Eurobank Ergasias Services and Holdings S.A. (the Company or Eurobank Holdings) is the parent company of Eurobank S.A. (the Bank), which resulted from the demerger of Eurobank Ergasias S.A. ("Demerged Entity") through its banking sector's hive down that was completed in March 2020 (note 1).

The Board of Directors (BoD) of Eurobank Holdings is the same as the BoD of the Bank and part of the key management personnel (KMP) of the Bank provides services to Eurobank Holdings according to the terms of the relevant agreement between the two entities. As at 31 December 2021, the percentage of the Company's ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF) stands at 1.40%. The HFSF is considered to have significant influence over the Company pursuant to the provisions of the Law 3864/2010, as in force and the Tripartite Relationship Framework Agreement (TRFA) between the Bank, the Company and the HFSF signed on 23 March 2020, as amended on 3 February 2022. 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 for the year ended 31 December 2021.

Fairfax Group is considered to have significant influence over the Company. In July 2021, Eurolife FFH Insurance Group Holdings S.A. became a subsidiary of Fairfax and the percentage of Eurobank Holdings voting rights held by Fairfax Group increased from 31.27% to 33%. As at 31 December 2021, the Company's outstanding balances of the transactions with Fairfax group refer to receivables of € 0.33 million related to financial consulting services.

A number of transactions are entered into with related parties in the normal course of business and are conducted on an arm's length basis. The outstanding balances of the transactions with: (a) the subsidiaries, (b) the KMP and the entities controlled or jointly controlled by KMP and (c) the associates and joint ventures, as well as the relating income and expenses from continuing and discontinued (for the comparative period) operations are as follows:

	31 December 2021	31 December 2020		
	Subsidiaries [1] € million	Subsidiaries € million	KMP and Entities controlled or jointly controlled by KMP € million	Associates and joint ventures € million
Due from credit institutions	**62.39**	14.39	-	-
Investment securities	**948.63**	941.85	-	-
Other assets	**1.01**	0.74	-	-
Other liabilities	**0.29**	0.37	-	-
Net interest income	**60.87**	34.32	-	(1.10)
Net banking fee and commission income	**-**	(3.52)	-	4.02
Net trading income	**-**	0.50	-	-
Other operating income/(expense) (note 6.1)	**56.29**	1.41	(3.12)	(4.84)
Other Impairment losses	**6.78**	(8.32)	-	-
Impairment losses relating to loans and advances and collectors' fees	**-**	(3.63)	-	(0.17)

[1] The expenses in relation to KMP services provided by the Company's subsidiary Eurobank S.A. are included in Key management compensation disclosed below.

Key management compensation

In the year ended 31 December 2021, the Company recognized Key management compensation amounting to € 0.2 million that is referring mainly to KMP services provided by Eurobank S.A. in accordance with the relevant agreement (31 December 2020, mainly referring to the pre-hive down period: € 1.51 million for short term employee benefits, € 0.24 million for long term employee benefits and € 0.02 million cost recognised in the income statement relating to the defined benefit obligation for the KMP).

22. External Auditors

The Company has adopted a Policy on External Auditors' Independence which provides amongst others, for the definition of the permitted and non-permitted services the Company's auditors may provide further to the statutory audit. For any such services to be assigned to the Company's auditors there are specific controlling mechanisms in order for the Company's Audit Committee to ensure that a) the non-audit services assigned to "KPMG Certified Auditors S.A.", along with the KPMG network (KPMG), have been reviewed and approved as required and b) there is proper balance between audit and permitted non-audit work.

The total fees of the Company's independent auditor KPMG for audit and other services provided are analyzed as follows:

	2021 € million	2020 € million
Statutory audit [1]	**(0.2)**	(0.2)
Tax certificate	**(0.0)**	(0.0)
Other audit related assignments	**(0.3)**	(0.4)
Total	**(0.5)**	(0.6)

[1] Includes fees for statutory audit of the Company's annual financial statements.

It is noted that there are no non-audit assignment fees of "KPMG Certified Auditors S.A." Greece, statutory auditor of the Company.

23. Board of Directors

The Board of Directors (BoD) was elected by the Annual General Meeting (AGM) of the Shareholders held on 23 July 2021 for a three years term of office that will expire on 23 July 2024, prolonged until the end of the period the AGM for the year 2024 will take place.

Following the aforementioned AGM decision, the BoD was constituted as a body at the BoD meeting of 23 July 2021, as follows:

G. Zanias	Chairman, Non-Executive Member
G. Chryssikos	Vice Chairman, Non-Executive Member
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 Member
A. Gregoriadi	Non-Executive Independent Member
I. Rouvitha- Panou	Non-Executive Independent Member
R. Kakar	Non-Executive Independent Member
J. Mirza	Non-Executive Independent Member
C. Basile	Non-Executive Independent Member
E. Deli	Non-Executive Member (HFSF representative under Law 3864/2010)

Athens, 5 April 2022

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 CHIEF FINANCIAL OFFICER