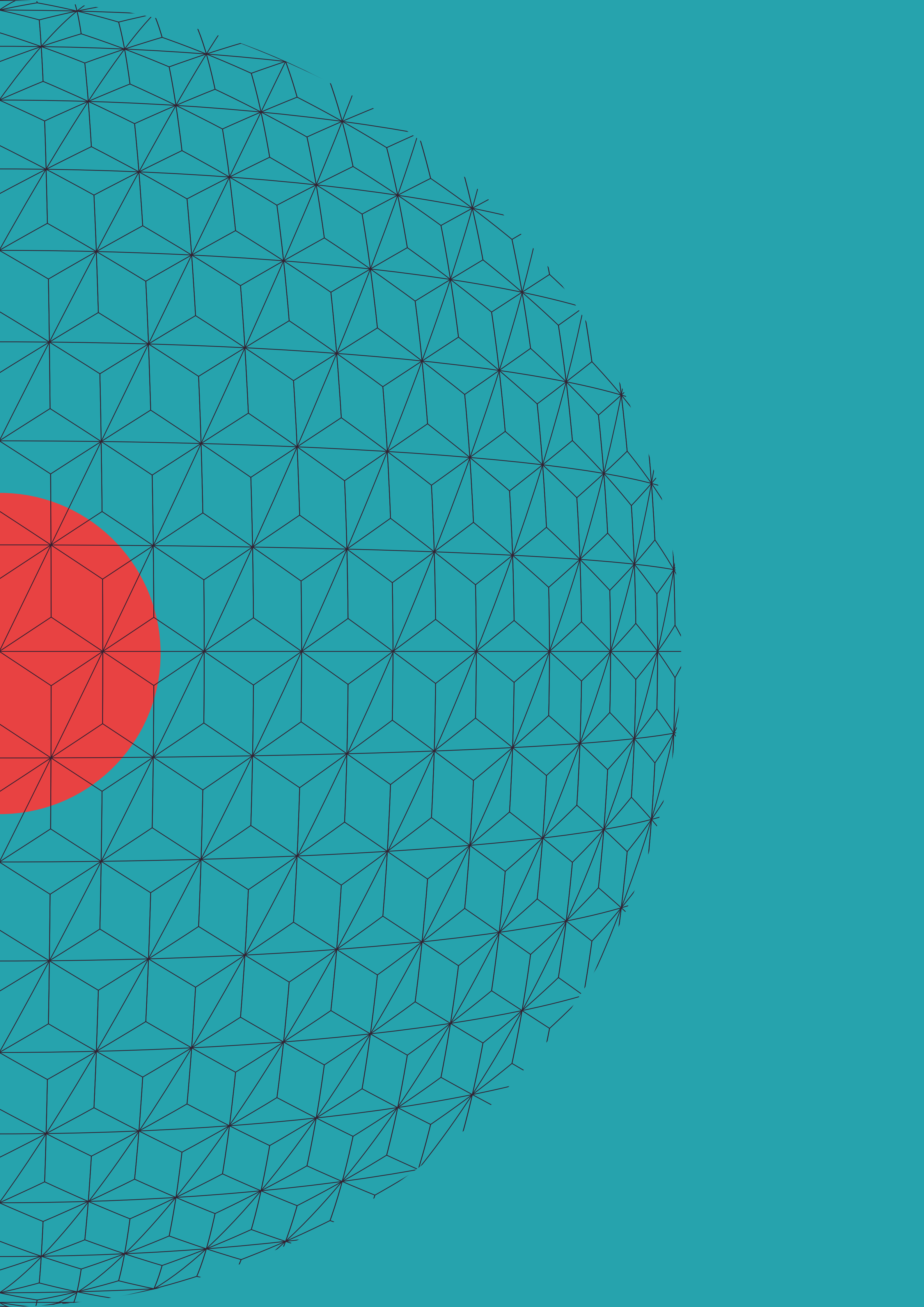
Eurobank
Private Bank Luxembourg

Annual Report 2018



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INTRODUCTION

Eurobank Private Bank Luxembourg is an autonomous bank incorporated under Luxembourg law and supervised by the Commission de Surveillance du Secteur Financier in Luxembourg (CSSF), the European Central Bank (ECB) and for our London Branch, the Prudential Regulation Authority in the United Kingdom (PRA). Throughout 2018 our Bank's capital adequacy and liquidity buffers remained very high, with a Liquidity Coverage Ratio (LCR) of 461% (regulatory minimum of 100%) and a strong capital base, as manifested by a Basel II solvency ratio of 33.3% comprised of Tier 1 Equity (well above regulatory minimum of 10.75%) and an asset book of EUR 2.3 billion, as of the end of 2018. Furthermore, in the context of our conservative risk approach, interbank exposure to European periphery was kept to a minimum. Our Bank's strong capital, ample liquidity and operational independence, combined with Luxembourg's AAA rating, provide our clients with the necessary peace of mind to pursue their Private Banking and Wealth Management goals. Whether through our headquarters in Luxembourg or our London branch, our highly experienced and dedicated teams offer an array of exclusive services with transparency and discretion.

LUXEMBOURG

Our bank in Luxembourg, with more than thirty years in operation, focuses on private banking, investment fund services as well as selected corporate banking services. Our comprehensive offering extends beyond traditional wealth management to wealth structuring, alternative investment strategies, and financing of various types of assets, from securities to real estate and yachts. Recognising that our clients have diverse needs and aspirations, we take a highly personalised approach in developing individual solutions and fostering long lasting relationships of trust.

UNITED KINGDOM

Our London branch, acquired four years ago, brings our offering to the center of global finance. Through our UK presence, we are addressing private clients with local and international banking needs, as well as companies with international activities. From residential and commercial property lending to wealth management mandates, our London clients enjoy the same high level of individual attention that our Bank has been known for over the years.

Overall, Luxembourg's ranking as Eurozone's top private banking hub and second biggest center for investment funds worldwide, combined with London's global reach allow our clients to benefit from an ever expanding range of possibilities, while still enjoying the exclusive service that our Bank excels in.

AS OF 31 MARCH 2019

Board of Directors

Mr. François **RIES**	Chairman
Mr. George A. **PROVOPOULOS**	Vice Chairman
Mr. Dimosthenis **ARCHONTIDIS**	Vice Chairman
Mr. Konstantinos **TSIVERIOTIS**	Managing Director, CEO
Mr. Fokion **KARAVIAS**	Director
Mr. Christos **ADAM**	Director
Mr. Michalis **LOUIS**	Director
Mrs. Yasmine **RALLI**	Director
Mr. Vincenzo **LOMONACO**	Secretary to the Board and General Manager

Management

Mr. Konstantinos **TSIVERIOTIS**	Managing Director, CEO
Mr. Vincenzo **LOMONACO**	General Manager

Senior Officers

Mr. George **CALLIGAS**	Director
Mrs. Evangelia **PITTAOULI**	Director
Mrs. Athina **DASKAGIANNI**	Vice President
Mrs. Helen **FOTINEAS**	Vice President
Mr. Markos **FOURMOUZIS**	Vice President
Mr. Ion **KAPPAS**	Vice President
Mr. Christophe **LANGUE**	Vice President
Mrs. Danielle **MARC**	Vice President
Mr. Menelaos **MENELAOU**	Vice President

DIRECTORS' REPORT

Economic activity in the euro area and EU economies, according to recent data, moderated in the second half of last year, as global trade growth slowed, uncertainty sapped confidence, and output in some Member States was adversely affected by temporary domestic factors. Such factors included disruptions in car production, social tensions and fiscal policy stresses, and, undoubtedly, the lingering uncertainty surrounding "Brexit" negotiations. As a result, gross domestic product (GDP) growth in both the euro area and the EU likely slipped to 1.9% in 2018 from a 10-year high of 2.4% in 2017.

On the Luxembourg front, the end of 2018 saw modest GDP growth, limited mainly by weak results in the financial sector. Growth was 2.6%, over the past year as a whole, marked notably by strong consumer spending. Although growth in 2018 compares favorably with the 1.7% recorded for 2017, it should be noted that in 2017 – a year of peak expansion for most Eurozone countries – Luxembourg was hit by technical factors which dragged growth down. Since early 2018, quarterly changes in Luxembourg's GDP have been trending down in line with the downturn observed in other European economies. Furthermore, over the last quarter of 2018, the international financial environment deteriorated significantly, weighing heavily on the performance of the country's financial sector. Added value recorded in the sector dropped by 2.4% over one quarter (-4.1% over one year), penalised by investment funds, but also by the sharp hike in the general expenses of several local banks. In the other sectors, healthcare services, retail and construction contributed most to growth.

Throughout 2018 our Bank's capital adequacy and liquidity buffers remained very high, with Basel III solvency ratio at 33.3% and liquidity buffers at EUR 0.73bn, as of the end of 2018. The strong financial position of our Bank, its conservative risk posture, its operational independence and its stable client base have kept it ring-fenced from lingering risks in peripheral Europe and beyond. No events with the potential to significantly impact the financial statements as at December 31. 2018 or which could require disclosure in the notes took place between the closing date and the publication date of this report. We are pleased to present our report for the year ending December 31, 2018.

2018 GLOBAL OVERVIEW

Global economic activity softened slightly in 2018 to 3.7%, from 3.8% in 2017, with less synchronized global growth and less accommodative macroeconomic policies. Although policy support and strong employment gains continued to underpin domestic demand, the rate of expansion peaked in some key emerging markets and developing economies amid increasing capacity constraints, mainly on the back of labour shortages, country-specific factors (i.e. the introduction of new automobile fuel emission standards, sovereign and financial risks in Italy and a lower growth trajectory in China), heightened trade frictions and tighter financial conditions. World trade growth decelerated to 3.9% in 2018 from its recent peak of 5.2% in 2017, with trade restrictions affecting adversely confidence and investment plans.

US economic growth accelerated to an annual rate of 2.9% in 2018, from 2.2% in 2017, enjoying one of the longest recoveries on record on the back of the fiscal stimulus and additional government spending (+1.5%YoY from -0.1%YoY in 2017). The robust growth of consumer spending (+2.6%YoY from +2.5%YoY in 2017) has been helped by improving labour market conditions and increased growth in after-tax higher disposable income, while rising business fixed investment (+7.0%YoY from +5.3%YoY in 2017) has capitalized on lower corporate taxes and faster global growth. On the flipside, residential investment growth turned negative in 2018, marking its weakest year of growth since 2011, while net exports remained a drag on overall growth for the fifth consecutive year. Continuing the normalization of its overall monetary policy stance, the Fed hiked rates four times in 2018 by a total of 100bps, taking the target range for the Fed funds rate to 2.25-2.50bp, and continued winding down its balance sheet gradually to $4.1trn at the end of 2018, from a peak of $4.5trn in January 2015. On the fiscal front, US general budget deficit as a percent of GDP increased to a five-year high of -4.2% in 2018, from -3.4% in 2017.

Euro area economic growth came in below initial expectations in 2018, moderating to 1.8% from a decade peak of 2.4% in 2017. The slowdown reflected primarily fading support from the external environment as high political uncertainty and growing trade tensions, mainly between the US and China, translated into weaker global trade growth. Sector-specific factors in some Member-States also contributed to the loss of growth momentum, especially in the second quarter of 2018, including new emissions testing that disrupted the automotive sector, social tensions and fiscal policy uncertainty. On a positive tone, investment grew faster than GDP mainly thanks to favourable financing conditions, while private consumption held up well on improving labour market conditions, slightly stronger wage growth and accommodative monetary policies. Core inflation remained stuck at 1.0%YoY as stronger wages were countered by structural factors such as globalisation, technological change and more flexible labour markets. Headline HICP, mostly affected by higher energy prices, rose to a six-year high of 1.8%YoY, albeit still below the ECB's inflation target. In terms of monetary policy, the ECB decided to end its asset purchase programme in December 2018. Yet, significant monetary policy stimulus was still considered necessary to support inflation over the medium-term. The headline government balance is projected to improve in the majority of euro area Member-States, mainly thanks to a reduction in interest expenditure, with the general government deficit-to-GDP ratio expected to fall below 1.0% for the first time in more than ten years.

In **Greece**, real GDP growth closed at 1.9% in 2018, as per the latest ELSTAT data, missing the most recent official forecast of 2.0% (European Commission 2018 Autumn forecast), but still higher than the growth rates of 1.5% and -0.2% in 2016 and 2017, respectively. Unemployment was at 18.4% in December 2018, from 20.8 in December 2017, a difference of 9.4ppts compared to its peak of 28% in July 2013. Employment growth averaged 2.0% in 2018 from 2.2% in 2017. On the fiscal front, according to the 2019 Budget, the primary surplus for 2018 is estimated at 4.0% of GDP, above the 3.5% target of the Enhanced

Post Programme Surveillance framework for Greece. Public debt is estimated at 180.4% of GDP at the end of 2018. The timely conclusion of the Third Economic Adjustment Programme and the launching of Enhanced Post Programme Surveillance, along with improved economic and fiscal performance and public sector's arrears clearance contributed to a significant reduction of uncertainty. As a result the country enjoyed a series of credit rating upgrades and a successful issuance of a 7-year bond in February 2018.

KEY FINANCIALS

Review of financial statements 2018

Balance Sheet
The Bank's total assets at year-end 2018 were almost stable (-0.4%) compared to 2017 and amounted to EUR 2 327.2mn. In a further breakdown of the total assets, the Loans and advances to customers have increased by 8% to EUR 1 621.2mn which resulted in a decrease of the Loans to institutions (including Central Bank) by 18.8% to EUR 581.8mn. On the other hand customer deposits at year-end 2018 increased by 6% compared to 2017, from EUR 1 102.5mn to EUR 1 167.3mn.

The total capital base stands at EUR 249 million (all Tier 1)

Income Statement
The Bank's net profit after taxation for the financial year 2018 increased by 3% compared to 2017 and amounted to EUR 13.8mn. The main items contributing to this better performance is the Net Interest Income which has increased by 5% from EUR 25.1mn in 2017 to EUR 26.4mn in 2018 and the Net Commission income which has increased by 9% compared to 2017 and amounted to EUR 8.6mn. The above increased profitability has been partially offset by the increase of the General Administrative Expenses by 9% from EUR 17.0mn in 2017 to EUR 18.5mn in 2018.

DISTRIBUTION OF PROFITS

The Board of Directors proposes that the 2018 annual accounts are approved, and that the Total Net Profit available for distribution be appropriated as follows:

Profit for the financial year 31/12/2018	EUR	13,809,894
Profit brought forward	EUR	170,028,009
Interim Dividend	EUR	(30,000,000)
Total net profit available for distribution	EUR	153,837,903
Allocation to Legal Reserve	EUR	-
Allocation from Special Reserve	EUR	(551,800)
Profit carried forward	EUR	153,286,103

RESEARCH AND DEVELOPMENT ACTIVITIES

The Bank does not carry out research and development activities beyond those which directly concern the conduct roll-out of its operating model.

TREASURY SHARES

During the period, the Bank did not proceed to any acquisition of treasury shares.

BRANCHES OF THE BANK

During the period, the Bank had a branch with the United Kingdom, with offices located in London.

RISK MANAGEMENT OVERVIEW

The Board of Directors considers Risk Management as an integral part of the Bank's 3-lines-of defence Model that ensures sound and prudent business management, including the risks inherent in them:

The 1st line of defence consists of the Business Units (Private Banking, Corporate, Funds, Treasury, London Branch) that take or acquire risks under predefined controls and limits, and carry out the first level of controls as described in their respective procedures.

The 2nd line of defence is formed by the Support Functions (Finance/Accounting, IT, Back Office, Loans Administration), and the Control Functions (Risk, Compliance) which exercise independent controls.

The 3rd line of defence consists of the Internal Audit Function, which independently, objectively and critically reviews the functions of the first 2 lines of defence.

The aim is to ensure that all risks assumed in the context of the Bank's business are recognized instantaneously and are properly managed. We achieve this by fully integrating risk management into daily business activities and developing our business consistently with a defined risk appetite, allowing us to achieve sustained growth in a controlled environment.

The strategy of the Bank is based on its core activities: Private Banking, Investment Fund Administration business, Treasury and General Banking (Corporate Loan referrals, Shipping Loans and London Branch). Our Bank continuously identifies the risks inherent in its operations and has adopted processes for how they are to be managed.

The risk process also provides a clear description of the Bank's risk profile, which serves as the basis for the internal capital and liquidity adequacy assessment process. These processes, in turn, are an evaluation based on capital and liquidity needed to support the Bank's overall risk level and business strategy. The aim is to ensure efficient use of capital and liquidity, and at the same time ensure that the Bank, even in adverse market conditions, will meet the minimum legal capital and liquidity requirements.

The system for measurement of risks is an essential part of risk management. Market risks are quantified by using Value-at-Risk (VaR) complemented by various types of sensitivity measures. Credit risks are quantified through the internal rating system in combination with assessments based on local competence. The Bank, in direct compliance with Group policies, has adopted an IFRS 9 Impairment methodology as of 1st January 2018, and calculates the Expected Credit Loss of its exposures, and respective Provisions, for risk management and regulatory purposes only.

IFRS 9 impairment methodology is not applied for the preparation of the financial statements, which are prepared in conformity with accounting principles generally accepted in the banking sector in the Grand Duchy of Luxembourg. The accounting policies and the principles of valuation are determined and applied by the Board of Directors, except those, which are defined by Luxembourg law and regulations.

Liquidity risks are monitored on a daily basis by conducting stress tests on the possibility of significant liquidity outflows and the existence of adequate liquid assets to service these. Moreover, the Bank calculates on a monthly basis, and abides with, the regulatory Liquidity Coverage Ratio. As all risks, operational risks are evaluated on the basis of the likelihood that an event will occur and the financial consequence of such an event.

The Bank's risk appetite is determined by the Board of Directors, which aims for a balance between risk/return and capital. The risk appetite can be described in terms of a number of overall statements. These statements applied and were honoured with minor immaterial deviations in 2018, and guided the risk and business positioning of the Bank.

The Bank has adopted a Risk Management Framework that complies with the provisions of Circular CSSF 12/552, as amended, on "Central administration, internal governance and risk management".

The Bank is a member of the Eurobank Group, and to that effect all specific Risk Policies must abide by local regulations, be approved by the Board of Directors, but also be compliant with Group Policies. As such, and in order to assist the Board of Directors in approving the Bank's risk-taking and associated capital assessment, the Capital, Risk and Liquidity Policy, as well as Credit approval limits and accepted collateral, must first be ratified by the Group and then approved by the Board of Directors.

The degree of control and influence exercised by the headquarter and the Group, formally or informally, is effective in identifying and mitigating risks, as there are regular controls of all of the Bank's activities (including Risk Management, Compliance, Finance, Investment Strategy and Products). Group standards are implemented and used in all of the activities (including products and services) of the Bank.

The Risk Management of the Bank is the responsibility of the Chief Risk Officer (CRO), who is aided in this function by a dedicated Risk Department. The Risk Department reports to the CRO, and has a direct reporting line to Group Risk. The remuneration of the Department's staff is not linked to the performance of the activities monitored and controlled. The Bank's risk management function covers the measures for early identification of risk, risk control and risk monitoring with regard to banking risks.

The Bank has in place a contingency plan, where all strategies and actions are in place in order to be able to respond to any extreme adverse scenario coming from a financial turmoil, Brexit and European Sovereign debt crisis.

GLOBAL ECONOMIC OUTLOOK FOR 2019

Global growth is set to slow in 2019 to 3.5%, from 3.7% in 2018, reflecting a negative carry over from softer momentum in H2 2018 and weakening financial market confidence. The balance of risks remains skewed to the downside. Tighter global financial conditions, Brexit woes and higher oil prices are all expected to contribute to a further easing of the global expansion, carrying along a deceleration in trade growth, with major central banks adopting a more cautious monetary policy stance.

The expected global slowdown mirrors a persistent decline in the growth rate of advanced economies from above-trend levels (particularly in Europe), in combination with a decline in the growth rate for emerging market and developing economies (slowdown in China, contractions in Argentina and Turkey, negative impact of trade actions on Asian economies).

In the **US**, real GDP growth is projected to decelerate to 2.5% in 2019, from 2.9% in 2018, as the impulse from the fiscal stimulus gradually wanes. US President Donald Trump's tax plan has not translated into a sustained investment increase, with business fixed investment expected to soften in 2019, weighed down by trade policy-related worries and the effect of earlier Fed tightening on interest rate-sensitive sectors. Real economic activity is expected to be on the weak side in the first quarter (Q1) of the year due to the partial federal government shutdown (expected to weigh on Q1 2019 GDP growth by about USD8bn or 0.2%), the polar vortex and the heightened uncertainty about trade policy. Nevertheless, the US economy is expected to continue growing at an above-trend pace in FY 2019, with private consumption expected to remain the main driver of growth, while trade war frictions and EU politics (Brexit, Italy) constitute the main headwinds to the outlook. Strong domestic demand growth will likely continue supporting rising imports and contribute to a widening of the US current account deficit. As far as monetary policy is concerned, easing global growth momentum, political uncertainty, US/China trade tensions, tighter financial conditions and muted inflation pressures prompted the Fed to shift to a wait-and-see stance at its January meeting. Fed's future policy decisions will be data-dependent, with "no rush to make a judgment about changes in policy", while the balance sheet normalization process is expected to pause sometime later in 2019.

Faced with multiple headwinds, both externally and internally, **Euro area** economic growth is set to slow further in 2019 to a below potential rate close to 1.0%. Private consumption should remain the main growth driver, supported by continuing employment gains, a pickup in wage growth, favourable lending conditions and expansionary fiscal measures in a number of Member-States. Business investment should retain a solid momentum, thanks to still favourable financing conditions. Yet, external demand will slow on lingering trade policy uncertainty and political tensions, thereby causing deceleration in investment and a diminishing contribution of net trade to growth. Headline CPI is projected to moderate to 1.4%YoY, mainly driven by lower energy prices, while underlying inflation is expected to rise to 1.2%YoY, as favourable labour market developments should remain supportive of solid wage growth. In terms of monetary policy, the ECB surprised markets on the dovish side at the March 2019 monetary policy meeting, unveiling a comprehensive package of policies aiming to counter the Euro area's economic slowdown and preserve very accommodative financial conditions. The package consisted of a new series of quarterly TLTRO III operations and a change in forward guidance with the ECB now expecting interest rates to remain at present levels at least through to the end of 2019. On the fiscal front, the headline general government deficit is expected to increase to 0.8% in 2019, from 0.6% of GDP in 2018, marking the first increase since 2009, due to looser discretionary fiscal policies in some Member-States this year. Risks to the 2019 growth outlook are skewed to the downside mainly stemming from a further escalation in the trade dispute and a no-deal Brexit.

Greece's real GDP growth is expected at 2.2% in 2019 according to the most recent forecast by the European Commission (February 2019). Unemployment is expected at 18.2% according to the European Commission's 2018 Autumn Forecast. The 2019 Budget foresees the 2019 primary fiscal balance at 3.6% of GDP, against a target of 3.5% of GDP in the Enhanced Post Programme Surveillance.

BUSINESS OUTLOOK 2018

Eurobank Group is active in five countries, with total assets of €58 billion and over 13,000 employees, offering a comprehensive range of financial products and services to its retail and corporate customers. Eurobank is one of the four systemic banks in Greece and has a regional presence in Bulgaria, Serbia, Cyprus, Luxembourg and London.

In 2018 Eurobank group met its strategic and operational targets. Profitability was resilient, asset quality and liquidity improved, while the Group embarked into a holistic transformational plan. 2019 will be a landmark year for Eurobank. The execution of the transformation plan is on track and it is of major importance, as it will enhance the Group's position and produce substantial benefits to shareholders and customers.

Luxembourg is the premier private banking centre in the Eurozone and the second largest fund centre in the world. The success of the financial centre is founded on the social and political stability of the Grand Duchy, its AAA rating and on a modern legal and regulatory framework that is continuously updated, inspired by regular consultation between the government, the legislator and the private sector. This legal framework, combined with Luxembourg's openness to the world and strategic location, has attracted international banks, insurance companies, investment fund promoters and specialist service providers. The Luxembourg financial centre is characterised by a strong culture of investor protection and rigorous anti money-laundering policies. Its specialist teams are multilingual and multicultural, with a long tradition of financial expertise and extensive knowledge of the needs of an international clientele. The Luxembourg financial centre is an ideal hub for private and institutional investors from all over the world.

On the UK front, the next two years will be challenging for the UK, as Brexit negotiations and implementation will have a significant impact on the country and especially London as a global financial centre. The Bank is directly impacted by the UK's decision to withdraw from the EU (Brexit), given its UK presence via the London Branch. To this effect, the Branch has entered into the UK's Temporary Permissions Regime as of 11 March 2019, thus allowing it to extend its current licenses granted under the EU Passporting regime, for a period of up to 3 years, while in the meantime seeking permanent authorization by UK regulators. The Branch is within the PRA's risk appetite, and there is no need to turn it into a subsidiary. Moreover, the Bank has applied for a Third Country Branch License to SSM/CSSF, submitting a full Business Plan for the period 2019-2021. Post-Brexit, the Branch is projected to maintain the simple nature of its operations; that centers mostly on financing UK properties and attracting deposits, thus requiring limited to no restructuring. The current staffing of the Branch is deemed adequate, already complying with regulatory expectations. The Branch is expected to remain profitable throughout the projected 3-year period.

Overall, our Bank is entering 2019 maintaining a strong position. In particular:

1. Our Bank, an autonomous organization incorporated under Luxembourg law and regulated by the European Central Bank (ECB) and the "Commission de Surveillance du Secteur Financier" (CSSF), is armoured with an exceptionally strong capital position, ample excess liquidity, a self-sufficient operating model and an asset book of EUR 2.3bn.

2. Through our thirty three years of experience and a focused business model, we offer a comprehensive range of world class products and personalized services in Private Banking, Wealth Structuring and Management, and Funds Administration, as well as selected corporate banking services.

3. With locations in Luxembourg and

London, and presence in Greece, our Bank is positioned to cover clients in a wide geographical area, especially in Southeast Europe, the UK and Luxembourg. Luxembourg's strength as Eurozone's top Private Banking centre, combined with London's global reach, afford our clients access to an especially broad realm of possibilities.

While increased regulation, diminishing margins and lingering negative EUR interest rates remain key challenges for most banks in Europe, our plan for 2019 builds on our particular strengths and niche advantages to grow our business and profitability, while making our Bank even stronger. More specifically, our efforts for the current year will focus in six main directions:

(i) We intend to attract more clients and funds under management through our exclusive and innovative offering, our broad geographical footprint and our expanding relationship and referral network.

(ii) We will continue to actively evolve our Wealth Management and Family Office services so that we offer our clients solutions that are optimal and always up-to-date with the markets and the regulatory environment.

(iii) Lending will also remain a key area of growth, where bespoke investment and real estate loans in private and commercial banking, as well as selected shipping loans will deepen our client relationships and increase and diversify our asset profitability. As in past years, conservative collateral standards will be applied throughout this activity, as per the detailed metrics set in our Risk Policy.

(iv) Our digital platform will be expanded throughout the year, improving the overall service and communication experience for our clients, while further streamlining and automating the Bank's operations.

(v) We will continue improving our operational efficiency and reduce the Bank's costs through process automations, systems integration and optimization of our premises.

(vi) We will follow through with our plans for a smooth transition of our London Branch to the post-Brexit era.

(vii) Finally, we will continue with the diligent implementation of the regulatory changes becoming effective throughout 2019, while thoroughly addressing their impact on our business, systems and operations.

On behalf of the Board of Directors, we would like to express to our customers our deep appreciation for their loyalty to the Bank and to the management and personnel our gratitude for their enthusiasm, consistency and dedication.

29 May 2019

François Ries
Chairman

Konstantinos Tsiveriotis
CEO & Managing Director

AUDIT REPORT

To the Board of Directors
Eurobank Private Bank Luxembourg S.A.
5, rue Jean Monnet
L-2180 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of Eurobank Private Bank Luxembourg S.A. (the "Bank"), which comprise the balance sheet as at 31 December 2018, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Bank as at 31 December 2018, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the annual accounts » section of our report. We are also independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of loans and advances to customers (value adjustment process)

Description

Loans and advances to customers are one of the significant items on the Bank's balance sheet representing 70% of total assets. The Bank's customer lending operations primarily consist of corporate loans that are focused on companies, which are already customers of the Eurobank Group and loans to Private Banking clients which are granted internationally and supported by mortgages and/or financial securities. 64% of loans to customers is guaranteed, in total or partially, by Letter of Guarantee (LG) and/or Pledge on Funding (PF) by Eurobank Ergasias S.A. (the "Parent Bank") 36% of the Bank's loan portfolio is therefore retained at the Bank's own credit risk.

The majority of Bank's borrowers are exposed to the Greek and UK specific sector conditions. Adverse market conditions in those aforementioned countries may substantially worsen the quality of credit and in particular those not covered by LG or PF.

The identification of an impairment event and the determination of specific valuation allowances involve significant estimation uncertainty and discretionary power resulting from the borrower's financial position and performance, as well as from the valuation of collateral and the amount and timing of expected future payments.

For this reason, we identified the determination of impairment on loans to corporate customers and institutional clients as a particularly significant issue in the Bank's financial statements.

The Bank's disclosures on the accounting policy for value adjustments in respect of loans and advances are provided in Note 2.3 within the notes to the annual accounts.

How our audit addressed the area of focus

Our audit approach included audit procedures relating to the Bank's internal control system for identifying and quantifying a need for value adjustment, as well as substantive audit procedures on impaired and unimpaired receivables.

Our audit procedures relating to the Bank's internal control system focused on key controls within the framework of the credit approval and credit monitoring process, as well as the identification of impaired assets and the determination of the necessary value adjustment requirements, which were tested for their design, implementation and effectiveness.

We analysed the Bank's lending and monitoring process by conducting interviews with the responsible employees and inspected and analysed the internal guidelines and examined whether they were suitable for identifying the inherent risks and deriving appropriate risk provisions in the form of value adjustments.

Regarding substantive testing, the following audit procedures were performed:

— Overall analytical procedures of the portfolio of loans and advances to customers by comparison to prior years to identify trends and areas of particular risk.

— For a sample of referred loans, obtaining evidence on the existence and accuracy of respective collaterals (e.g. pledged funding, letter of guarantees, etc.) provided by the Parent Bank and assessing the creditworthiness of the Parent Bank to honour its commitments towards the Bank.

— Credit risk assessment for a sample of own credit risk loan portfolio, reviewing the clients' files, the late payment reports, the relevant agreements and independent valuations of the underlying collaterals.

— Assessing the impairment allowances for all individually impaired loans and advances.

— Considering the adequacy of disclosures in the annual accounts of the Bank with reference to the requirements of the prevailing accounting standards.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the management report but does not include the annual accounts and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

1. Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide

a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

4. Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Bank to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

— *Report on other legal and regulatory requirements*

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on 13 March 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

The management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remained independent of the Bank in conducting the audit.

Luxembourg, 29 May 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

M. Weber

BALANCE SHEET
AS AT DECEMBER 31, 2018

(expressed in euro)

ASSETS	Note(s)	2018 EUR	2017 EUR
Cash in hand, balances with central banks and post office banks	3.2,4	116,473,012	76,766,194
Loans and advances to credit institutions			
- repayable on demand	2.3, 3.2, 6	66,968,571	91,309,500
- other loans and advances	2.3, 3.2, 6	398,398,198	548,348,816
		465,366,769	**639,658,316**
Loans and advances to customers	2.3, 3.2,6	1,621,156,990	1,505,053,554
Bonds and other fixed-income transferable securities:			
- issued by other borrowers	2.4, 3.2, 5.1, 5.3, 5.4,7	91,500,000	91,510,000
Participating interests	2.5, 3.2, 5.2,7	4,958	4,958
Shares in affiliated undertakings	2.5, 3.2, 5.2,7	8,741,743	104
Intangible assets	2.7,7	1,602,919	1,034,614
Tangible assets	2.7,7	795,923	842,002
Other assets	6	159,238	139,794
Prepayments and accrued income		21,366,122	20,870,853
Total assets		**2,327,167,674**	**2,335,880,389**

The accompanying notes form an integral part of these annual accounts.

LIABILITIES	Note(s)	2018 EUR	2017 EUR
Amounts owed to credit institutions:			
- repayable on demand	3.2,6	957,860	23,949,387
- with agreed maturity dates or periods of notice	3.2,6	880,325,407	915,571,063
		881,283,267	**939,520,450**
Amounts owed to customers:			
- other debts			
• repayable on demand	3.2,6	769,690,442	745,363,421
• with agreed maturity dates or periods of notice	3.2,6	397,561,136	357,170,773
		1,167,251,578	**1,102,534,194**
Other liabilities		1,590,856	742,540
Accruals and deferred income		3,882,086	5,583,938
Provisions:			
- provisions for taxation	13,9	9,017,457	6,771,107
- other provisions		1,902,012	2,297,636
		10,919,469	**9,068,743**
Subscribed capital	8,10	70,000,000	70,000,000
Reserves	9,10	38,402,515	37,519,650
Profit brought forward	10	140,028,009	157,508,573
Profit for the financial year		**13,809,894**	**13,402,301**
Total liabilities		**2,327,167,674**	**2,335,880,389**

The accompanying notes form an integral part of these annual accounts.

OFF BALANCE SHEET AS AT DECEMBER 31, 2018

(expressed in euro)

	Note(s)	2018 EUR	2017 EUR
Contingent Liabilities of which:	12.1	**15,018,784**	**16,411,908**
- guarantees and assets pledged as collateral security		15,018,784	16,411,908
Commitments of which:	12.2	**707,101,481**	**642,859,814**
- commitments arising from sale and repurchase transactions		456,926,762	497,830,698
Fiduciary Transactions	12.2	**259,228,986**	**391,336,424**

The accompanying notes form an integral part of these annual accounts.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2018

(expressed in euro)

	Note(s)	2018 EUR	2017 EUR
Interest receivable and similar income	13.1,13.2	55,627,438	56,451,304
of which:			
arising from fixed-income transferable securities		574,573	571,841
Interest payable and similar charges	13.3	(29,277,194)	(31,378,390)
Commissions receivable	13.1, 13.4	12,019,653	12,137,120
Commissions payable	13.5	(3,439,426)	(4,256,149)
Net profit on financial operations	13.6	1,017,382	671,892
Other operating income	13.7	645,437	322,932
General administrative expenses			
- staff costs	15	(11,064,497)	(10,184,285)
of which:			
• wages and salaries		(9,146,924)	(8,383,406)
• social security costs		(1,616,818)	(1,477,395)
of which: pension costs		(1,123,645)	(1,004,968)
- other administrative expenses		(7,442,424)	(6,766,561)
Value adjustments in respect of intangible and tangible assets	7	(804,734)	(682,778)
Other operating charges	13.8	(829,730)	(1,132,736)
Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments		(651,268)	(253,085)
Value re-adjustments in respect of loans and advances and provisions for contingent liabilities and commitments		375,937	376,366
Tax on profit on ordinary activities	13.9	(2,366,680)	(1,903,329)
Profit on ordinary activities after tax		**13,809,894**	**13,402,301**
Profit for the financial year		**13,809,894**	**13,402,301**

The accompanying notes form an integral part of these annual accounts.

NOTES TO THE ANNUAL ACCOUNTS AS AT DECEMBER 31, 2018

NOTE 1 GENERAL

Eurobank Private Bank Luxembourg S.A. (the "Bank") was incorporated in Luxembourg on August 26, 1986, as a "Société Anonyme" under the name of Banque de Dépôts (Luxembourg) S.A.. The Extraordinary General Meeting of Shareholders held on August 6, 1997 resolved to change the name of the Bank to EFG Private Bank (Luxembourg) S.A. with effect from September 10, 1997.

The Extraordinary General Meeting of Shareholders held on September 17, 2008 resolved to change the name of the Bank to Eurobank EFG Private Bank Luxembourg S.A. with effect from October 1, 2008.

As part of the rebranding project of the Group, the new coordinated status dated September 18, 2012 resolved to change the name of the Bank to Eurobank Private Bank Luxembourg S.A. with immediate effect.

The Bank is engaged in the business of providing private banking, investment and advisory services for corporate and private clients as well as administrative and custody services for investment funds. The Bank is active in the money markets, deposit taking and lending and engages in spot and forward foreign exchange business as well as undertaking transactions in securities and off balance sheet instruments, both for its own account and on behalf of customers.

At the beginning of June 2015, the Bank acquired the former Eurobank Ergasias S.A. London Branch in the United Kingdom, Eurobank Private Bank Luxembourg - London Branch ("Eurobank London"). Eurobank London provides an array of services to companies with international activities, especially in Central and South-Eastern Europe and to individual clients with local and international banking needs. Furthermore, Eurobank London serves as an extension of the Bank's Private Banking platform to London based clients.

Eurobank Private Bank Luxembourg S.A. is included in the consolidated financial statements of Eurobank Ergasias S.A., whose registered office is in Athens (8 Othonos Street, 10557 Athens, Greece) where the consolidated financial statements are available.

Eurobank Ergasias S.A. prepares the consolidated financial statements for the largest body of undertakings of which the Bank forms part as a subsidiary undertaking.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

These annual accounts have been prepared in conformity with accounting principles generally accepted in the banking sector in the Grand Duchy of Luxembourg. The accounting policies and the principles of valuation are determined and applied by the Board of Directors, except those which are defined by Luxembourg law and regulations.

On the basis of the criteria set out by the Luxembourg law, the Bank is exempted from preparing consolidated annual accounts. In accordance with the amended law of June 17, 1992, the present annual accounts are consequently prepared on an unconsolidated basis for approval by the Annual General Meeting of Shareholders.

2.2 Foreign currencies

The Bank has adopted a multicurrency accounting system, as a result of which assets and liabilities are recorded in the currencies in which they have occurred. For the preparation of the annual accounts, amounts in foreign currencies are translated into euro (EUR) on the following basis:

2.2.1 Spot transactions

Assets and liabilities in foreign currencies are translated into euro at exchange rates applicable at the balance sheet date.

Income, charges and purchases of fixed assets are recorded in the currency in which they are collected or disbursed and are translated into euro at rates approximating those ruling at the time of the transaction.

Exchange gains and losses arising from the Bank's net open currency spot position are taken to the profit and loss account in the current year.

Unsettled spot foreign exchange transactions are translated into euro at the spot rate of exchange prevailing on the balance sheet date.

Foreign exchange gains and losses resulting from spot transactions hedged by forward transactions are neutralised through "prepayments and accrued income" and "accruals and deferred income" accounts. Premiums or discounts arising due to the difference between spot and forward exchange rates are amortised in the profit and loss account on a pro-rata basis.

2.2.2 Forward transactions

Unsettled forward exchange transactions are translated into euro at the forward rate prevailing on the balance sheet date for the remaining maturity.

Unrealised exchange losses on un-hedged forward exchange contracts are recognised in the profit and loss account at the forward rate prevailing on the balance sheet date for the remaining term of the contract. Unrealised exchange gains on forward exchange contracts are not included, and are only recognised when ultimately realised, except when such contracts form an economic unit with offsetting foreign exchange transactions.

2.2.3 Swaps transactions

Interest income and expense generated from currency swap transactions are accrued on a straight-line basis over the period of the swap contract and are included in interest receivable or payable in the profit and loss account, as appropriate.

2.3 Loans and advances

Loans and advances are stated at disbursement value less repayment made and any value adjustments required. Accrued interests are recorded in balance sheet caption "prepayments and accrued income".

The policy of the Bank is to establish specific value adjustments for doubtful debts in accordance with the circumstances and for amounts specified by the Board of Directors. These value adjustments are deducted from the appropriate asset account balances.

2.4 Valuations of bonds and other fixed income transferable securities

The Bank has divided its portfolio of bonds and other fixed-income transferable securities into three categories for valuation purposes:

2.4.1 Investment portfolio of financial fixed assets

This portfolio comprises bonds and other fixed-income transferable securities, which are intended to be held on a continuing basis in the normal course of the Bank's activities.

Principle of valuation at acquisition cost

Bonds and other fixed-income transferable securities are recorded at historical acquisition cost in their original currency. The acquisition cost includes the costs to purchase the asset. A value adjustment is made where the market value at the balance sheet date is lower than the acquisition cost and when the Board of Directors considers the depreciation to be permanent.

The premium resulting from the purchase of fixed-income transferable securities having the characteristics of financial fixed assets, at a price exceeding the amount repayable at maturity, is amortised in the profit and loss account on a straight line basis over the period remaining until final repayment.

The discount resulting from the acquisition of bonds and other fixed-income transferable securities having the characteristics of financial fixed assets, at a price less than the amount repayable at maturity, is accrued against profit and loss account on a straight line basis over the period remaining until final repayment.

2.4.2 Trading portfolio

This portfolio comprises bonds and other fixed-income transferable securities purchased with the intention of selling them in the short term. These securities are traded on a market whose liquidity can be assumed to be certain and their market price is at all times available to third parties. These securities are valued at the lower of their acquisition cost and their market value.

During the year, the Bank did not hold any trading portfolio.

2.4.3 Structural portfolio

This portfolio comprises bonds and other fixed-income transferable securities and asset swaps purchased for their investment return or yield or held to establish a particular asset structure or a secondary source of liquidity. It also includes bonds and other fixed-income transferable securities not contained in the other two categories.

Securities in this portfolio are valued at the lower of their amortised acquisition cost and their market value. The value adjustments, corresponding to the negative difference between the market value and the amortised acquisition cost, are not maintained if the reasons for which the value adjustments were made no longer exist.

Premiums / discounts included in the acquisition cost and resulting from the purchase of bonds and other fixed-income transferable securities included in this portfolio at a price exceeding / lower than the amount repayable at maturity are amortised in the profit and loss account on a straight line basis over the period remaining until final repayment.

Asset swaps held in this portfolio are packaged deals made of a bond or other fixed-income transferable security and an interest rate swap, swapping the respective interest rates (floating/fixed) received and paid. Consequently, asset swaps held in the structural portfolio are booked at their par and subsequently measured at the lower of cost or Market value.

2.5 Valuation of variable yield transferable securities

Companies in which the Bank directly and indirectly exercises a significant influence are considered to be affiliated undertakings. Participating interests comprise rights in the capital of other undertakings, the purpose of which is to contribute to the activity of the company through a durable link.

Participating interests and shares in affiliated undertakings are recorded in the balance sheet at their acquisition cost in their original currency. The acquisition cost includes the costs to purchase the assets.

By nature, participating interests belong to the investment portfolio of financial fixed assets. As at December 31, 2018, shares in affiliated undertakings also belong to the investment portfolio.

A value adjustment is made if the Board of Directors considers that a permanent impairment exists in their carrying value at the balance sheet date.

2.6 Sale and repurchase agreements

In case of sale and repurchase agreements, the assets transferred are clients' assets and therefore are shown in the off balance sheet of the Bank.

2.7 Intangible and tangible fixed assets

Fixed assets other than financial fixed assets are valued at historical acquisition cost. The acquisition cost includes the costs to purchase the assets. The acquisition cost of intangible and tangible assets which use is limited in time are depreciated on a straight-line basis over the estimated useful life or at the rates specified below.

In case of permanent reduction in value, intangible and tangible assets are subject to value adjustments, regardless of whether their utilisation is limited. The valuation at the inferior value is not maintained if the reasons for which the value adjustments were made no longer exist.

2.7.1 Intangible assets

The core banking system is amortized on a straight line basis over 8 years whereas the remaining intangible assets over 4 years.

2.7.2 Tangible assets

Tangible assets are used by the Bank for its own operations. Tangible assets are valued at cost less depreciation to date. Depreciation is calculated on a straight-line basis over the life of the assets concerned. The rates used for this purpose are:

	2018
	%
Furniture	18
Machinery and equipment	25
Vehicles	20
Hardware and software	25
Premises fixtures	10

Premises fixtures in leased offices are amortised over the lower of 10 years or the remaining lease period.

2.8 Derivative instruments

2.8.1 Interest rate swaps

Interest on interest rate swaps is included in the balance sheet captions "prepayments and accrued income" and "accruals and deferred income". It is credited or charged to interest receivable or payable in the profit and loss account.

Interest rate swaps, which are not held for hedging purposes, are marked-to-market. Provisions are made for unrealised valuation losses whereas unrealised valuation gains are not taken into account until maturity. Interest rate swaps entered into for hedging purposes are subject to the principle of symmetry with the hedged item. Hedging inefficiencies are recognised in profit or loss when they result in a net unrealised loss. They are ignored when they result in a net unrealised gain.

2.8.2 Forward exchange transactions

Valuation rules for forward exchange contracts are explained in note 2.2.2 above.

2.8.3 Options

For the options traded over the counter and unallocated to given assets or liabilities, the premiums received or paid appear on the balance sheet until the exercise or the expiration date of the option, if the option is not exercised before that date. Commitments on written options are booked off-balance sheet.

Options not used for hedging purposes are marked-to-market. The unrealised losses are booked in the profit and loss account whereas unrealised gains are ignored.

Option contracts entered into for hedging a balance sheet item (asset or liability) are booked as follows: unrealised result on the premiums is accounted for in the profit or loss account in "Net profit or net loss on financial operations". Unrealised results arising from the evaluation of the hedged item (asset or liability) is accounted for in the profit or loss in "Net profit or net loss on financial operations". These bookings are presented in net by compensation profit or loss effects.

Option contracts traded on a regulated market and entered into for the purpose of hedging identical reverse options also traded on a regulated market are booked as follows: as the position on these instruments is closed, the result arising from premiums received and paid is accounted for in the profit and loss account. These bookings are presented in net by compensation profit or loss effects.

2.9 Lump sum provision

A general reserve for potential risks on balance sheet and off balance sheet items has been booked. This tax-deductible provision is deducted from the corresponding assets. The lumpsum provision calculated on off balance sheet items is booked under the item "Provision: other provisions".

NOTE 3
ANALYSIS OF FINANCIAL INSTRUMENTS

3.1 Strategy in using financial instruments

The Bank's treasury activities are primarily related to the use of financial instruments including derivatives. Since the end of the year 2012 all treasury activities of the Bank are carried out internally in Luxembourg.

Asset/Liability Management of the Bank is taking into account other banking activities including private banking client accounts, investment funds and inter-bank activity mainly with Eurobank Ergasias S.A.

The Bank aims to use funds from customer operations, investment funds operations and other market deposits that have been raised at fixed and floating rates and for various periods seeking to earn profitable margins by investing these funds in high quality assets. Such operations are only executed following the limits, as well as defined products determined with the approval of the Board of Directors. Limits are currently set in such a way that restricts the Treasury and Foreign Exchange department of the Bank from taking large exposures.

During periods of falling interest rates, the Bank seeks to increase its margins by favouring short-term funding and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due. During periods of increasing interest rates, the Bank aims to increase these margins by lending and borrowing in the short term and by hedging its assets and liabilities.

Related issues and decisions are taken by the Asset and Liability Committee of the Bank.

The Bank also raises its interest margin by obtaining profitable margins through lending to wholesale and retail borrowers with a good credit standing. Loans are given when adequate collateral exists and after the approval of the Credit Committee of the Bank. The Bank also enters into guarantees and other commitments such as letters of credit and letters of guarantee.

The monitoring of limits and margins is carried out by the Risk department of the Bank on the basis of the daily positions provided by the IT department. These reports are communicated daily amongst others to Local Management and the Head of Group Treasury in Athens.

When limits are exceeded and margins not respected, Local Management as well as the responsible Manager are informed for immediate action. The excesses are also reported to the Board of Directors on a quarterly basis.

The Bank hedges part of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate assets denominated both in local and foreign currencies using interest rate swaps.

The Bank hedges a proportion of foreign exchange risk it expects to assume as a result of cash flows from debt securities using forward exchange transactions.

3.2 Analysis of financial instruments

3.2.1 Information on primary financial instruments

The table here after analyses the level of primary financial instruments (primary non-trading instruments) of the Bank, in terms of carrying amounts, into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. Additional indication of aggregate fair values of trading instruments is disclosed where they differ materially from the amounts at which they are included in the accounts.

“Fair value” is understood as being the amount at which an asset could be exchanged or a liability settled as part of an ordinary transaction entered into under normal terms and conditions between independent, informed and willing parties, other than in a forced or liquidation sale.

3.2.1.1 Analysis of financial instruments - Primary non-trading instruments (at carrying amount - EUR)

Figures as at December 31, 2018	Less than 3 months	> 3 months to 1 year	> 1 year to 5 years	> 5 years	Total
Instrument class (financial assets)					
Cash in hand, balances with central banks and post office banks	116,473,012	-	-	-	116,473,012
Loans & advances to credit institutions	465,366,769	-	-	-	465,366,769
Loans & advances to customers	535,494,761	368,094,827	471,453,085	246,114,317	1,621,156,990
Bonds and other fixed-income transferable securities	-	-	-	91,500,000	91,500,000
Shares in affiliated undertaking and participating interests	8,746,701	-	-	-	8,746,701
Total financial assets	1,126,081,243	368,094,827	471,453,085	337,614,317	2,303,243,472
Non financial assets	23,924,202	-	-	-	23,924,202
Total Assets	1,150,005,445	368,094,827	471,453,085	337,614,317	2,327,167,674
Instrument class (financial liabilities)					
Amounts owed to credit institutions:					
- Repayable on demand	957,860	-	-	-	957,860
- With agreed maturity dates or periods of notice	365,480,855	299,573,837	136,701,988	78,568,727	880,325,407
Amounts owed to customers:					
- Repayable on demand	769,690,442	-	-	-	769,690,442
- Repayable at term or with notice	304,150,164	93,410,972	-	-	397,561,136
Total financial liabilities	1,440,279,321	392,984,809	136,701,988	78,568,727	2,048,534,845
Non financial liabilities	278,632,829	-	-	-	278,632,829
Total liabilities	1,718,912,150	392,984,809	136,701,988	78,568,727	2,327,167,674

As at December 31, 2018, the Bank held no primary trading financial instruments.

3.2 Analysis of financial instruments (cont.)

3.2.1 Information on primary financial instruments (cont.)

3.2.1.1 Analysis of financial instruments - Primary non-trading instruments (at carrying amount - EUR)

Figures as at December 31, 2017	Less than 3 months	> 3 months to 1 year	> 1 year to 5 years	> 5 years	Total
Instrument class (financial assets)					
Cash in hand, balances with central banks and post office banks	76,766,194	-	-	-	76,766,194
Loans & advances to credit institutions	639,658,316	-	-	-	639,658,316
Loans & advances to customers	632,532,248	492,648,671	302,773,211	77,099,424	1,505,053,554
Bonds and other fixed-income transferable securities	-	-	-	91,510,000	91,510,000
Shares in affiliated undertaking and participating interests	5,062	-	-	-	5,062
Total financial assets	1,348,961,820	492,648,671	302,773,211	168,609,424	2,312,993,126
Non financial assets	22,887,263	-	-	-	22,887,263
Total Assets	1,371,849,083	492,648,671	302,773,211	168,609,424	2,335,880,389
Instrument class (financial liabilities)					
Amounts owed to credit institutions:					
Repayable on demand	23.949.387	-	-	-	23.949.387
With agreed maturity dates or periods of notice	424,747,908	376,748,127	81,135,628	32,939,400	915,571,063
Amounts owed to customers:					
Repayable on demand	745,363,421	-	-	-	745,363,421
Repayable at term or with notice	288,282,255	68,888,518	-	-	357,170,773
Total financial liabilities	1,482,342,971	445,636,645	81,135,628	32,939,400	2,042,054,644
Non financial liabilities	293,825,745	-	-	-	293,825,745
Total liabilities	1,776,168,716	445,636,645	81,135,628	32,939,400	2,335,880,389

As at December 31, 2017, the Bank held no primary trading financial instruments.

3.2.1.2 *Description of derivative financial instruments*

The Bank enters into the following derivative financial instruments:

- **Forward exchange transactions** represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.
- **Interest rate swaps are commitments** to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (for example, fixed rate for floating rate).
- **Options** are financial derivatives representing a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date).

3.2.1.3 *Analysis of derivative financial instruments*

The table below analyses the level of derivative financial instruments of the Bank, broken down in terms of notional amount, into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The Bank held only OTC derivative financial instruments as at December 31, 2018.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable or unfavourable as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair

Derivatives non-trading instruments OTC as at December 31, 2018 (in EUR)

	Nominal amounts					Net fair value
Figures as at December 31, 2018	Less than 3 months	> 3 months to 1 year	> 1 year to 5 years	> 5 years	Total	Total
Interest rate: - Swaps	-	-	-	-	-	-
Foreign exchange: - Forwards, Spots, Swaps	330,133,769	587,642	-	-	330,721,411	**(357,273)**
Options: - Options	4,336,980	-	-	-	4,336,980	**(17,004)**
Total	**334,470,749**	**587,642**	**-**	**-**	**335,058,391**	**(374,277)**

Derivatives non-trading instruments OTC as at December 31, 2017 (in EUR)

	Nominal amounts					Net fair value
Figures as at December 31, 2017	Less than 3 months	> 3 months to 1 year	> 1 year to 5 years	> 5 years	Total	Total
Interest rate:						
- Swaps	-	-	-	-	-	-
Foreign exchange:						
- Forwards, Spots, Swaps	361,342,763	22,037,690	-	-	383,380,453	**(23,446)**
Options:						
- Options	2,082,569	-	-	-	2,082,569	**(11,241)**
Total	**363,425,332**	**22,037,690**	**-**	**-**	**385,463,022**	**(34,687)**

The Bank held no exchange-traded derivative financial instrument as at December 31, 2018.

values of derivative financial assets and liabilities can fluctuate significantly from time to time.

3.3 Credit risk

3.3.1 Description of credit risk

The Bank takes on exposure to credit risk. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers, and to geographical segments. Such risks are monitored on a revolving basis and subject to monthly reviews. Limits are approved by the Board of Directors and reviewed at least annually. Under delegation of the Board of Directors, Management has the possibility to approve country limits up to a predetermined level. The Board of Directors also determines who has the authority to approve excesses and up to what level. The exceeding amounts and tenor defined within Group Risk Guidelines are immediately reported to Local Management and the Group Risk Unit in Greece.

The exposure to any borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is primarily managed by obtaining collateral and corporate and personal guarantees.

The Group Risk Unit is setting types of collateral as well as minimum margins. The Bank imposes more strict collateral rules than those set by the group based on careful analysis, internal policies and the market environment. The Bank has a clear procedure to approve “eligible” collateral and it periodically reviews approved collateral.

On currency and interest rate swaps, the Bank’s credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

3.3.2 Measures of credit risk exposure

Information on credit risk as it relates to financial instruments is disclosed on the basis of the carrying amount that best represents the maximum credit risk exposure at the balance sheet date without taking account of any collateral.

With respect to derivative instruments not dealt on a recognised, regulated market (OTC), the carrying amount (principal or notional amount) does not reflect the maximum risk exposure. The maximum exposure to credit risk is determined by the value of the overall replacement cost.

The table below discloses the level of credit exposure on OTC derivative instruments in terms of notional amounts, replacement cost, potential future credit exposure and net risk exposure adjusted for any collateral, broken down by the degree of creditworthiness of the counterparty based on internal or external ratings.

3.3.3 Concentration of credit risk

The tables below shows credit risk concentration as it relates to financial

Credit Risk Exposure on OTC derivative instruments (use of market risk method) as at December 31, 2018 (in EUR)

Counterparty solvency (based on external/ internal ratings)	Notional amount	Current Replacement cost	Potential future replacement cost	Overall replacement cost	Collateral	Net risk exposure
	(1)	(2)	(3)	(4)=(2) + (3) -Provision	(5)	(6) = (4) - (5)
External rating (Fitch):						
A	186,095,896	245,867	1,860,959	2,106,826	-	2,106,826
C	39,276,216	-	392,762	392,762	-	392,762
					Sub - total 1	2,499,588
Internal Rating:						
- Customer & Fund						
2	-	-	-	-	-	-
4	105,012,618	186,655	1,050,126	1,236,781	-	1,236,781
					Sub - total 2	1,236,781
					TOTAL	3,736,369

Credit Risk Exposure on OTC derivative instruments (use of market risk method) as at December 31, 2017 (in EUR)

Counterparty solvency (based on external/ internal ratings)	Notional amount	Current Replacement cost	Potential future replacement cost	Overall replacement cost	Collateral	Net risk exposure
	(1)	(2)	(3)	(4)=(2) + (3) -Provision	(5)	(6) = (4) - (5)
External rating (Fitch):						
A	215,223,879	1,537,769	2,152,239	3,690,008	-	3,690,008
C	1,763,705	-	17,637	17,637	-	17,637
					Sub - total 1	3,707,645
Internal Rating:						
- Customer & Fund						
2	5,307,283	2,976	53,073	56,049	-	56,049
4	161,076,967	645,001	1,610,770	2,255,771	-	2,255,771
5	-	-	-	-	-	-
					Sub - total 2	2,311,820
					TOTAL	6,019,465

The internal credit rating for "Customer & Fund" goes from 1 (best rating) to 10 (worst rating)

instruments from on- and off balance sheet exposures by geographic location and economic sector. In order to enhance the true and fair view of the financial position the tables present the OTC derivatives by the value of the overall replacement cost and to that extend the comparative figures have been adjusted accordingly.

3.3.3.1 Geographic credit risk concentrations (in EUR)

As the Bank is mainly active on the European markets, it has a significant concentration of credit risk with other European financial institutions. In total, credit risk exposure is estimated to EUR 2 444 776 424 at December 31, 2018 (2017: EUR 2 391 039 809) of which EUR 3 736 369 (2017: EUR 6 019 465) consisted of derivative financial instruments.

Geographic credit risk concentrations (in EUR)

Geographical zone (by country or zone)	*Credits and other balance sheet items*		*OTC derivatives*		*Commitments*	
	2018	2017	2018	2017	2018	2017
Luxembourg	214,620,509	235,865,882	1,221,868	2,260,816	79,932,890	1,744,604
Other European Monetary Union (EMU) countries	1,066,895,880	1,048,272,253	398,173	24,185	119,743,470	87,332,008
Other countries	909,348,947	955,853,093	2,116,328	3,734,464	50,498,360	55,952,504
Total	**2,190,865,336**	**2,239,991,228**	**3,736,369**	**6,019,465**	**250,174,719**	**145,029,116**

3.3.3.2 Economic sector credit risk concentrations (in EUR)

The table here after discloses the concentration of the credit risk linked to financial instruments, for both on and off balance sheet exposures, by geographical location and economic sector.

Economic sector	Credits and other balance sheet items		OTC derivatives		Commitments	
	2018	2017	2018	2017	2018	2017
Credit institutions	570,510,230	735,603,040	2,499,588	3,707,645	-	-
Households	48,354,861	54,005,828	14,913	51,004	7,430,631	15,235,314
Investment funds	70,820,020	64,481,932	1,221,868	2,260,816	71,000,000	1,000,000
Activity ancillary to financial intermediation and insurance	551,209,176	605,611,778	-	-	42,373,231	71,682,982
Non financial corporations	609,134,311	406,622,917	-	-	114,946,176	42,339,859
Governments	-	-	-	-	-	-
Central banks	-	-	-	-	-	-
Financial holding companies	133,877,429	155,306,854	-	-	1,342,400	1,040,233
Others	206,959,309	218,358,879	-	-	13,082,281	13,730,728
Total	**2,190,865,336**	**2,239,991,228**	**3,736,369**	**6,019,465**	**250,174,719**	**145,029,116**

3.4 Market risk

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Interest rate risk is monitored daily and reported to local management and the Head of Group Treasury.

On a monthly basis, the Bank applies a "value at risk" (VAR) methodology to estimate the market risk of positions held and the potential maximum losses expected.

The Board of Directors sets limits on the value of risk that may be accepted, which is monitored as deemed appropriate.

The Bank's market risk reporting and the limit structure is based on a measure of potential loss under normal market conditions. The parameters used are:

- A 99% one tailed confidence level. This means that the potential loss amount is the maximum amount that could be lost, on average, on 99% of trading days. Conversely it is the minimum loss that should be expected on 1% of trading days;

- A 10-day holding period. This means that the Bank measures risk assuming that exposures could not be hedged or unwound in less than 10 working days; and

- A 180-day time series of changes in market variables. This means that a

6-month history of market movements is used to estimate likely changes in market risk factors (volatilities and correlations).

Since VAR constitutes an integral part of the Bank's market risk control system, VAR limits are established by the Board of Directors on all portfolio operations including interest rate, foreign exchange rate and equities.

Foreign exchange rate risk is calculated against local base currency, its measurement incorporates factors corresponding to individual foreign currencies in which the Bank has material positions.

Interest rate risk measurement includes a set of risk factors corresponding to interest rates in each of the currencies in which the Bank has material interest rate sensitive positions. For each currency, the yield curve is divided into a number of maturity segments in order to capture the variation in volatility of interest rates at different points on the yield curve.

Equity prices risk measurement includes risk factors corresponding to each of the national markets in which the Bank has a material position, irrespectively, in listed or unlisted securities. A market index captures market-wide movement in equity prices.

NOTE 4 CASH IN HAND, BALANCES WITH CENTRAL BANKS AND POST OFFICE BANKS

	2018 EUR	2017 EUR
Cash in Hand	131,880	168,311
Mandatory Minimum Reserve	11,341,132	11,597,883
Other cash balances	105,000,000	65,000,000
Total	**116,473,012**	**76,766,194**

In accordance with the requirements of the European Central Bank, Central Bank of Luxembourg has implemented, effective January 1, 1999, a system of mandatory minimum reserves which applies to all Luxembourg credit institutions. The minimum reserve balance as at December 31, 2018 held by the Bank with the Luxembourg Central Bank amounted to EUR 11 341 132 (2017: EUR 11 597 883).

NOTE 5 TRANSFERABLE SECURITIES

5.1 Listed securities

Bonds and other fixed-income transferable securities:	2018 EUR	2017 EUR
- other issues	91.500.000	91.510.000
Total	**91.500.000**	**91.510.000**

The market value of bonds eligible for refinancing with a central bank of the Euro zone included in the heading "bonds and other fixed-income transferable securities" is EUR 94 942 950 (2017: EUR 96 432 060).

The Bank does not hold any Greek Government Bonds, neither in the investment nor in the structural portfolio as at December 31, 2018.

As at December 31, 2018, all transferable securities belong to the structural portfolio of the Bank.

5.2 Unlisted securities

	2018 EUR	2017 EUR
Participating interests	4,958	4,958
Shares in affiliated undertakings	8,741,743	104
Total	**8,746,701**	**5,062**

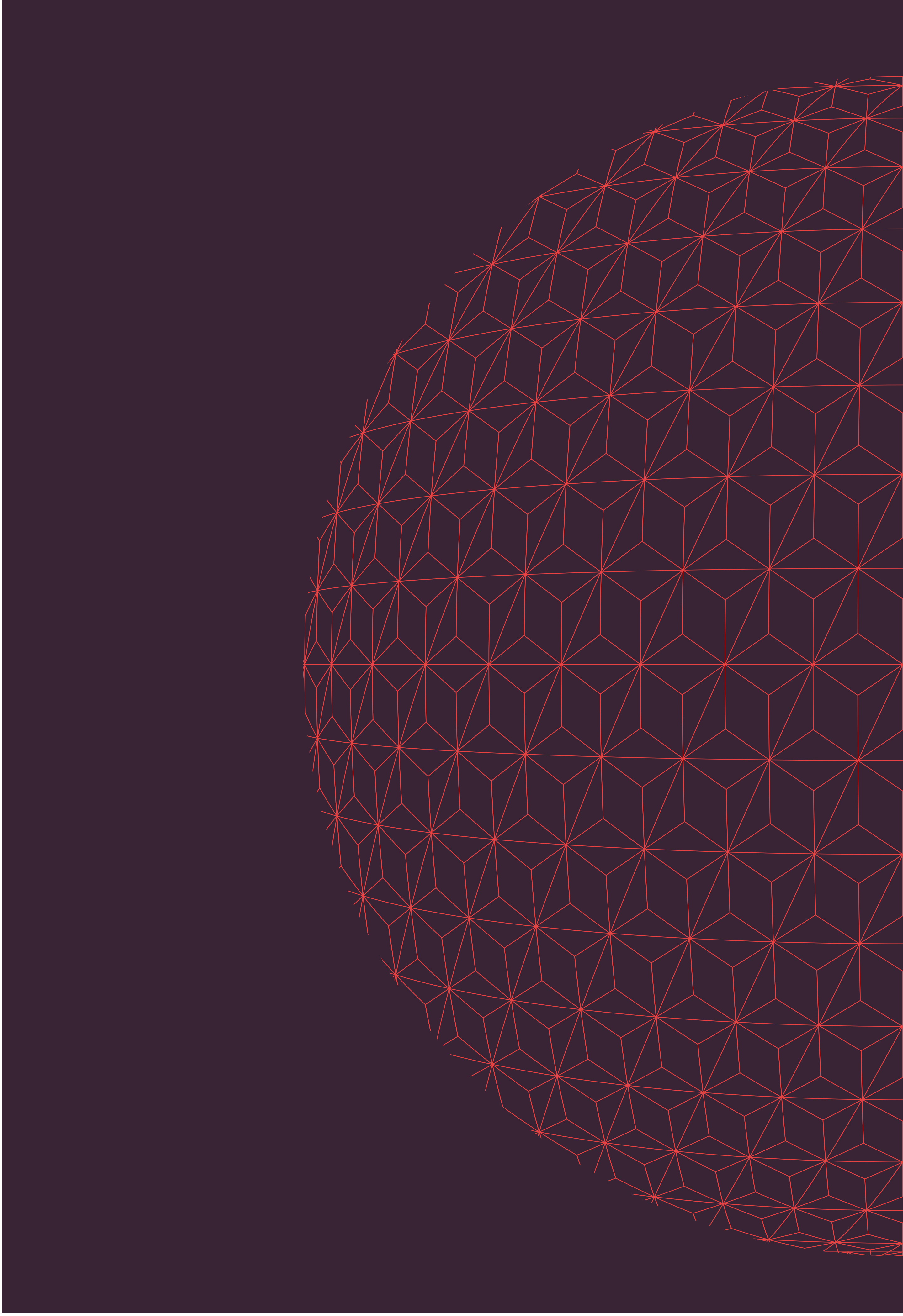
On January 30, 2018 the Bank acquired 100% of the shares (EUR 8 741 639) of BHF Lux Immo S.A., whose registered office is in 534 rue de Neudorf, 2220 Luxembourg, Luxembourg and was subsequently renamed to ERB Lux Immo S.A. As at December 31, 2018, the unaudited shareholder's equity is EUR 2 079 190 and the result of the financial year is EUR 189 850.

5.3 Sale and Repurchase transactions

As at December 31, 2018, the Bank is committed in reverse repurchase agreements for a total amount of EUR 395 339 714 (2017: EUR 465 807 325).

NOTE 6 ASSETS AND LIABILITIES BALANCES WITH AFFILIATED UNDERTAKINGS

	2018 EUR	2017 EUR
Assets		
Loans and advances to credit institutions	401,349,658	479,193,853
Loans and advances to customers	606,715,203	653,220,985
Prepayments and Accrued Income	956,418	2,879,840
Other Assets	1,560	-
	1,009,022,839	**1,135,294,678**
Liabilities		
Amounts owed to credit institutions	881,181,901	938,888,762
Amounts owed to customers	23,103,176	23,083,691
Accruals and Deferred Income	853,440	903,646
Other Liabilities	195,506	167,225
	905,334,023	**963,043,324**



NOTE 7 MOVEMENTS IN FIXED ASSETS

2018 Movement	Cost				Value adjustments				Net
Amounts (in EUR)	Gross value at the beginning of the financial year 2018	Additions	Disposals	Gross value at the end of the financial year 2018	Cumulative value adjustments at the beginning of the financial year 2018	Value adjustments	Reversal of value of adjustments	Cumulative value adjustments at the end of the financial year 2018	Net book value at the end of the financial year 2018
Debt Securities including fixed income transferable securities held as financial fixed assets	91,500,000	-	-	91,500,000	-	-	-	-	91,500,000
	91,500,000	**-**	**-**	**91,500,000**	**-**	**-**	**-**	**-**	**91,500,000**
Long term investments including:									
Participating interests	8,058	-	-	8,058	(3,100)	-	-	(3,100)	4,958
Shares in affiliated undertaking	410	8,741,639	-	8,742,049	(306)	-	-	(306)	8,741,743
	8,468	**8,741,639**	**-**	**8,750,107**	**(3,406)**	**-**	**-**	**(3,406)**	**8,746,701**
Intangible fixed assets									
Software and Consultancy	5,905,627	1,111,487	-	7,017,114	(4,871,013)	(543,182)	-	(5,414,195)	1,602,919
	5,905,627	**1,111,487**	**-**	**7,017,114**	**(4,871,013)**	**(543,182)**	**-**	**(5,414,195)**	**1,602,919**
Tangible fixed assets including:									
Other fixtures and fittings, tools and equipment	6,600,418	124,579	-	6,724,997	(5,947,933)	(197,161)	-	(6,145,094)	579,903
Technical equipment and machinery	1,134,591	90,893	-	1,225,484	(945,074)	(64,390)	-	(1,009,464)	216,020
	7,735,009	**215,472**	-	**7,950,481**	**(6,893,007)**	**(261,551)**	-	**(7,154,558)**	**795,923**

2017 Movement	Cost				Value adjustments				Net
Amounts (in EUR)	Gross value at the beginning of the financial year 2017	Gross value at the beginning of the financial year 2017	Disposals	Gross value at the end of the financial year 2017	Cumulative value adjustments at the beginning of the financial year 2017	Value adjustments	Reversal of value of adjustments	Cumulative value adjustments at the end of the financial year 2017	Net book value at the end of the financial year 2017
Debt Securities including fixed income transferable securities	91,500,000	-	-	91,500,000	-	-	-	-	91,500,000
	91,500,000	**-**	**-**	**91,500,000**	**-**	**-**	**-**	**-**	**91,500,000**
Long term investments including:									
Participating interests	8,058	-	-	8,058	(3,100)	-	-	(3,100)	4,958
Shares in affiliated undertaking	410	-	-	410	(306)	-	-	(306)	104
	8,468	**-**	**-**	**8,468**	**(3,406)**	**-**	**-**	**(3,406)**	**5,062**
Intangible fixed assets									
Software and Consultancy	5,271,359	634,268	-	5,905,627	(4,418,669)	(452,344)	-	(4,871,013)	1,034,614
	5,271,359	**634,268**	**-**	**5,905,627**	**(4,418,669)**	**(452,344)**	**-**	**(4,871,013)**	**1,034,614**
Tangible fixed assets including:									
Other fixtures and fittings, tools and equipment	5,952,214	648,204	-	6,600,418	(5,779,427)	(168,506)	-	(5,947,933)	652,485
Technical equipment and machinery	1,042,276	100,505	(8,190)	1,134,591	(883,556)	(61,928)	410	(945,074)	189,517
	6,994,490	**748,709**	(8,190)	**7,735,009**	**(6,662,983)**	**(230,434)**	**410**	**(6,893,007)**	**842,002**

NOTE 8 SUBSCRIBED CAPITAL

The authorised and paid-up share capital of the Bank amounts to EUR 70 000 000. The Bank's capital is comprised by 500 000 shares with Nominal value EUR 140 at the end of the year.

NOTE 9 RESERVES

9.1 Legal reserve

In accordance with Luxembourg law, the Bank is required to transfer at least 5% of its annual profit to the legal reserve until this equals 10% of subscribed capital. The legal reserve is not available for distribution to shareholders.

9.2 Special reserve

In accordance with the tax law, the Bank reduces the Net Wealth Tax liability by deducting it from itself. In order to comply with the tax law, the Bank allocates under non-distributable reserves (item "special reserve") an amount that corresponds to five times the amount of reduction of the Net Wealth Tax. This reserve is non-distributable for a period of five years from the year following the one during which the Net Wealth Tax was reduced.

9.3 Interim dividend

In accordance with article 20 of the Articles of Association of the Bank, the meeting of the Board of Directors dated November 12, 2018 approved the distribution of an interim dividend amounting to EUR 30 000 000 which was paid on November 29, 2018.

NOTE 10 CHANGES IN SHAREHOLDER'S EQUITY

The movements of shareholders' equity of the Bank may be summarized as follows:

		Reserves				
	Subscribed Capital EUR	Legal Reserve EUR	Special Reserve EUR	Total Reserve EUR	Profit brought forward EUR	Total EUR
Balance at December 31, 2017	70,000,000	7,000,000	30,519,650	37,519,650	157,508,573	265,028,223
Profit for the year ended December 31, 2017	-	-	-	-	13,402,301	13,402,301
Appropriation of profit	-	-	-	-	-	-
Interim Dividend	-	-	-	-	(30,000,000)	(30,000,000)
Transfer to legal reserve	-	-	-	-	-	-
Transfer to special reserve	-	-	882,865	882,865	(882,865)	-
Current year Profit	-	-	-	-	13,809,894	13,809,894
Balance at December 31, 2018	70,000,000	7,000,000	31,402,515	38,402,515	153,837,903	262,240,418

The appropriation of the 2017 result was approved by the Annual General Meeting of Shareholders on March 13, 2018.

NOTE 11 ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

	2018 EUR	2017 EUR
Total assets in foreign currencies	374.513.015	358.176.136
Total liabilities in foreign currencies	385,626,702	381.020,175
	760.139.717	739,196,311

NOTE 12 CONTINGENT LIABILITIES AND COMMITMENTS

12.1 Contingent liabilities

As at December 31, 2018 the contingent liabilities include guarantees and other direct substitutes for credit and amount to EUR 15 018 784 (2017: EUR 16 411 908).

12.2 Other off balance sheet commitments

	2018 EUR	2017 EUR
Assets held on behalf of third parties	3,293,790,383	3,961,301,457
Credits confirmed but not used	250,174,719	145,029,116
Repurchase agreements	456,926,762	497,830,698
Forward foreign exchange transactions	330,721,411	383,380,453
Fiduciary operations	259,228,986	391,336,424
Options	4,336,980	2,082,569
	4,595,179,241	**5,380,960,717**

12.3 Deposit Guarantee Scheme

The law related to the resolution, reorganisation and winding-up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes (“the Law”), transposing into Luxembourgish law the directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and the directive 2014/49/EU related to deposit guarantee and investor compensation schemes, was passed on 18 December 2015.

The deposit guarantee and investor compensation scheme through the “Association pour la Garantie des Dépôts Luxembourg” (AGDL) was replaced by a new contribution based system of deposit guarantee and investor compensation scheme. This new system covers eligible deposits of each depositor up to an amount of EUR 100 000 and investments up to an amount of EUR 20 000. The Law also provides that deposits resulting from specific transactions or fulfilling a specific social or other purpose are covered for an amount above EUR 100 000 for a period of 12 months.

The funded amount of the “Fonds de résolution Luxembourg” (FRL) shall reach by the end of 2024 at least 1% of covered deposits, as defined in article 1 number 36 of the Law, of all authorized credit institutions in all participating Member States. This amount is collected from the credit institutions through annual contributions during the years 2015 to 2024.

The target level of funding of the “Fonds de Garantie des Dépôts Luxembourg” (FGDL) is set at 0.8% of covered deposits, as defined in article 163 number 8 of the Law, of the relevant credit institutions and is to be reached by the end of 2018 through annual contributions. The contributions are to be made in the form of annual payments during the years 2016 to 2018. When the level of 0.8% is reached, the Luxembourgish credit institutions are to continue to contribute for 8 additional years in order to constitute an additional safety buffer of 0.8% of covered deposits as defined in article 163 number 8 of the Law.

The law of 23 December 2016 on the tax reform 2017 has introduced a tax neutral reversal of the existing AGDL provisions in successive annual tranches from 2016 to 2026, under the condition that each annual tranche is at least equal to the contributions to the FGDL and FRL for that fiscal year. Any remaining balance of the AGDL provision not yet reversed at the end of this transitional period will have to be reversed and added to the taxable income of the year 2026.

On 18 January 2017, CSSF issued a circular letter relating to the abrogation of the AGDL and to the consequent accounting treatment of the AGDL reversal to enable the banks to follow from an accounting point view the tax treatment foreseen in the law of 23 December 2016.

As a consequence, the Bank reversed all remaining AGDL provision for an amount of EUR 195 983 (the 2018 cash contribution amounts to EUR 561 170). The remaining cash contribution after reversing the AGDL provision was recorded in the caption 'General administrative expenses' for an amount of EUR 365 187. Additionally, the 2018 FRL contribution for an amount of EUR 237 309 was paid by the Bank and recorded in the caption 'General administrative expenses'.

As at 31 December 2018, the remaining AGDL provision amounts to Nil (31 December 2017: EUR 195 983).

12.4 Management and fiduciary services

The Bank has provided the following management and fiduciary services to third parties in the course of the financial year:

- Investment management and advice;
- Safekeeping and administration of securities;
- Fiduciary services;
- Agency services.

NOTE 13 PROFIT AND LOSS ACCOUNT

13.1 Sources of income by geographical region

By application of Article 69 of the amended law of June 17, 1992 on the annual accounts of credit institutions, sources of income have not been analyzed by geographical region.

Nevertheless the break down between the Bank and its United Kingdom branch is the following:

	2018 EUR	2017 EUR
Interest income		
Luxembourg entity	52,153,879	52,414,777
United Kingdom branch	3,473,559	4,036,527
	55,627,438	**56,451,304**
Commission income		
Luxembourg entity	11,807,197	11,968,532
United Kingdom branch	212,456	168,588
	12,019,653	**12,137,120**

13.2 Interest receivable and similar income

	2018 EUR	2017 EUR
Interest receivable on loans and advances to credit institutions	7,998,851	7,591,392
of which: affiliated credit institutions	3,232,283	1,516,325
Interest receivable on balances with central banks	(245,167)	(327,934)
Interest receivable on balances with central banks	47,299,181	48,616,005
of which: affiliated customers	*12,782,661*	*14,500,922*
Interest receivable on debt securities and other	574,573	571,841
	55,627,438	**56,451,304**

13.3 Interest payable and similar charges

	2018 EUR	2017 EUR
Interest payable on amounts owed to credit institutions	20,218,202	20,953,411
of which: affiliated credit institutions	*15,306,997*	*17,202,579*
Interest payable on amounts owed to customers	9,057,983	10,424,979
of which: liabilities with agreed maturity dates or period of notice	*8,997,122*	*10,431,778*
Interest payable on balances with central banks	1,009	-
	29,277,194	**31,378,390**

13.4 Commissions receivable

	2018 EUR	2017 EUR
Fiduciary operations	325,444	245,433
Asset Management	1,509,409	1,236,251
Foreign exchange, precious metals and securities transactions on behalf of third parties	1,773,001	2,131,996
Safekeeping of assets belonging to third parties	1,373,817	1,669,980
Other commission receivable	7,037,982	6,853,460
Of which: Loans Fees	*1,454,348*	*1,471,423*
Of which: Distribution Ageement Fees	*1,299,267*	*1,279,926*
Of which: Funds Fees	*2,584,670*	*2,566,137*
	12,019,653	**12,137,120**

13.5 Commissions payable

	2018 EUR	2017 EUR
Asset Management Fees	722,317	584,942
Safekeeping Fees	1,540,424	1,969,997
Loan Fees	1,025,612	1,593,717
Other commission payable	151,073	107,493
	3,439,426	**4,256,149**

13.6 Net profit on financial operations

Net profit on financial operations at December 31, 2018 mainly includes gain and loss on foreign exchange transactions.

13.7 Other operating income

	2018 EUR	2017 EUR
Income from affiliated undertakings	211,558	202,034
VAT settlement	163,785	120,409
Other income	223,365	489
United Kingdom branch other operating income	46,729	-
	645,437	**322,932**

The other income in 2018 relates to legal fees recovered from a property auction.

13.8 Other operating charges

	2018 EUR	2017 EUR
Withholding taxes	730,556	636,861
United Kingdom branch other expense	84,186	29,854
Tax previous year	14 988	1,076
Other expenses	-	464,945
	829,730	**1,132,736**

13.9 Tax charge

The Bank is liable to taxes on income, capital and net assets. The Luxembourg tax authorities have issued assessments for the years up to and including 2014. Tax liabilities, net of tax advances, are recorded under "provisions for taxation" in the balance sheet.

13.10 Return on assets

The return on assets of the Bank for the year ended December 31, 2018 stands to 0.59% (2017: 0.57%). The return on assets is calculated as being the net profit divided by the total balance sheet.

NOTE 14 INDEPENDENT AUDITOR'S FEES

For the year ending December 31, 2018, independent auditor's fees are as follows:

	2018 EUR	2017 EUR
Audit fees	125,000	202,500
Tax related fees	116,000	-
Other fees	-	3,000
	241,000	**205,500**

NOTE 15 STAFF AND DIRECTORS

15.1 Staff

Number of Bank's average employees (including London Branch) at the end of the financial year 2018:

	2018 EUR	2017 EUR
Senior Management and Management	12	12
Employees	86	83
	98	**95**

15.2 Information relating to Management

Senior Management and Management received emoluments in respect of their duties totaling to EUR 1 814 216 (2017: EUR 1 776 953).

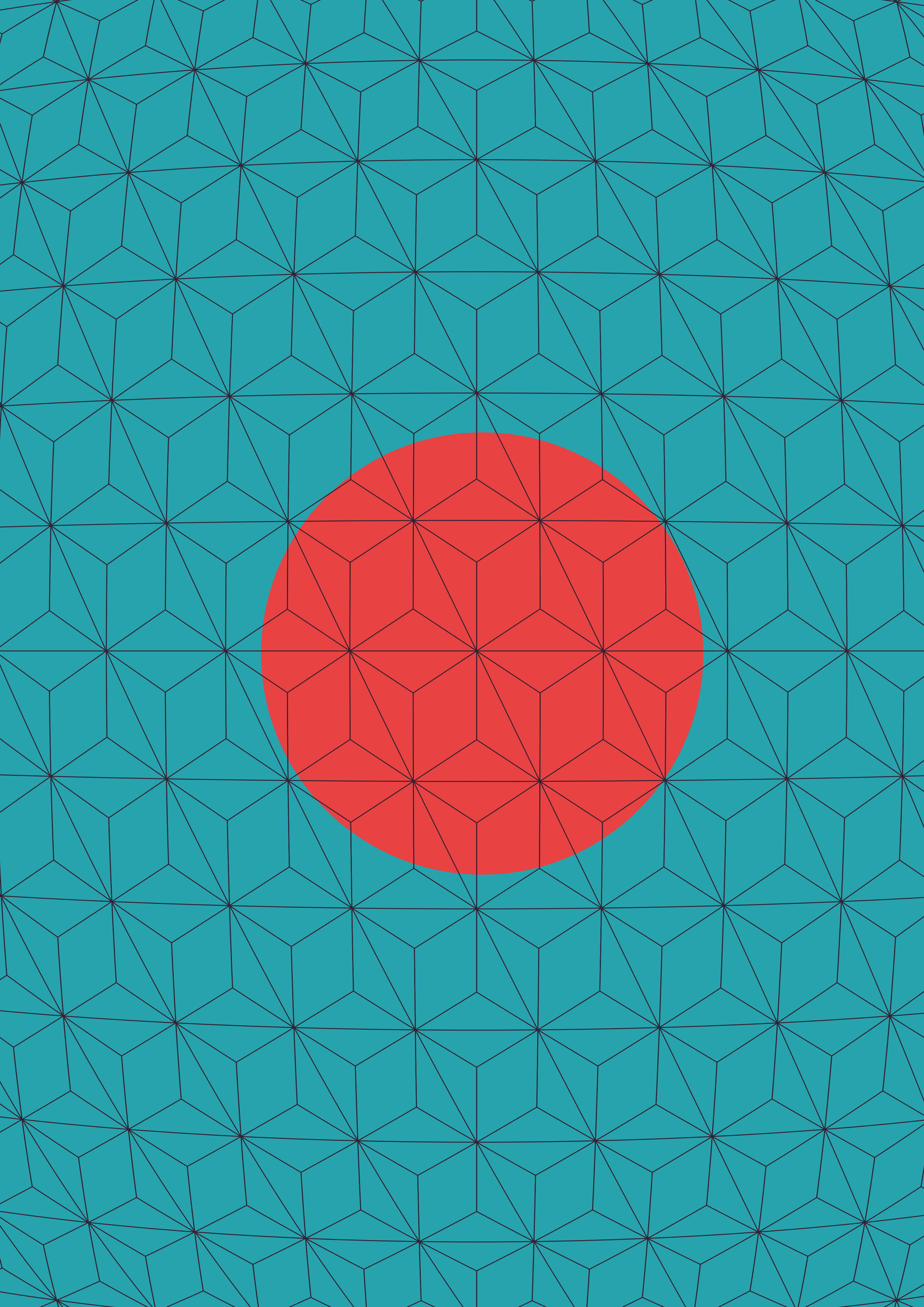
Board members received emoluments in respect of their duties totaling to EUR 163 804 (2017: EUR 163 036).

As at December 31, 2018, loans totaling EUR 1 401 201 were granted to 4 members of Senior Management and Management (2017: EUR 1 513 807).

Guarantees (EUR 29 450) for the rent of apartments have been given on behalf of the Bank to 5 members of the Management and Senior Management (2017: EUR 29 450).

NOTE 16 POST-BALANCE SHEET EVENTS

No event took place after closing of the reporting period which would impact the financial position of the Bank as of December 31, 2018 or require disclosure.



Eurobank Private Bank Luxembourg S.A.
534, Rue de Neudorf L-2220 Luxembourg
PO Box 897, L-2018

Telephone (+352) 420724-1
Facsimile (+352) 420724-650
www.eurobankpb.lu

R.C. B 24724 registered office as above