

BANK SADERAT IRAN – ATHENS BRANCH
FINANCIAL STATEMENTS AS AT AND FOR THE
YEARS ENDED DECEMBER 31, 2019 AND 2018
AND INDEPENDENT AUDITORS' REPORT

MARCH 2020

**BANK SADERAT IRAN - ATHENS BRANCH
REPORT ON AUDIT OF
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
of BANK SADERAT IRAN**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of BANK SADERAT IRAN (Athens Branch), which comprise the statement of financial position as at 31 December 2019, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as these have been incorporated into the Greek Legislation. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Branch throughout our appointment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), as incorporated into the Greek Legislation and the ethical requirements that are relevant to the audit of the financial statements in Greece, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the current legislation and the above-mentioned IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as incorporated into the Greek Legislation, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Branch to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Branch audit. We remain solely responsible for our audit opinion.

We communicate with management 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.

Athens, March 18th 2020

Eva Angelidi

Athina Katsimicha

Certified Public Accountant Auditor Certified Public Accountant Auditor
Institute of CPA (SOEL) Reg. No. 15331 Institute of CPA (SOEL) Reg. No. 33101

Associated Certified Public Accountants s.a.
member of Crowe Horwath International
3, Fok. Negri Street – 112 57 Athens, Greece
Institute of CPA (SOEL) Reg. No. 125

BANK SADERAT IRAN - ATHENS BRANCH
BALANCE SHEET
(in Euro)

	Year ended December 31,	
	2019	2018
ASSETS		
Cash on hand	153.534	91.400
Due from banks (Note 4)	142.936	63.998
Due from branches (Note 5)	73.144.985	75.454.855
Obligatory reserves and Current account with Bank of Greece (Note 3)	12.936.763	10.648.159
Loans receivable, net of allowance for loan losses of Euro 4.254.210 and Euro 4.252.813 at December 31, 2019 and at December 31, 2018, respectively (Note 6)	7.522	55.817
Prepayments and other debtors (Note 7)	1.408.492	1.410.769
Fixed assets, net of accumulated depreciation of Euro 1.894.103 and Euro 1.813.504 at December 31, 2019 and at December 31, 2018, respectively (Note 8)	307.296	376.648
Rights to use fixed assets (Note 9)	307.359	0
Deferred tax asset (Note 10b)	269.198	445.972
Total assets	88.678.086	88.547.619
LIABILITIES		
Due to banks (Note 11)	34.741.303	34.728.888
Due to branches (Note 12)	587.355	527.162
Current liabilities of use fixed assets	101.102	0
Customers' deposits (Note 13)	1.859.708	2.290.982
Accrued and other current liabilities (Note 14)	458.140	453.638
Other provisions (Note 15)	3.186.654	3.179.264
Non current liabilities of use fixed assets	212.943	0
Total liabilities	41.147.205	41.179.934
COMMITMENTS AND CONTINGENT LIABILITIES		
BRANCH EQUITY		
Branch capital (Note 16)	10.629.259	10.629.259
Other Reserves (Note 17)	18.000.000	18.000.000
Retained earnings (Note 18)	18.901.623	18.738.426
Total Equity	47.530.882	47.367.685
TOTAL LIABILITIES AND BRANCH EQUITY	88.678.086	88.547.619

Athens, March 12th 2020

THE GENERAL
MANAGER

THE ASSISTANT
MANAGER

THE HEAD OF
ACCOUNTING
SECTION

MOHAMMADI MASOUD

ATHANASSIA ZACHARI

IOANNIS KYRIAKOS

The accompanying notes on pages 8 to 33 are an integral part of these Financial Statements.

BANK SADERAT IRAN - ATHENS BRANCH
STATEMENT OF OPERATIONS
(in Euro)

	Year ended December 31,	
	2019	2018
INTEREST INCOME		
Interest on interbranch accounts	1.659.523	2.063.685
Interest on customers' loans	33.426	58.373
Interest on obligatory deposits and Government securities	0	0
	1.692.948	2.122.057
INTEREST EXPENSE		
Interest on Head Office and current	0	0
Interest on Bank of Greece	48.349	40.589
Interest on customer deposits and guarantee margins	-360	2.638
Interest on bank and interbranch deposits	1.779	5.830
Other interest	14.343	0
	64.111	49.058
<i>Net interest income</i>	1.628.837	2.073.000
OTHER INCOME (EXPENSES)		
Commissions – net	-705	13.150
Foreign exchange gains – net	1.926	5.518
Other - net	-6.702	-19.074
	-5.480	-405
OTHER EXPENSES		
Payroll costs	764.328	813.364
Rentals (Note 20)	15.570	126.861
Depreciation of fixed assets (Note 8)	86.505	21.644
Depreciation of use fixed assets (Note 9)	102.453	0
Legal and audit fees	84.596	132.949
Head Office charges	59.499	59.563
Other operating expenses (Note 21)	171.435	189.870
	1.284.386	1.344.250
INCOME BEFORE PROVISION FOR INCOME TAXES	338.971	728.344
PROVISION FOR INCOME TAXES (Note 10)	-175.774	-234.126
NET INCOME	163.196	494.218

Athens, March 12th 2020

THE GENERAL
MANAGER

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BANK SADERAT IRAN - ATHENS BRANCH
STATEMENT OF CHANGES IN BRANCH EQUITY
(in Euro)

	Capital	Revaluation Reserve	Retained Earnings	Total
Balance January 1, 2019	10.629.259	18.000.000	18.738.427	47.367.685
Transfer to the P/L Account	0	0	0	0
Net income for the year	0	0	163.196	163.196
Balance December 31, 2019	10.629.259	18.000.000	18.901.623	47.530.882

	Capital	Revaluation Reserve	Retained Earnings	Total
Balance January 1, 2018	10.629.259	18.000.000	18.244.208	46.873.467
Transfer to the P/L Account	0	0	0	0
Net income for the year	0	0	494.218	494.218
Balance December 31, 2018	10.629.259	18.000.000	18.738.427	47.367.685

The accompanying notes on pages 8 to 33 are an integral part of these Financial Statements.

BANK SADERAT IRAN - ATHENS BRANCH
STATEMENT OF CASH FLOWS
(in Euro)

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the year	163.196	494.218
Increase/Decrease in other provisions	5.993	14.732
Depreciation	86.505	21.644
Deferred income taxes	176.774	233.126
Increase in term deposits due from branches	-78.828	-77.595
Increase/Decrease in Obligatory reserves and Current Account with Bank of Greece	-2.288.604	-240.504
Decrease in loans receivable	49.692	21.095
Decrease/Increase in prepayments and other debtors	2.277	8.649
Increase/Decrease in due to banks	12.416	19.037
Decrease/Increase in due to branches	60.193	-30.851
Decrease in customers' deposits	-431.274	-205.649
Increase/Decrease in accrued and other current liabilities	11.188	64.170
Net cash provided by operating activities:	<u>-2.230.472</u>	<u>322.073</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of fixed assets	-17.153	-349.653
Net cash utilized in investing activities	<u>-17.153</u>	<u>-349.653</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in cash and cash equivalents	-2.247.625	-27.580
Cash and cash equivalents, beginning of year	<u>6.916.756</u>	<u>6.944.335</u>
Cash and cash equivalents, end of year (Note 2h)	<u>4.669.130</u>	<u>6.916.756</u>

The accompanying notes on pages 8 to 33 are an integral part of these Financial Statements.

BANK SADERAT IRAN - ATHENS BRANCH
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(in Euro)

1. LEGAL STATUS AND OPERATIONS

The Athens Branch of Bank Saderat Iran (the “Branch”) was established in 1976 and commenced operations in 1977. In order for the Branch to obtain an operating license, a guarantee deposit of U.S.\$ 10 million was given by the Head Office to the Bank of Greece which was placed in an interest bearing blocked account. The repatriation of this guarantee deposit could not take place as long as the Branch operated in Greece. Subsequent to December 31st, 2000 and in accordance with a decree issued by the Governor of the Bank of Greece, this guarantee deposit was converted into Euro and released to the Branch to be used as Branch capital, freely available for use in the domestic market (See Note 15).

The Branch’s main activities are customer lending, discounting, refinancing and issuing letters of credit and guarantee. Excess funds are placed with other banks. At December 31, 2019 and December 31, 2018 the Branch had 12 employees.

The restrictive measures which have been imposed on Bank Saderat Iran in 2010, in the frames of the sanctions against Iran, have been terminated on October 22, 2016. Accordingly, the frozen funds and economic resources of the Branch have been released. The financial statements have been prepared based on the principle of continuing the activities of the Branch.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Following are the significant accounting policies of the Branch:

a. Basis of financial statements

The Branch maintains its books and records in accordance with the Greek Books and Records Code regulations, the provisions of Greek Company Law and Law 2076/1992 governing the operations of banks in Greece. For financial reporting purposes, certain out of book adjustments are made in order to prepare financial statements in accordance with International Financial Reporting Standards as endorsed by the E.U.

E.U. endorsed IFRSs may differ from IFRSs as issued by the International Accounting Standards Board (“IASB”) if, at any point in time, new or amended IFRSs have not been endorsed by the E.U.

At 31st December 2019, there were no unendorsed standards effective for the period ended 31st December 2019, which affect these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Branch.

The financial statements are presented in Euro, unless otherwise indicated.

BANK SADERAT IRAN - ATHENS BRANCH
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(in Euro)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

a. Basis of financial statements – Continued

The adjustments and their effect on the results of operations of the Branch are as follows:

	Year ended December 31,	
	2019	2018
Income as per books/ per IAS financial statements	338.971	728.344
Less: tax paid	0	0
Less: extra tax penalty	0	0
Income per statutory financial statements	338.971	728.344
Less: provision for income tax	0	0
Net income per statutory financial statements	338.971	728.344
Out of book adjustments:		
To adjust the deferred income tax asset	-176.774	-233.126
To adjust previous year tax	1.000	-1.000
To adjust the loss of a plot of land	0	0
Other expenses	0	0
Net income per IAS financial statements	163.196	494.218
Retained earnings per statutory financial statements	18.327.893	17.598.549
Transfer to H/O	0	0
Out of book adjustments:		
To adjust previous year tax	0	0
Deferred tax asset	269.198	445.972
Provision for general banking risk	-34.439	-34.439
Income as per books/ per IAS financial statements	338.971	728.344
Retained earnings per IAS financial statements	18.901.623	18.738.426

b. Use of estimates in the preparation of the financial statements

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates in the following areas: impairment of loans and receivables, liabilities from open tax years and contingencies from litigation. Actual results in the future could differ from such estimates and the differences may be material to the financial statements.

The financial statements of the Athens Branch were prepared on the basis of the principle of business continuity. The Management of the Branch considers that the above principle is strong given the stability of the financial data of the Branch.

In addition, given the new global financial data that has emerged from the spread of the new Covid-19 coronavirus, the Management estimates also that the principle of continuity of Branch activity is strong as:

BANK SADERAT IRAN - ATHENS BRANCH
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(in Euro)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

b. Use of estimates in the preparation of the financial statements – Continued

- (a) the Greek Government has already taken measures to support all businesses and workers throughout the duration of the coronavirus spreading but also for the period to follow, so as to deal promptly and adequately with all possible economic impacts; and
- (b) similar measures have been taken worldwide.

c. Foreign currency transactions

The Branch trades in different currencies. Transactions in foreign currencies are converted into Euros at the official rates of exchange prevailing at the time the transactions occur. Assets and liabilities denominated in foreign currencies are revalued every day at the official rates of exchange ruling on that date and gains or losses arising there from the revaluation are credited or charged to operations.

d. Securities held to maturity

Securities held to maturity consist of debt securities (primarily government bonds) which the management has the positive intend and ability to hold to maturity, and which are stated at amortized cost. Income from investment securities is reported as interest income.

e. Interest income and expense

Interest income and expense are accounted for on an accrual basis. Interest income is suspended, when loans are overdue by more than 365 days and is excluded from interest income until received. However, if there is no valuable collateral, the Branch stops accruing interest at an earlier stage.

f. Loans originated by the Branch

Loans originated by the Branch include loans where money is provided directly to the borrower. A participation in a loan from another lender is considered to be originated by the Branch, provided it is funded on the date the loan is originated by the lender. Loans originated by the Branch are recognized when cash is advanced to borrowers.

There are no loans that have been originated and are intended for sale in the secondary market. Loans are measured at amortized cost less provision for impairment if any.

Loans receivable are placed on non-accrual status when there has been no payment of interest for 12 months after the due date and collection is considered doubtful. However, at the judgment of management, loans receivable that are well secured and in progress of collection may be continued on an accrual basis. The accrual of interest on impaired loans receivable is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. Interest income is subsequently recognized only to the extent cash payments are received.

BANK SADERAT IRAN - ATHENS BRANCH
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(in Euro)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

g. Concentration of credit risk and allowance for loans losses

The Branch has substantial amounts placed with foreign banks that are mostly State owned. In addition, loans receivable are related to both local and foreign customers. Financial assets that potentially subject the Branch to concentration of credit risk are amounts due from banks and loans receivable. The allowance for loan losses is stated at the amount considered necessary to cover potential risks in the collection of loans receivable.

Loans originated by the Branch are recognized when cash is advanced to the borrowers. They are initially recorded at cost, including transaction costs, and are subsequently valued at amortized cost using the effective interest method. A provision for loan impairment is established if there is objective evidence that the Branch will not be able to collect all amounts due according to the original contractual terms.

The amount of the provision is the difference between the accounting value of the loan and the amount that is expected to be recovered and it is recognized in the income statement. The recoverable amount of each loan is calculated by discounting the expected cash flows for the servicing of the loan based on the effective rate.

The allowance for loan losses is increased by charges to income and decreased by write-offs (net of any recoveries). Management's periodic evaluation of the adequacy of the reserve is based on the Branches' past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay, the estimated value of any underlying collateral and current economic conditions.

h. Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents consist of:

	Year ended December 31,	
	2019	2018
Cash on hand accounts	153.534	91.400
Current accounts due from banks	142.936	63.998
Current accounts due from H.O. and Branches	4.372.660	6.761.358
	4.669.130	6.916.756

i. Segment reporting

The Branch is engaged in banking activities in the Hellenic Republic. Management considers that they operate and manage the entity as one business and geographical segment.

BANK SADERAT IRAN - ATHENS BRANCH
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(in Euro)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

j. Deferred Tax

Deferred taxation is the tax that will be paid or for which relief will be obtained in the future resulting from the different period that certain items are recognized for financial reporting and tax purposes. Deferred tax is provided for temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are provided based on the expected manner of realization or settlement using tax rates (and laws) enacted at the balance sheet date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, taking into consideration the enacted tax rates at balance sheet date. Current and deferred tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity in which case it is recognized in equity.

k. Reserve for staff retirement indemnities

Under Greek labor law, employees are entitled to termination payments in the event of dismissal or retirement with the amount of payment varying in relation to the employee's compensation, length of service and manner of termination (dismissed or retired). No termination payments are due to employees who resign or are dismissed with cause, while in the case of retirement the amount is 40% of the maximum indemnity which would be payable upon dismissal. The number of employees who will eventually be dismissed or retired in subsequent years is not known; however, the maximum liability if all employees were dismissed at December 31st, 2019, would have been approximately Euro 465.629 (Euro 453.275 at December 31st, 2018).

The accompanying December 31, 2019 financial statements include a reserve for staff retirement indemnities of Euro 209.352 (Euro 203.963 at December 31st, 2018) which amount management believes is adequate. This reserve is not considered a tax-deductible item until paid.

l. Fixed assets

Fixed assets include intangible assets and property, plant and equipment, which are carried at cost, less accumulated depreciation.

Depreciation is computed based on the straight-line method using rates, which are equivalent to average economic useful life rates. The rates used are as follows:

<u>Classification</u>	<u>Annual rates</u>
Leasehold improvements	20%
Machinery and equipment	10%
Motor vehicles	16%
Furniture and fixtures	10%
Computer software and equipment	20%

BANK SADERAT IRAN - ATHENS BRANCH
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(in Euro)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

m. Right to use Fixed assets

IFRS 16 introduces a single model for accounting, from the lessee's part, which requires from the lessee to acknowledge assets and liabilities for all lease contracts with a duration of more than 12 months, unless the asset in question is of insignificant value.

The Branch applied IFRS 16 on January 1, 2019 using the modified retrospective approach. Based on this approach, the Branch:

(a) recognizes a liability that is measured at present value as a result of the discounting of the rents remaining to be paid at the borrowing rate in force at the date of initial application;

b) recognizes a right to use the asset by measuring that right at an amount equal to the corresponding liability to be recognized. Following initial recognition, the Branch will a) measure the rights to use the assets and depreciate them consistently throughout the lease, and b) measure the corresponding liability, increasing and decreasing the open balance in a way that reflects interest and rent payments respectively.

Accounting Operation

In adopting IFRS 16, the Branch applied a single accounting framework for all leases.

- The Branch has recognized the right to use fixed assets and liabilities for these lease-contracts previously classified as operating other than low value leases.
- The lease liability is recognized as the present value of the outstanding payments, discounted at the cost of additional borrowing at the date of initial application.

The Branch's new accounting policies when adopting IFRS 16, effective from the date of initial application are presented in note 9:

Right to use fixed assets

The Branch recognizes the right to use fixed assets at the commencement of the lease (the date the asset is available before use). The rights to use fixed assets are measured at cost less accumulated depreciation and impairment, adjusted when measuring the corresponding lease liabilities. The rights to use fixed assets are subject to impairment testing.

Lease liabilities

At the commencement of the lease, the Branch recognizes lease liabilities equal to the present value of the leases over the entire term of the lease. Following the commencement of the lease, the amount of the lease liabilities is increased by interest expenses and is reduced by the lease payments made. In addition, the carrying amount of the lease liabilities is measured if there is a contract amendment, any change in the term of the contract, in the fixed leases or in the market valuation of the asset.

BANK SADERAT IRAN - ATHENS BRANCH
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(in Euro)

3. CASH AND BALANCES WITH CENTRAL BANK

Obligatory reserves and Current Account with Bank of Greece, as at December 31, 2019 and 2018, are analyzed as follows:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Balances with Central Bank/ Current Acc.	<u><u>12.936.763</u></u>	<u><u>10.648.159</u></u>

The Bank of Greece (the “Central Bank”) is the Central Bank of Greece and the primary regulator of depository institutions. The Central Bank requires all banks operating in the country to maintain with the Bank of Greece 1% of total monthly deposits of: (a) customer deposits and (b) deposits made by banks located outside the Euro zone. For deposits with maturity over two years no obligatory reserve is required. At December 31st, 2019 the required amount of 1% on the above mentioned deposits were covered by the existing balance of the Current Account with Bank Of Greece, which was Euro 12.936.763. As of 1st January 2001 these deposits bear interest at the refinancing rate as set by the European Central Bank (“ECB”).

4. DUE FROM BANKS

Due from banks, as at December 31, 2019 and 2018, are analyzed as follows:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Current accounts	<u>142.936</u>	<u>63.998</u>
	<u><u>142.936</u></u>	<u><u>63.998</u></u>

5. DUE FROM HEAD OFFICE AND BRANCHES

Due from H.O and branches as at December 31, 2019 and 2018, are analyzed as follows:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Current accounts	<u>4.372.660</u>	<u>6.761.358</u>
Term deposits	<u>68.772.325</u>	<u>68.693.497</u>
	<u><u>73.144.985</u></u>	<u><u>75.454.855</u></u>

BANK SADERAT IRAN - ATHENS BRANCH
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(in Euro)

5. DUE FROM HEAD OFFICE AND BRANCHES– Continued

Interbranch accounts receivable can be analyzed as follows:

	December 31, 2019		December 31, 2018	
	Term Deposits	Current Accounts	Term Deposits	Current Accounts
Frankfurt	0	0	0	122.074
Hamburg	0	0	0	8.817
Paris	0	0	0	35.526
Dubai	0	273.084	0	97.921
Head Office	68.772.325	4.099.577	68.693.497	6.497.020
	68.772.325	4.372.660	68.693.497	6.761.358

6. LOANS RECEIVABLE, NET

Loans receivable, net, are analyzed as follows:

	Year ended December 31,	
	2019	2018
Loans receivable	4.261.732	4.308.631
Less-allowance for loan	-4.254.210	-4.252.813
	7.522	55.817

The allowance represents a pooled provision for loan losses amounting to Euro 52.236 as at December 31st, 2019 (Euro 51.312 as at December 31, 2018) and a specific provision of Euro 4.201.974 for non-performing loans as at December 31st, 2019 (Euro 4.201.501 as at December 2018). The specific provision for doubtful debts is determined after taking into account any collateral held.

Economic sector risk concentrations within the Branch's customer loan portfolio were as follows:

	Year ended December 31,	
	2019	2018
Commerce	1.100.290	1.107.898
Imports-Exports	3.159.146	3.195.579
Consumer/Personal Loans	2.295	5.154
	4.261.732	4.308.631

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6. LOANS RECEIVABLE, NET - Continued

The movement of the allowance for loan losses is analyzed as follow:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Balance at the beginning of the year	4.252.813	4.242.457
Add / (Deduct) provision for loan losses	846	1.040
Add / (Deduct) Translation difference	551	9.316
Balance at the end of the year	<u><u>4.254.210</u></u>	<u><u>4.252.813</u></u>

7. PREPAYMENTS AND OTHER DEBTORS

Prepayments and other debtors are analyzed as follows:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Accrued interest receivable	181.271	180.895
Other debtors and prepaid expenses	1.227.221	1.229.874
	<u><u>1.408.492</u></u>	<u><u>1.410.769</u></u>

8. FIXED ASSETS

Fixed assets are analyzed as follows:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cost:		
Leasehold improvements	105.569	110.590
Motor vehicles	69.199	69.199
Furniture, fixtures and equipment	406.913	399.882
Computer software	1.619.719	1.610.481
	<u><u>2.201.400</u></u>	<u><u>2.190.152</u></u>
Accumulated depreciation	-1.894.103	-1.813.504
Net book value	<u><u>307.296</u></u>	<u><u>376.648</u></u>

Depreciation expense for the year ended December 31, 2019 amounted to Euro 86.505 (Euro 21.644 for the year ended December 31, 2018).

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9. RIGHTS TO USE FIXED ASSETS

The rights to use assets and its lease liabilities concerns the lease (Rental) of Branch property and is analyzed as follow:

a) Rights to use Fixed Assets

Cost	Property
As at 1st January 2019	409.813
Additions	0,00
As at 31st December 2019	409.813
Accumulated Depreciation	
As at 1st January 2019	0
Additions	102.453
Modification	0
As at 31st December 2019	102.453
Net Book Value at 31st December 2019	307.359

b) Liabilities of use Fixed Assets

	Property
Non current liabilities of use Fixed Assets	
As at 1st January 2019	409.813
Additions (period interest)	14.343
Period payments (Lease payment)	-110.111
Transfer to current liabilities of use Fixed Assets	-101.102
As at 31st December 2019	212.943
Current liabilities of use fixed assets	
As at 1st January 2019	0
Transfer from non current liabilities of use Fixed Assets	
Assets	101.102
As at 31st December 2019	101.102

BANK SADERAT IRAN - ATHENS BRANCH
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10. INCOME TAXES

a. Income tax expense

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Tax provision:		
Different charges	-1.000	1.000
Deferred tax	176.774	233.126
	<u>175.774</u>	<u>234.126</u>

For the fiscal year 2019, the income tax rate is 24% (for the fiscal year 2018 the income tax rate was 28%). Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until the tax authorities examine the returns and the records of the taxpayer.

The differences between the statutory income tax rates and the effective tax rates are summarized as follows:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Statutory income tax rate	24,00%	28,00%
Non-deductible expenses	5,85%	4,14%
Tax difference due to tax change with previous years	22,01%	0,00%
Effective tax rate	<u>51,86%</u>	<u>32,14%</u>

b. Deferred income taxes

The movement of the deferred income tax account is as follows:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Balance, at the beginning of the year	445.972	679.098
Deferred income tax benefit	-176.774	-233.126
Balance, at the end of the year	<u>269.198</u>	<u>445.972</u>

The deferred tax asset is mainly due to previous year tax losses (€ 218.954) which can be used to offset profits of the five fiscal years. The remaining amount (€ 50.244) relates to the temporary difference resulting from the timing difference of the recognition of the reserve for staff retirement indemnities.

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11. DUE TO BANKS

Due to banks are analyzed as follows:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Current accounts	34.741.303	34.728.888
	<u>34.741.303</u>	<u>34.728.888</u>

12. DUE TO BRANCHES

Due to branches are analyzed as follows:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
H.O. Current accounts	587.355	527.162
	<u>587.355</u>	<u>527.162</u>

13. CUSTOMERS' DEPOSITS

Customer deposits are analyzed as follows:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Term deposits	262.170	260.933
Current deposits	1.507.977	1.942.193
Margin accounts	64.131	62.921
Saving deposits	25.430	24.935
	<u>1.859.708</u>	<u>2.290.982</u>

Customer deposits consist of Euros and foreign currency balances and are analysed as follows:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Customer deposits in Euros	1.386.211	1.826.049
Customer deposits in foreign currencies	473.497	464.933
	<u>1.859.708</u>	<u>2.290.982</u>

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14. ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities as at December 31, 2019 and 2018 consist of:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Accrued interest payable	73	5.958
Income taxes payable	0	1.000
Accrued and other current liabilities	224.159	201.070
Accrued other expenses and taxes	233.908	245.610
	<u>458.140</u>	<u>453.638</u>

15. OTHER PROVISIONS

Other provisions as at December 31, 2019 and 2018 consist of:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Provisions related to litigation (Note 18a)	2.942.863	2.940.863
Provision for staff retirement indemnity	209.352	203.963
Provision for general banking risk	34.439	34.439
	<u>3.186.654</u>	<u>3.179.264</u>

16. BRANCH CAPITAL

In order for the Branch to obtain an operating license, a guarantee deposit of U.S. \$10 million was given by the Head Office to the Bank of Greece which was placed in an interest bearing blocked account. Prior to 2001, this capital of \$10 million was recorded by the Branch as Head office account and the cumulative interest on this account from 1977 to 2000 was recorded in the Head Office liability account.

Subsequent to December 31, 2000 and in accordance with a decree issued by the Governor of the Bank of Greece, the guarantee deposit of \$10 million was converted into Euro and released to the Branch to be used as share capital, freely available for use in the domestic market. The capital was converted into Euro in January 2001 and the total proceeds of the translation were Euro 10.629.259 and are reflected as Branch Capital. Currently the minimum required capital of the Branch, which must always be kept in deposits in Greek Banks, is amounting to Euro 9 million.

17. OTHER RESERVES

Other reserves as at December 31, 2019 and 2018 consist of:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Transfer from H/O	<u>18.000.000</u>	<u>18.000.000</u>
	<u>18.000.000</u>	<u>18.000.000</u>

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17. OTHER RESERVES - Continued

The Head Office of Bank Saderat Iran has transferred at 26 June, 2008, 18.000.000 Euros to B.S.I Athens Branch. The money shall be utilized by the Branch as reserves in order to affect the capital adequacy rate (8%) as per Basel II reporting requirements.

18. RETAINED EARNINGS

Retained earnings as at December 31, 2019 consist of:

Open Balance as at 01.01.2018	18.244.208
Earnings for the year 2018	494.218
Closing Balance as at 31.12.2018	<u>18.738.427</u>
Open Balance as at 01.01.2019	<u>18.738.427</u>
Earnings for the year 2019	163.196
Closing Balance as at 31.12.2019	<u><u>18.901.623</u></u>

19. COMMITMENTS AND CONTINGENT LIABILITIES

**a. Civil Action of AGROTIKI Bank vs. Bank Saderat Iran, etc.
Civil Action of Bank Saderat Iran vs. AGROTIKI Bank, etc.**

A civil action of AGROTIKI Bank was filed in 1980, claiming GRD 118 million (equiv. EURO 346.295) and GRD 76,5 million (equiv. EURO 224.504) plus interest. Bank Saderat Athens has also filed a civil action in 1980 against AGROTIKI Bank, the clients, two BSI employees and two employees of AGROTIKI, that, the management of the Branch believed, were involved in the fraud.

A Court Decision was issued in 2010 (No. 4622/2010) by the Multi-member First Instance Court which **ruled as follows**:

a) For the case of AGROTIKI vs B.S.I.

Obliged B.S.I. to pay to AGROTIKI Bank the amount of Euro 325.773 and Euro 150.754 plus accrued interest, deducting the amount of Euro 424.505 paid back by one of the clients (Dafermos), plus Euro 20.000,- as Court expenses.

b) For the case of B.S.I. – v – AGROTIKI, etc .

Postponed the case of B.S.I.'s civil action.

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19. COMMITMENTS AND CONTINGENT LIABILITIES - Continued

In 2011 by Court Decision No.4359/2011, B.S.I.'s case was postponed again in expectation of Court of Appeal Decision. A new hearing date has been sought by the Branch's Lawyers, which was fixed on 30/4/2015.

Following an appeal filed by B.S.I. in 2010, a **Decision (No.4551/2013)** was issued by the Athens Court of Appeal in 2013.

The above Decision rejected B.S.I.'s appeal and justifies payment of the 1st degree Decision amounts to AGROTIKI, plus Euro 9.750,- as Court expenses.

The Branch's Lawyers filed an Appeal in front of the Supreme Court against both of the above Decisions (1st and 2nd degree), which was discussed on 17/11/2014. The Supreme Court issued the Decision No 2259/2014 by which the Appeal of the Bank is rejected. The said Decision has not been served-upon the Bank officially as yet.

According to an estimation of the B.S.I.'s Lawyers, the amount which should be paid by the Branch is Euro 2.943,- thousand approximately (which includes interest up to December 31st 2018 plus court expenses of 1st, 2nd and 3rd degree Courts).

The Branch has, already, filed a case in front of the European Courts, for violation of the right in property etc. because of the privileges of Agrotiki related to the write-off of their claims of any nature in 20 years, and consequently due to the lapse of 30 years until the issuance of a Decision from the Greek Courts, they are imposed with an extremely huge amount of interest. The appeal has been accepted in the first stage, while its hearing is still pending.

b. Letters of credit and guarantees

Financial commitments and contingencies at December 31, 2019 and 2018 consist of:

Commitments given	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Letters of credit	0	0
Guarantees	64.842	63.632

On December 31, 2019 all letters of guarantee totaling Euro 64.842 are collateralized at 98,90%.

c. Unused lines for opening letters of credit

At December 31st, 2019 and December 31, 2018, the Branch had no undrawn credit commitments. At December 31st, 2019 the Branch had no loan commitments with respect to undrawn lines of credit. Given the current situation in the Branch, it is not expected to reactivate any such credit line in the coming months.

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19. COMMITMENTS AND CONTINGENT LIABILITIES – Continued

d. Taxation

According to Greek tax legislation and practice, the Branch's tax position will be finalized after its books and records have been examined by the tax authorities and are found to be adequate. The methods employed by the tax authorities in their examinations are often arbitrary and it is customary for them to disallow certain expenditure and assess additional taxes thereon.

The Branch, in the past, has made use of Ministerial Decisions that allowed banks to close their previous open tax years. The Branch still remains contingently liable for the years 2010 and 2011 for additional income taxes, if upon a future examination by the Tax Authorities, a significant expenditure is disallowed.

Since the year ended 31 December 2012, all Greek companies have to be audited on an annual basis by their statutory auditor in respect of compliance with tax law, correct submission of tax returns and identification of any unrecorded tax liabilities in the accounts. This audit leads to the issuance of a Tax Certificate which under certain conditions, substitutes the full tax audit by the tax authorities and allows the Branch to treat its tax position as fully compliant and final. The Branch has undergone this tax audit for the years ended 31 December 2012 and 31 December 2018 and the auditors issued an unqualified Tax Certificate. The tax audit for the fiscal year 2019 is still in progress.

20. Rentals

Rental costs are analyzed as follows:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Branch's rental	0	105.651
Manager's rental	15.570	21.210
	<u>15.570</u>	<u>126.861</u>

Specifically for the rental costs of the Branch for the year 2019 see Note 9.

21. OTHER OPERATING EXPENSES

Other operating expenses consist of:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Repairs and maintenance	22.682	30.173
Utilities	16.697	20.405
Subscriptions and donations	700	2.150
Rates and taxes	42.361	51.773
Insurance	17.629	16.868
Stationery	95	374
Provision for bad debts	846	1.040
Other	70.425	67.086
	<u>171.435</u>	<u>189.870</u>

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22. CURRENCY RISK

	<u>December 31, 2019</u>			
	EURO	USD	Other Foreign Currencies	Total
Assets				
Cash on hand	152.831	635	69	153.534
Due from banks	142.936	0	0	142.936
Due from branches	72.235.539	814.681	94.765	73.144.985
Obligatory reserves & Current A/C with Bank of Greece	12.936.763	0	0	12.936.763
Loans receivable – net	7.522	0	0	7.522
Prepayments and other debtors	1.408.492	0	0	1.408.492
Fixed assets, net	307.296	0	0	307.296
Rights to use fixed assets	307.359			307.359
Deferred tax asset	269.198	0	0	269.198
Total assets	87.767.936	815.316	94.834	88.678.086
Liabilities				
Due to banks	34.427.457	313.846	0	34.741.303
Due to branches	569.964	17.391	0	587.355
Current leasing liabilities	101.102	0	0	101.102
Customers' deposits	1.386.211	466.501	6.996	1.859.708
Accrued and other current liabilities	458.125	15	0	458.140
Other provisions	3.186.654	0	0	3.186.654
Non current leasing liabilities	212.943	0	0	212.943
Total liabilities	40.342.456	797.753	6.996	41.147.205
Net balance sheet position	47.425.480	17.563	87.838	47.530.882
Memorandum items:				
Commitments				
- Lease and undrawn commitments	189.947	0	0	189.947
Contingencies				
- Guarantees and other obligations	711	64.131	0	64.842

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22. CURRENCY RISK - Continued

	<u>December 31, 2018</u>			
	EURO	USD	Other Foreign Currencies	Total
Assets				
Cash on hand	90.713	0	687	91.400
Due from banks	63.998	0	0	63.998
Due from branches	74.561.979	799.898	92.978	75.454.855
Obligatory reserves & Current A/C with Bank of Greece	10.648.159	0	0	10.648.159
Discounted letters of credit	0	0	0	0
Loans receivable – net	55.817	0	0	55.817
Prepayments and other debtors	1.410.769	0	0	1.410.769
Fixed assets, net	376.648	0	0	376.648
Deferred tax asset	445.972	0	0	445.972
Total assets	87.654.056	799.898	93.664	88.547.619
Liabilities				
Due to banks	34.427.457	301.431	0	34.728.888
Due to branches	510.401	16.761	0	527.162
Customers' deposits	1.826.049	458.286	6.647	2.290.982
Accrued and other current liabilities	453.617	21	0	453.638
Other provisions	3.179.264	0	0	3.179.264
Total liabilities	40.396.788	776.499	6.647	41.179.934
Net balance sheet position	47.257.269	23.399	87.017	47.367.685
Memorandum items:				
Commitments				
- Lease and undrawn commitments	189.947	0	0	189.947
Contingencies				
- Guarantees and other obligations	711	62.921	0	63.632

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23. INTEREST RATE RISK

	<u>December 31, 2019</u>					
	Up to 3	Over 3 to 12	Over 1 to 5	Over 5	Non-interest	Total
	months	months	years	years	Bearing	
Assets						
Cash	0	0	0	0	153.534	153.534
Due from banks	142.936	0	0	0	0	142.936
Due from branches	69.372.660	3.772.325	0	0	0	73.144.985
Obligatory reserves & Current A/C with Bank of Greece	12.936.763	0	0	0	0	12.936.763
Loans receivable-net	0	6.231	1.290	0	0	7.522
Prepayments and other debtors	0	0	0	0	1.408.492	1.408.492
Fixed assets, net	0	0	0	0	307.296	307.296
Rights to use fixed assets	0	0	0	0	307.359	307.359
Deferred tax asset	0	0	0	0	269.198	269.198
Total assets	82.452.360	3.778.556	1.290	0	2.445.880	88.678.086
Liabilities						
Due to banks	312.317	0	0	0	34.428.986	34.741.303
Due to branches	17.391	0	0	0	569.964	587.355
Current leasing liabilities	0	0	0	0	101.102	101.102
Customers' deposits	262.170	0	0	0	1.597.538	1.859.708
Accrued and other current liabilities	0	0	0	0	458.140	458.140
Other provisions	0	0	0	0	3.186.654	3.186.654
Non current leasing liabilities	0	0	0	0	212.943	212.943
Total liabilities	591.878	0	0	0	40.555.326	41.147.205
Net balance sheet position	81.860.482	3.778.556	1.290	0	-38.109.447	47.530.882
Memorandum items:						
Commitments						
- Lease and undrawn commitments	0	0	0	0	189.947	189.947
Contingencies						
Guarantees and other obligations	0	0	0	0	64.842	64.842

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23. INTEREST RATE RISK - Continued

December 31, 2018

	Up to 3	Over 3 to 12	Over 1 to 5	Over 5	Non-interest	Total
	months	months	years	years	Bearing	
Assets						
Cash	91.400	0	0	0	0	91.400
Due from banks	63.998	0	0	0	0	63.998
Due from branches	71.761.358	3.693.497	0	0	0	75.454.855
Obligatory reserves & Current A/C with						
Bank of Greece	10.648.159	0	0	0	0	10.648.159
Held to maturity securities	0	0	0	0	0	0
Discounted letters of credit and guarantees	0	0	0	0	0	0
Loans receivable-net	0	51.065	4.753	0	0	55.817
Prepayments and other debtors	0	0	0	0	1.410.769	1.410.769
Fixed assets, net	0	0	0	0	376.648	376.648
Deferred tax asset	0	0	0	0	445.972	445.972
Total assets	82.564.915	3.744.562	4.753	0	2.233.390	88.547.619
Liabilities						
Due to banks	299.930	0	0	0	34.428.957	34.728.888
Due to branches	16.761	0	0	0	510.401	527.162
Customers' deposits	0	0	0	0	2.290.982	2.290.982
Accrued and other current liabilities	0	0	0	0	453.638	453.638
Other provisions	0	0	0	0	3.179.264	3.179.264
Total liabilities	316.692	0	0	0	40.863.242	41.179.934
Net balance sheet position	82.248.223	3.744.562	4.753	0	-38.629.852	47.367.685
Memorandum items:						
Commitments						
- Lease and undrawn commitments	0	0	0	0	189.947	189.947
Contingencies						
Guarantees and other obligations	0	0	0	0	63.632	63.632

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24. MATURITY OF ASSETS AND LIABILITIES

	<u>December 31, 2019</u>				
	Up to 3 Months	Over 3 to 12 months	Over 1 to 5 years	Over 5 years	Total
Assets					
Cash	153.534	0	0	0	153.534
Due from banks	142.936	0	0	0	142.936
Due from branches	69.372.660	3.772.325	0	0	73.144.985
Obligatory reserves & Current A/C with Bank of Greece	12.936.763	0	0	0	12.936.763
Loans receivable-net	0	6.231	1.290	0	7.522
Prepayments and other debtors	1.183.346	0	0	225.146	1.408.492
Fixed assets, net	0	0	0	307.296	307.296
Rights to use fixed assets	0	0	0	307.359	307.359
Deferred tax asset	0	0	0	269.198	269.198
Total assets	83.789.240	3.778.556	1.290	1.108.999	88.678.086
Liabilities					
Due to banks	312.317	0	0	34.428.986	34.741.303
Due to branches	17.391	0	0	569.964	587.355
Current leasing liabilities	0	0	0	101.102	101.102
Customers' deposits	262.170	0	0	1.597.538	1.859.708
Accrued and other current liabilities	0	0	0	458.140	458.140
Other provisions	0	0	0	3.186.654	3.186.654
Non current leasing liabilities	0	0	0	212.943	212.943
Total liabilities	591.878	0	0	40.555.326	41.147.205
Net balance sheet position	83.197.362	3.778.556	1.290	-39.446.327	47.530.882
Memorandum items:					
Commitments					
- Lease and undrawn commitments	0	189.947	0	0	189.947
Contingencies					
- Guarantees and other obligations	0	64.842	0	0	64.842

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24. MATURITY OF ASSETS AND LIABILITIES - Continued

	<u>December 31, 2018</u>				
	<u>Up to 3</u> <u>Months</u>	<u>Over 3 to 12</u> <u>months</u>	<u>Over 1 to 5</u> <u>years</u>	<u>Over 5</u> <u>years</u>	<u>Total</u>
Assets					
Cash	91.400	0	0	0	91.400
Due from banks	63.998	0	0	0	63.998
Due from branches	71.761.358	3.693.497	0	0	75.454.855
Obligatory reserves & Current A/C with					
Bank of Greece	10.648.159	0	0	0	10.648.159
Loans receivable-net	0	51.065	4.753	0	55.817
Prepayments and other debtors	785.501	0	625.267	0	1.410.769
Fixed assets, net	0	0	0	376.648	376.648
Deferred tax asset	0	0	0	445.972	445.972
Total assets	83.350.416	3.744.562	630.020	822.621	88.547.619
Liabilities					
Due to banks	34.728.888	0	0	0	34.728.888
Due to branches	527.162	0	0	0	527.162
Customers' deposits	2.290.982	0	0	0	2.290.982
Accrued and other current liabilities	201.070	252.568	0	0	453.638
Other provisions	0	0	3.179.264	0	3.179.264
Total liabilities	37.748.101	252.568	3.179.264	0	41.179.934
Net balance sheet position	45.602.315	3.491.994	-2.549.244	822.621	47.367.685
Memorandum items:					
Commitments					
- Lease and undrawn commitments	0	189.947	0	0	189.947
Contingencies					
- Guarantees and other obligations	0	63.632	0	0	63.632

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25. FINANCIAL RISK MANAGEMENT

a. Market risk

Market risk is the risk of losses arising from unfavourable developments in bond prices, interest rates and exchange rates.

Specifically for the Branch, market risk is further analysed in the following risks:

- Interest rate risk arising from interest rate swaps.
- Foreign exchange risk arising from transactions in outright FX forwards.

b. Credit risk

Credit risk is the risk of default of a counter party, regarding its contractual obligations. The Branch's main exposure to credit risk is loans and receivables. The Branch's management gives great consideration to the proper management of credit risk, having set up the necessary infrastructure and procedures.

In particular, the Branch has a credit committee which assesses borrower's creditworthiness. The aforementioned committee approves credit facilities up to the amount of Euro 100.000, otherwise the approval is granted by the Head office.

When the Branch considers that the borrower has become risky, it takes the necessary measures to reduce its exposure to that risk and furthermore to reduce all the financial facilities towards that borrower.

The Branch, before the approval and during the loan, measures the creditworthiness of the counterparty as well as the quality and sufficiency of the collateral.

During each counter party's evaluation of creditworthiness, and determination of credit limit, the financial information is examined quantitatively and qualitatively.

c. Foreign exchange risk

The Branch's management has set low limits for foreign exchange exposure, which are daily monitored.

d. Liquidity risk

Liquidity Risk is the risk that a financial institution will not be able to meet its obligations as they become due, because of a lack of the required liquidity. For the Branch, the main resources which enforce liquidity are deposits of other branches, banks and Savings Accounts.

The effective liquidity risk management contributes substantially, even under up normal conditions, to comfortably the branch be able to fulfill its client needs and to meet all its payment obligations.

In general, the liquidity risk regards the financial, operating and investing activities of the Branch. This risk involves both the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

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25. FINANCIAL RISK MANAGEMENT– Continued

e. Capital adequacy

The Bank has implemented the new regulatory framework CRDIV (Basel III implementation under EU rules), which came into force with Directive 2013/36/EU and Regulation (EU) No. 575/2013.

The new regulatory framework requires financial institutions to maintain a minimum level of regulatory capital related to the undertaken risks. The minimum capital adequacy ratios, as per article 92 of the CRR, are as follows:

- Common Equity Tier 1 Ratio (CET1 Ratio): 4.5%
- Tier 1 Ratio (Tier 1): 6%
- Total Capital Ratio (CAD Ratio): 8 %

Based on Council Regulation 1024/2013, the Central Bank conducts annually a Supervisory Review and Evaluation Process (SREP), in order to define the prudential requirements of the institutions under its supervision, by defining a total SREP capital requirement. Following the conclusion of the SREP for year 2019, the Central Bank informed Bank Saderat Iran - Athens Branch of its total capital requirement, valid as from January 1st 2019. According to the decision, the Bank has to maintain, Total SREP Capital Ratio (TSCR) 1% above the Total Capital Ratio as defined in article 92 of CRR) i.e. $8\%+1\%=9\%$ plus the Capital Conservation Buffer (CCB) of 2,50%. Therefore the Total Capital Ratio requirement for the Bank is set to 11,5%.

The Bank actively manages its capital base by taking advantage of the contemporary means for raising capital, with the objective to sustain its capital adequacy ratios well above the minimum regulatory levels and, at the same time, to improve the weighted average cost of capital to the benefit of its shareholders. In this framework, both the calculation of the capital requirements and the dynamic management of the capital base are embedded in the business plan and the annual budgeting processes. The risk-weighted assets arise from the credit risk of the banking book and the market risk of the trading book as well as the operational risk.

The current capital ratios (Tier I ratio and capital adequacy ratio) are greater than the regulatory limits set by the relevant directive and the capital base is capable of supporting the business growth of the Bank in all areas for the next years.

For the calculation of regulatory capital, own share capital must undergo some regulatory adjustments, such as the deduction of intangible assets. The regulatory capital of the Bank, as defined by the Bank of Greece is comprised of two tiers, Tier I and Tier II capital. Bank Saderat Iran - Athens Branch has only Tier I capital.

Presented below, are the year-end capital adequacy ratios of 2019 and 2018. The figures have been calculated using CRD IV rules.

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25. FINANCIAL RISK MANAGEMENT– Continued

e. Capital adequacy – Continued

	<u>2019</u>	<u>2018</u>
	<u>€ 000</u>	<u>€ 000</u>
Tier I capital		
Share capital	10.629	10.629
Share premium	0	0
Retained earnings	18.902	18.738
Statutory reserve	18.000	18.000
Reserve from remeasurement of the defined benefit obligations	<u>0</u>	<u>0</u>
Regulatory adjustments on Tier I capital		
	<u>47.531</u>	<u>47.368</u>
Less: intangible assets	0	0
Total regulatory adjustments on Tier I capital	<u>0</u>	<u>0</u>
Total Core Tier I capital	<u>47.531</u>	<u>47.368</u>
Risk weighted assets		
Risk weighted assets (credit risk)	75.079	77.403
Risk weighted assets (market risk)	1.412	1.444
Risk weighted assets (operational risk)	3.261	3.355
Total Risk Weighted Assets	<u>79.752</u>	<u>82.202</u>
Common Equity Tier 1 Ratio (CET1)	59,6%	58%
Tier 1 Ratio (T1)	59,6%	58%
CAD Ratio	59,6%	58%

26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Due to the fact that the majority of the Branch's financial assets and liabilities are at floating rates of interest which reprice at frequent intervals, or are at fixed rates of interest but with short maturity dates, the fair values of financial assets and liabilities approximate their carrying amounts and no significant differences accrue.

27. INDEPENDENT AUDITORS' FEES

Associated Certified Public Accountants s.a. member of Crowe Horwath International is our independent public accountant for the year ended 31 December 2019. The following table presents the fees for professional audit and other services rendered:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Audit fees	<u>19.000</u>	<u>19.000</u>
Tax audit	<u>14.400</u>	<u>14.400</u>
	<u>33.400</u>	<u>33.400</u>

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28. EVENTS AFTER THE REPORTING PERIOD

The outbreak of novel coronavirus (COVID-19) in early 2020 has affected business and economic activity around the world, including the country in which we operate. The Branch Management considers this outbreak to be a non-adjusting post balance sheet event as of 31 December 2019.

Given the spread of the coronavirus, the range of potential outcomes for the global economy are difficult to predict at this point in time.

Possible outcomes range from successful virus containment and minor short-term impact, to a prolonged global contagion resulting in potential recession. At the same time, there are a number of policy and fiscal responses emerging across the globe intended to mitigate potential negative economic impacts. When it comes to our Branch, we are monitoring the COVID-19 outbreak developments closely and we fully abide to the laws & instructions of the local government. We have implemented contingency plans to mitigate the potential adverse impact on the Branch's operations.

29. RELATED PARTY TRANSACTIONS

For significant related party transactions refer to the following notes:

- Note 4 - Due from banks.
- Note 5 - Due from Head Office and branches.
- Note 11 - Due to banks.
- Note 12 - Due to branches.
- Note 15 - Other provisions.
- Note 16 - Branch capital.