ERB NEW EUROPE FUNDING II B.V.

Amsterdam, The Netherlands

ANNUAL REPORT 2017

PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

ERB NEW EUROPE FUNDING II B.V.

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ERB NEW EUROPE FUNDING II B.V.

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Report of the board of Managing Directors

In accordance with the Articles of Association of ERB New Europe Funding II B.V., the Board of Managing Directors herewith submits the Annual Report of ERB New Europe Funding II B.V. (the Company) for the year ended 31 December 2017.

Key Activities

ERB New Europe Funding II B.V. (the Company) was incorporated on April 24, 2008 and has its registered and office address at Herengracht 500, 1017 CB, Amsterdam, The Netherlands. The Company is incorporated in The Netherlands and is wholly owned by ERB New Europe Holding B.V., a wholly owned subsidiary of Eurobank Ergasias S.A. in Greece. On November 15, 2012 the Company changed its name to ERB New Europe Funding II B.V. (former name: EFG New Europe Funding II B.V.).

The key activities of the Company are to invest in loans granted to Romanian customers (originated by the group Company Bancpost S.A.) in Romania. All loans and advances to customers are existing loans to Romanian customers acquired from the group Company Bancpost S.A. The Company itself is funded directly by Eurobank Cyprus Ltd. in Cyprus.

Position of Eurobank Group

Macroeconomic environment

Greece's real GDP grew by 1.4% in 2017, according to the Hellenic Statistical Authority's (ELSTAT) first estimate from -0.02% in 2016, while the real GDP growth consensus forecast for 2018 is at 2.1% (compared to an official target of 2.5%). The unemployment rate in December 2017 was 20.8%, based on ELSTAT data (31 December 2016: 23.5%). On the fiscal front, Greece's primary surplus for 2017 is expected at 2.44% of GDP, according to the 2018 Budget data, outperforming the respective Third Economic Adjustment Program (TEAP) primary balance target of 1.75%. According to Bank of Greece and ELSTAT data the current account deficit decreased at -0.8% of GDP in 2017 (2016: -1.1 %).

Greece, following the conclusion of the TEAP second review in June 2017 and the consequent release of the € 8.5 bn loan tranche, reached a staff level agreement with the European institutions on the policy package of the third review on 4 December 2017 and implemented all prior actions by early 2018, which paved the way for the disbursement of the first sub-tranche of € 5.7 bn in the second half of March 2018. The second sub-tranche of € 1 bn will be disbursed in the second quarter of 2018 subject to positive reporting by the European institutions on the clearance of net arrears and the unimpeded flow of e-auctions. On the back of the aforementioned positive developments, Greece returned to the financial markets through the issue of a € 3 bn five-year bond at a yield of 4.625% on 24 July 2017 (for the first time since July 2014) and a € 3 bn seven-year bond at a yield of 3.5% on 8 February 2018. The proceeds of the bond issues are used for further liability/debt management and for the build-up of a state cash buffer that would facilitate the country's market access after the end of the program in August 2018.

The completion of the fourth and final review of the TEAP, which will be carried out by June 2018 according to the implementation plan, an expected significant rise in investments (2018 Budget estimate at 11.4% compared to 9.6% increase in 2017), and a forecasted strong tourism season support expectations for a further improvement in domestic economic activity in 2018. The decisive implementation of the reforms agreed in the context of the TEAP, the implementation of further debt relief measures in accordance with 24 May 2016 Eurogroup decisions, the mobilization of European Union (EU) funding to support domestic investment and job creation, the attraction of foreign and domestic capital and the adoption of an extrovert economic development model will facilitate the restoration of confidence in the prospects of the Greek economy and the further stabilization of the domestic economic environment, which are necessary conditions for the return of the country to a strong and sustainable growth path.

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Position of Eurobank Group (continued)

The main risks and uncertainties are associated with (a) the possible delays in the implementation of the reforms' agenda in order to meet the next targets and milestones of the TEAP, (b) the possible delays in the agreement of the post-program relation between Greece and the Institutions, (c) the impact on the level of economic activity and on the attraction of direct investments from the fiscal and social security-related measures agreed under the reviews of the TEAP, (d) the ability to attract new investments in the country, (e) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity, (f) the possible slow pace of deposits inflows and/ or possible delays in the effective management of non-performing exposures (NPEs) as a result of the challenging macroeconomic conditions in Greece and (g) the geopolitical conditions in the broader region and the external shocks from a slowdown in the global economy.

Liquidity risk

In accordance with the agreement with the European partners the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the European Stability Mechanism (ESM) program. The gradual stabilisation of the macroeconomic environment, following the completion of the second and the third review of the TEAP, has enhanced Greece's credibility towards the international markets, improved the domestic economic sentiment and facilitated the return of deposits as well as the further relaxation of capital controls. The successful completion of the fourth review of the TEAP and an agreement on the post-program relation of Greece with its official creditors will help further reinstating depositors' confidence and thus accelerate the return of deposits, and it will positively influence the financing of the economy.

In 2017, the Group's deposits inflows of € 1.8 bn (of which € 1.2 bn in Greece), along with the increased market repos on covered bonds and Greek Treasury bills, a € 500 million covered bond issue to international and domestic investors and the assets deleveraging resulted in the significant decrease of the Bank's dependency from the Eurosystem to € 10 bn at the end of December 2017, of which € 7.9 bn funding from ELA, (31 December 2016: € 13.9 bn, of which € 11.9 bn from ELA) and the elimination of the Bank's participation in the second stream of the Hellenic Republic liquidity support program at the end of October 2017 (31 December 2016: bonds guaranteed by the Greek Government of € 2.5 bn). On 28 February 2018, the Eurosystem funding further declined to € 7.1 bn, of which € 5.7 bn from ELA.

Solvency risk

The Group monitors closely the developments in the Greek macroeconomic environment taking into account its direct and indirect exposure to sovereign risk. A key priority is the active management of NPEs, with the aim to substantially reduce their stock in accordance with the Bank's operational targets and taking advantage of the Group's internal infrastructure, the important legislative changes and the external partnerships that have taken or are expected to take place. As at 31 December 2017, the Bank has reduced its NPEs stock by € 2.4 bn to € 18.1 bn, outperforming the respective initial SSM target of € 18.8 bn.

In parallel, the Group recorded a net profit attributable to shareholders of € 104 million for 2017 (€ 186 million, net profit from continuing operations before restructuring costs) on the back of higher net interest and commission income from both Greek and international activities. In the context of its strategic plan, the Bank has undertaken significant initiatives towards the fulfillment of the remaining commitments of the restructuring plan and it proceeded with the redemption of the preference shares by issuing Tier 2 bonds at early 2018, which count in its total capital adequacy ratio . The Group's Common Equity Tier 1 (CET1) ratio stood at 17.9% at 31 December 2017, while the respective pro-forma ratio with the redemption of preference shares/issue of Tier 2 bonds and the completion of the sale transaction in Romania would be 15.8% . The impact of the adoption of IFRS 9 on Group's CET1 as at the end of 2018, according to the transitional arrangements for the 5-year phase in period, is estimated to be approximately 20 bps.

The Management, taking into consideration the above factors relating to the adequacy of the Group's capital position and its anticipated continued access to Eurosystem funding over the foreseeable future, as well as the improving macroeconomic conditions in Greece, has been satisfied that the financial statements of the Company can be prepared on a going concern basis.

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Report of the board of Managing Directors

Credit Rating of Eurobank Group

The parent company's (Eurobank Ergasias Group) long term rating was 'B-' at June 2018 (2016: CCC+, 2015: SD) according to the Standard & Poor's credit rating.

Result

In the current financial year the Company recorded a profit of EUR 7.001.373 (2016: profit of EUR 10.761.289), of which EUR 7.927.711 relates to other operating income (2016: EUR 11.668.242), which is set out in detail in the attached Income Statement.

Risk Management

The Board of Managing Director utilizes a risk management policy and receives regular reports to enable prompt identification of financial risk so that appropriate actions may be taken. The Company employs written policy and procedures that sets out specific guidelines to manage foreign exchange risk, interest rate risk, credit risk and the use of financial instruments to manage these.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers. For credit risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor risk, sector risk, repayment risk, etc.). For a further analysis we refer to note 5.1 in the Notes to the Balance Sheet and Statement of Comprehensive income of this report.

Market risk

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific movements and changes in the level of volatility of market rates of prices such as interest rates, foreign exchange rates and equity prices.

Interest rate risk

The risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Loan assets and loan liabilities are undertaken back to back on terms that both relate to the same variable Euribor or Libor rate. The risk is fully compensated by this balance and hence there is no sensitivity risk to a change in interest rate.

Foreign exchange risk

Foreign currency risk is the risk that assets or liabilities in foreign currencies will fluctuate in value due to exchange rate fluctuations. Loan assets and loan liabilities are undertaken back to back in the identical currencies.

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Post balance sheet events

Disposal of the Romanian portfolio of Bancpost SA

On 15 September 2017, the Eurobank Ergasias S.A. announced that it has entered into negotiations with Banca Transilvania with regards to the potential sale of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. in Romania (Romanian disposal group). The sale was considered highly probable, therefore, as of 30 September 2017 Romanian disposal group was classified as held for sale in its financial statements.

On 24 November 2017, the Eurobank Ergasias S.A. announced that it has reached an agreement with Banca Transilvania with regards to the above sale. Following the said agreement, on 3 April 2018, Eurobank and BT concluded all the remaining actions and fulfilled all the conditions precedent for the completion of the transfer of the shares held by the Group in the above companies to BT.

In April 2018, the sale of the Romanian disposal group (Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A.), which was the major part of the Group's operations in Romania was completed.

Following the abovementioned sale and the subsequent core system migration of the relevant data that took place as of 30 June 2018, as well as due to the fact that the audit was initiated after the migration date, the Company has not been in a position to provide to the financial auditors part of the data requested. Specifically, due to the aforementioned technical issue, the Company did not provide the following historical data for the customers that were not still in balance as of 30.06.2018 and hence were not migrated· a) detailed information at client level related to interest income calculation and b) loan collections.

In addition, in the second half of 2018, the Romanian National Authority for Consumer Protection (ANPC) imposed three fines totaling € 72 thousand on Bancpost S.A. in connection with complaints raised by certain Bancpost S.A. lending clients, related to portfolios of performing loans which were assigned by Bancpost S.A. to ERB New Europe Funding II in 2008. Furthermore, the ANPC concluded that payments by the consumers such as interests, fees, penalties in relation to all loans assigned to NEF II were illegally cashed in by NEF II for a period of ten years and should be reimbursed by Bancpost S.A.

In 2019 the first instance court admitted BT's complaints (as legal successor to Bancpost S.A.) against ANPC in all three aforementioned cases, ruling that the relevant penalties and repayment obligations imposed on Bancpost S.A. are cancelled.

Up to the current year all relevant fines and other measures imposed on Bancpost SA in 2018 by the Romanian National Authority for Consumer Protection have been cancelled by definitive court rulings.

The SPA for the sale of Bancpost S.A. mentioned above between Eurobank Group and BT also provides for an indemnity in respect of losses incurred from claims made against the Purchaser or Bancpost S.A. in relation to loans and receivables of the above perimeter. The Group is closely monitoring the developments of all the above cases of Bancpost S.A.

On 28 June 2019, the BoD of the Eurobank Ergasias S.A. ("The Bank" or "The Demerged Entity") decided the initiation of the hive down process of the banking business sector of Eurobank and its transfer to a new company-credit institution that will be established ("the Beneficiary"). On 31 July 2019, the BoD of the Bank approved the Draft Demerger Deed through the aforementioned hive down and establishment of a new company-credit
institution, pursuant to Article 16 of Law 2515/1997 and Articles 57 (3) and 59-74 of Law 4601/2019, as currently in force. In particular, the demerger involved the hive-down of the banking business sector of Eurobank, to which the assets and the liabilities, as described on the transformation balance sheet of the hived-down sector as at 30 June 2019 ("Transformation Date"), are included.

On 20 March 2020, the demerger of "Eurobank Ergasias S.A." (Demerged Entity) through the banking sector's hive down and its transfer to a new credit institution that has been established under the corporate name "Eurobank S.A." (the Bank) was completed.
Following the above, the corporate name of the Demerged Entity has been amended to "Eurobank Ergasias Services and Holdings S.A." (the Company or Eurobank Holdings).

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Report of the board of Managing Directors

In 2019, the Bank proceeded with the purchase of loans at amortized cost of gross carrying amount of € 280 million and loans at FVTPL of € 4 million from ERB New Europe Funding II B.V., leaving the Company with a nil position of Loans & advances to customers as of 31 12.2019. The transaction did not have any profit and loss impact in the financial statements of the Company as it was performed at net book value. The Company distributed dividends to its shareholder ERB New Europe Holding B.V. in October 2018 and in October 2021 amounting to € 10 million and € 8 million respectively. As of the date of signing of the financial statements, the Company has no operations and holds no major assets other than cash.

Above mentioned post balance sheet events do not affect the financial position of the Company as at 31.12.2017

Future Developments

Eurobank Ergasias S.A. is the sole shareholder of ERB New Europe Holding B.V (the immediate parent and controlling entity of the Company). Further and on the basis of the analysis of the Company's profitability, capitalization and funding structure, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future.

Composition of the board

The size and composition of the Board of Managing Directors and the combined experience and expertise should reflect the best fit for profile and strategy of the Company, Currently all four members of the Board are male The Company is aware that the gender diversity is below the goals as set out in article 2:276 section 2 of the Dutch Civil Code and the Company will pay close attention to gender diversity in the process of recruiting and appointing new Managing Directors.

As per January 30, 2017, Mr. E.R. Janssens has resigned as Managing Director of the Company, and as per same date Mr L.P. Elsterhamis has been appointed as Managing Director of the Company.

Amsterdam, December 15, 2021

The Board of Managing Directors,

S. [illegible]

E. Zo[illegible]

L.P. Elsterhamis

R. W[illegible]

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ERB NEW EUROPE FUNDING II B.V.

Balance Sheet as at December 31, 2017
(amounts in EUR, after appropriation of results)

ASSETS	Note	31/12/2017	31/12/2016
Non-Current Assets			
Loans & advances to customers	7	241,415,320	240,704,077
Current Assets			
Loans & advances to customers	7	86,898,224	66,191,274
Other receivables	8	2,775,269	4,119,547
Income tax receivable	17	339,093	418,238
Cash and cash equivalents	9	19,760,369	6,640,175
TOTAL ASSETS		351,188,275	318,073,311
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves attributable to equity holders of the company			
Issued and paid-up capital	10	20,000	20,000
Share premium	10	11,980,000	11,980,000
Accumulated profits	10	24,046,085	17,044,712
		36,046,085	29,044,712
Current Liabilities			
Borrowings from group company	11	306,964,704	281,595,472
Interest payable to group company	12	346,167	630,282
Other payables	13	7,831,319	6,802,845
		315,142,190	289,028,599
TOTAL EQUITY AND LIABILITIES		351,188,275	318,073,311

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ERB NEW EUROPE FUNDING II B.V.

Income Statement
for the financial year ended December 31, 2017
(amounts in EUR)

	Note	01/01-31/12/2017	01/01-31/12/2016
Financial income and expenses			
Interest income	14	11,622,584	19,161,665
Interest expense	15	(12,598,908)	(18,639,795)
		(976,324)	521,870
Other operating income		7,927,711	11,668,242
Operating income		6,951,387	12,190,112
Foreign exchange loss		1,080,751	(495,106)
Operating costs	16	(989,666)	(892,618)
Profit before taxation		7,042,472	10,802,389
Corporate income tax expense	17	(41,100)	(41,100)
Profit after taxation		7,001,372	10,761,289

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ERB NEW EUROPE FUNDING II B.V.

Statement of comprehensive income
for the financial year ended December 31, 2017
(amounts in EUR)

	Notes	01/01-31/12/2017	01/01-31/12/2016
Profit after taxation		7,001,372	10,761,289
Other comprehensive income:			
		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		7,001,372	10,761,289

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Cash Flow Statement
for the financial year ended December 31, 2017
(amounts in EUR)

	Note	1/1-31/12/2017	1/1-31/12/2016
Cash flows from operating activities:			
Profit / (Loss) before taxation		7,042,472	10,802,389
Adjustments for:			
Interest income	14	(11,622,584)	(19,161,665)
Interest expenses	15	12,598,908	18,639,795
		8,018,796	10,280,518
Net decrease/ (increase) in loans & advances		(20,534,857)	17,022,669
Writedown of borrowings from group company		(27,567,121)	(18,254,323)
Net decrease/ (increase) in other receivables		(1,155,723)	(248,065)
Net decrease/ (increase) in other payables		3,528,474	1,131,595
Cash generated from operations		(10,143,310)	28,186,717
Income taxes paid	17	38,046	(1,125)
Interest received		10,739,248	31,102,637
Interest paid		(12,883,023)	(18,183,734)
		(12,249,039)	41,104,495
Net cash from operation activities:		(12,249,039)	41,104,495
Cash flows from financing activities:			
Increase in borrowings from group company	11	134,403,455	52,420,526
Repayment of borrowings from group company	12	(84,168,392)	(76,285,588)
Writedown of borrowings from group company		(27,567,121)	(18,254,323)
Unrealised currency translation (gains)/losses		2,701,291	1,410,500
Net cash used in financing activities		25,369,233	(40,708,886)
Net (Decrease) / Increase in cash and cash equivalents	9	13,120,194	395,609
Cash and cash equivalents at the beginning of the year	9	6,640,175	6,244,566
Cash and cash equivalents at the end of the year	9	19,760,369	6,640,175

Cash flow from investing activities:

During the financial year 2017 there were no investing activities in the Company.

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ERB NEW EUROPE FUNDING II B.V.

Statement of changes in equity
for the financial year ended December 31, 2017
(amounts in EUR)

EQUITY

The movements in EUR in the year under review can be summarized as follows:

	Attributable to owners of the parent			
	Issued and paid-up capital	Share premium	Accumulated profits	Total equity
Balance as at January 1, 2016	20,000	11,980,000	6,283,424	18,283,424
Profit for the year	-	-	10,761,289	10,761,289
Other Comprehensive Income for the year	-	-	-	-
Total Comprehensive Income for the year	-	-	10,761,289	10,761,289
Balance as at December 31, 2016	**20,000**	**11,980,000**	**17,044,713**	**29,044,713**
Balance as at January 1, 2017	20,000	11,980,000	17,044,713	29,044,713
Profit for the year	-	-	7,001,372	7,001,372
Other Comprehensive Income for the year	-	-	-	-
Total Comprehensive Income for the year	-	-	7,001,372	7,001,372
Balance as at December 31, 2017	**20,000**	**11,980,000**	**24,046,085**	**36,046,085**

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1 GENERAL

ERB New Europe Funding II B.V. (the Company) was incorporated on April 24, 2008 and has its registered and office address at Herengracht 500, 1017 CB, Amsterdam, the Netherlands The Company is incorporated in The Netherlands and is wholly owned by ERB New Europe Holding B.V., a wholly owned subsidiary of Eurobank Ergasias S.A. in Greece. The Company's Chamber of Commerce number is 34300637.

In November 2015, following the completion of the Bank's share capital increase, fully covered by investors, institutional and others the percentage of the Bank's ordinary shares with voting rights held by the HFSF decreased from 35.41% to 2.38%.

Despite the aforementioned significant decrease of its percentage, the HFSF is still considered to have significant influence over the Bank. In particular, in the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in the Bank's General Assembly only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets, or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014.

The key activity of the Company is to invest in granted loans to Romanian customers (originated by the Eurobank Ergasias S.A. in Romania). All loans and advances to customers are acquired from the group company Bancpost S.A. The Company itself is funded directly by Eurobank Cyprus Ltd.

These financial statements were approved and authorized for issue by the Board of Managing Directors on December 15, 2021.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as endorsed by the European Union (EU), and in particular with those IFRSs and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements. These financial statements have been prepared under the historical cost convention and ongoing concern basis.

The policies set out below have been consistently applied to the years 2017 and 2016, except as described below. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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

Amendments to standards adopted by the Company

The following amendments to standards, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), apply from 1 January 2017:

IAS 7, Amendment-Disclosure Initiative

The amendment requires disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The disclosure requirements also apply to changes in financial assets, such as assets that hedge liabilities arising from financing activities, if cash flows from those financial assets were or future cash flows will be, included in cash flows from financing activities.

The adoption of the amendment had no impact on the Company's financial statements.

IAS 12, Amendment-Recognition of Deferred Tax Assets for Unrealized Losses

The amendment clarifies that (a) unrealized losses on debt instruments measured at fair value in the financial statements and at cost for tax purposes may give rise to a deductible temporary difference irrespective of whether the entity expects to recover the carrying amount of the debt instrument by sale or use, (b) estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences, (c) the estimate of probable future taxable profits may include the recovery of an asset for more than its carrying amount, if there is sufficient evidence that it is probable that this will be realized by the entity, and (d) a deferred tax asset is assessed in combination with all of the other deferred tax assets where the tax law does not restrict the sources of taxable profits against which the entity may make deductions on the reversal of that deductible temporary difference. Where restrictions apply, deferred tax assets are assessed in combination only with other deferred tax assets of the same type.
The adoption of the amendment had no impact on the Company's financial statements

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 12 'Disclosure of Interests in Other Entities': It is clarified that the disclosure requirements in IFRS 12 apply to an entity's interest in a subsidiary, a joint venture or an associate classified as held for sale except for the requirement for summarized financial information.
The adoption of the amendment had no impact on the Company's financial statements.

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

A number of new standards, amendments to existing standards and interpretations are effective after 2017, as they have not yet been endorsed by the European Union or have not been early applied by the Company. Those that may be relevant to the Company are set out below (except for IFRS 9, which is presented in section 2.1.2):

IAS 19, Amendment –Plan Amendment, Curtailment or Settlement (effective 1 January 2019, not yet endorsed by EU)

The amendment clarifies that when a change to a defined benefit plan i.e an amendment, curtailment or settlement takes place and a remeasurement of the net defined benefit liability or asset is required, the updated actuarial assumptions from the remeasurement should be used to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Additionally, the amendment includes clarifications about the effect of a plan amendment, curtailment or
settlement on the requirements regarding the asset ceiling.
The adoption of the amendment is not expected to impact the Company's financial statements.

IAS 28, Amendment – Long Term Interests in Associates and Joint Ventures (effective 1 January 2019, not yet endorsed by EU)

The amendment clarifies that IFRS 9 'Financial Instruments' including its impairment requirements, applies to long term interests in associates or joint ventures that form part of the entity's net investment in the associate or joint venture but are not accounted for using equity accounting.

According to the amendment, any adjustments to the carrying amount of long term interests resulting from the application of IAS 28 should not be considered when applying the IFRS 9 requirements which apply to long term interests before applying the loss allocation and impairment requirements of IAS 28.

The adoption of the amendment is not expected to impact the Company's financial statements.

IAS 40, Amendment-Transfers of Investment Property (effective 1 January 2018)

The amendment clarifies that a transfer of property, including property under construction or development, into or out of investment property should be made only when there has been a change in use of the property. Such a change in use occurs when the property meets, or ceases to meet, the definition of investment property and should be supported by evidence.

The adoption of the amendment is not expected to impact the Company's financial statements.

IFRS 2, Amendment-Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)

The amendment addresses (a) the measurement of cash-settled share-based payments, (b) the accounting for modifications of a share-based payment from cash-settled to equity-settled and (c) the classification of share-based payments settled net of tax withholdings.

Specifically, the amendment clarifies that a cash-settled share-based payment is measured using the same approach as for equitysettled share-based payments. It also clarifies that the liability of cash-settled share-based payment modified to equity-settled one is derecognized and the equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted and any difference is recognized in profit or loss immediately.

Furthermore, a share-based payment net by withholding tax on the employee's behalf (a net settlement feature) is classified as equity settled in its entirety, provided it would have been classified as equity-settled had it not included the net settlement feature.

The adoption of the amendment is not expected to impact the Company's financial statements.

IFRS 4, Amendment-Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)
The amendment addresses the accounting consequences of the different effective dates of IFRS 9 'Financial Instruments' and the forthcoming new insurance contracts Standard. It introduces two options for entities that issue insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance, allowing them to continue to apply IAS 39 'Financial Instruments: Recognition and Measurement' while they defer the application of IFRS 9 until 1 January 2021 at the latest.

The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets, effectively resulting in IAS 39 accounting for those designated financial assets. This approach can be used provided that the entity applies IFRS 9 in conjunction with IFRS 4 and classifies financial assets as fair value through profit or loss in accordance with IFRS 9, when those assets were previously classified at amortized cost or as available-for-sale in accordance with IAS 39.

The amendment is not relevant to the Company's activities.

IFRS 15, Revenue from Contracts with Customers and IFRS 15 Amendments (effective 1 January 2018)

IFRS 15 establishes a single, comprehensive revenue recognition model for determining when and how much revenue to recognize and replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programs'.

IFRS 15 applies to all contracts with customers, except those in the scope of other standards such as:
• Financial instruments and other contractual rights or obligations within the scope of IFRS 9 'Financial Instruments', IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures';
• Lease contracts within the scope of IAS 17 'Leases' (or IFRS 16 'Leases'); and
• Insurance contracts within the scope of IFRS 4 'Insurance Contracts'.

Therefore, interest and fee income integral to financial instruments will continue to fall outside the scope of IFRS 15.

IFRS 15 specifies that revenue should be recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services. It introduces the concept of recognizing revenue for performance obligations as they are satisfied and the control of a good or service (i.e. the ability to direct the use of and obtain the benefits from them), is obtained by the customer. For services provided over time, such as management fee income earned for asset management services provided and variable performance fee income based on the return of the underlying asset at a particular data, consideration is recognized as the service is provided to the customer provided that it is probable that a significant reversal of consideration will not occur.

Extensive disclosures will be required in relation to revenue recognized and expected from existing contracts.

IFRS 15 was amended in April 2016 to provide several clarifications, including that in relation to the identification of the performance obligations within a contract.

The Company, is currently in the process of finalizing the impact assessment of IFRS 15, however the adoption of the standard is not expected to have a significant impact on the Company's financial statements as net interest income, which is a primary revenue stream of the Company, is not impacted by the adoption of IFRS 15 and the existing Company accounting treatment for revenue from contracts with customers is generally in line with IFRS 15.

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IFRS 16, Leases (effective 1 January 2019)

IFRS 16, which supersedes IAS 17 'Leases' and related interpretations, introduces a single, on-balance sheet lease accounting model for lessees, under which the classification of leases for a lessee, as either operating leases or finance leases, is eliminated and all leases are treated similarly to finance leases under IAS 17. The new standard provides for the recognition of a 'right-of-useasset' and a 'lease liability' upon lease commencement in case that there is a contract, or part of a contract, that conveys to the lessee the right to use an asset for a period of time in exchange for a consideration.

The right-of-use-asset is, initially, measured at cost, consisting of the amount of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee and, subsequently, at cost less accumulated depreciation and impairment. The lease liability is initially recognized at an amount equal to the present value of the lease payments during the lease term that are not yet paid.

Accordingly, the typical straight line operating lease expense of operating leases under IAS 17 is replaced by the depreciation charge of the 'right-of-use-asset' and the interest expense on the 'lease liability'. The recognition of assets and liabilities by lessees, as described above, is not required for certain short term leases and leases of low value assets. Additionally, the accounting treatment for lessors is not substantially affected by the requirements of IFRS 16.

The adoption of the new standard is not expected to impact the Company's financial statements.

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

IFRS 17, Insurance Contracts (effective 1 January 2021, not yet endorsed by EU)

IFRS 17, which supersedes IFRS 4 'Insurance Contracts' provides a comprehensive and consistent accounting model for insurance contracts. It applies to insurance contracts issued, all reinsurance contracts and to investment contracts with discretionary participating features that an entity issues provided it also issues insurance contracts. Financial guarantee contracts are allowed to be within the scope of IFRS 17 if the entity has previously asserted that it regarded them as insurance contracts.

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

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

IFRS 17 is not relevant to the Company's activities.

Annual Improvements to IFRSs 2014-2016 Cycle (effective 1 January 2018)

IAS 28 'Investments in Associates and Joint Ventures': It is clarified that venture capital organizations, mutual funds, unit trusts and similar entities are allowed to elect measuring their investments in associates or joint ventures at fair value through profit or loss.

The adoption of the amendment is not expected to impact the Company's financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle (effective 1 January 2019, not yet endorsed by EU)

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2015-17 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

a) IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements': It is clarified how an entity accounts for increasing its interest in a joint operation that meets the definition of a business.

- If a party obtains control of a business that is a joint operation, then the transaction constitutes a business combination achieved in stages and the acquiring party remeasures the entire previously held interest in the assets and liabilities of the joint operation at fair value.

- If a party obtains joint control, then the previously held interest is not remeasured.

b) IAS 12 'Income Taxes': It is clarified that all income tax consequences of dividends, including payments on financial instruments classified as equity, should be recognized in profit or loss, other comprehensive income or equity, depending on where the originating transaction or event that generated distributable profits giving rise to the dividend, was recognized.

c) IAS 23 'Borrowing costs': It is clarified that any borrowing originally made to develop a qualifying asset should be treated as part of general borrowings when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

IFRIC 22, Foreign Currency Transactions and Advance Consideration (effective 1 January 2018, not yet endorsed by EU)

IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions that involve an advance payment or receipt. The interpretation clarifies that in this case the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration, i.e. when the entity initially recognized the non-monetary asset (prepayment asset) or non-monetary liability (deferred income liability) arising from the advance consideration. If there are multiple payments or receipts in advance, the entity must determine a date of transaction for each payment or receipt.

The adoption of the interpretation is not expected to impact the Company's financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments (effective 1 January 2019, not yet endorsed by EU)

The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments. In such a circumstance, recognition and measurement of current or deferred tax asset or liability according to IAS 12 is based on taxable profit (tax loss), tax bases, unused tax losses and tax credits and tax rates determined applying IFRIC 23.

According to the interpretation, each uncertain tax treatment is considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty and the entity should assume that a tax authority with the right to examine tax treatments will examine them and will have full knowledge of all relevant information.

If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, it should determine its accounting for income taxes consistently with that tax treatment. If it concludes that it is not probable that the treatment will be accepted, the effect of the uncertainty in its income tax accounting should be reflected in the period in which that determination is made, using the method that best predicts the resolution of the uncertainty (ie the most likely amount or the expected value method).

Judgments and estimates made for the recognition and measurement of the effect of uncertain tax treatments should be reassessed whenever circumstances change or new information that affects those judgments arise (eg actions by the tax authority, evidence that it has taken a particular position in connection with a similar item or the expiry of its right to examine a particular tax treatment).

The adoption of the interpretation is not expected to impact the Company's financial statements.

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.1.2 Transition to IFRS 9 'Financial Instruments' and impact assessment

In July 2014, the IASB published the final version of IFRS 9 'Financial Instruments' effective 1 January 2018, which replaces IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised requirements on the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

IFRS 9 establishes a new classification and measurement approach for all types of financial assets that reflects the entity's business model for managing the assets and their contractual cash flow characteristics. IFRS 9 requires financial assets to be classified into one of the following measurement categories: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available for sale.

Financial assets will be measured at amortized cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest (SPPI). Financial assets will be measured at FVOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. All other financial assets will be classified at FVTPL.

An entity may at initial recognition, designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. Furthermore, on initial recognition of an equity instrument that is not held for trading, an entity may irrevocably elect to present subsequent changes in fair value through OCI. This election is made on an investment-by-investment basis.

Under IFRS 9, embedded derivatives in contracts where the host is a financial asset in the scope of the standard, are no longer bifurcated. Instead, the hybrid financial instrument is assessed for classification as a whole.

IFRS 9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at FVTPL, gains or losses attributable to changes in own credit risk shall be presented in OCI and shall not be subsequently transferred to profit or loss, unless such a presentation would create or enlarge an accounting mismatch. Under IAS 39, all fair value changes of liabilities designated at FVTPL are recognized in profit or loss, unless this would create or enlarge an accounting mismatch.

Business model assessment

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect contractual cash flows from the asset, to realize cash flows from the sale of assets, or both to collect contractual cash flows and cash flows from the sale of assets. Financial assets that are held for trading or managed on a fair value basis will be measured at FVTPL.

The Company's approach is to perform the business model assessment consistently with its operating model and the information provided to key management personnel. In making the above assessment, the Company will consider a number of factors including:

1. the stated policies and objectives for each portfolio;
2. how the performance of each portfolio is evaluated and reported;
3. the risks associated with the performance of the business model and how those risks are managed.
4. how managers are compensated;
5. past experience on how the cash flows from those portfolios were collected and how the Company's stated objective for managing the financial assets is achieved; and
6. the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. Irrespective of their frequency and value, sales due to an increase in the financial assets' credit risk and sales made due to liquidity needs in case of an unexpected stress case scenario, are consistent with a hold-to-collect business model.

SPPI assessment

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

Assessment of changes to the classification and measurement on transition

For the purpose of the transition to IFRS 9, the Company is carrying out a business model assessment across various portfolios and a detailed review of the contractual terms (SPPI review) for its debt instruments portfolios to determine any potential changes to the classification and measurement. The assessment is being performed based on the facts and circumstances that exist at the date of initial application i.e. 1 January 2018. Furthermore, it is performed on a sample basis for the retail and part of the wholesale portfolio where contracts are of standardized form, whereas for the remaining wholesale portfolio is being performed on an individual basis. The business model assessment and the SPPI review are not expected to result in any significant changes compared to how financial assets are measured under IAS 39, except where noted below. In particular:

a) loans and advances to banks and customers that are measured at amortized cost under IAS 39, are also expected to be measured at amortized cost under IFRS 9;
b) the majority of debt securities classified as available-for-sale under IAS 39, are expected to be measured at FVOCI ;
c) held-to-maturity investment securities and assets in the debt securities lending portfolio that are measured at amortized cost under IAS 39, are expected to be measured at amortized cost or FVOCI depending on the business model within which they are held;
d) limited cases of debt instruments that are expected to fail the SPPI test which are measured at FVTPL;
e) trading and derivative assets that are measured at FVTPL under IAS 39 are also expected to be measured at FVTPL under IFRS 9;
f) equity securities classified as available-for-sale under IAS 39 are expected to be measured at FVTPL under IFRS 9; and
g) financial liabilities that are designated at FVTPL under IAS 39 (structured notes, structured deposits) are expected to be measured at amortized cost, while any embedded derivatives will be separated from the host contracts where appropriate.

Impairment of financial assets

IFRS 9 introduces an expected credit loss (ECL) model that replaces the incurred loss model in IAS 39. The new requirements eliminate the threshold in IAS 39 that required a credit event to have occurred before credit losses were recognized and will apply to a broader population of financial instruments compared to IAS 39. The measurement of ECL will require the use of complex models and significant judgment about future economic conditions and credit behavior.

The new impairment model, which introduces a "three stage approach" that will reflect changes in credit quality since initial recognition, will apply to financial assets that are not measured at FVTPL, including loans, lease receivables, debt securities, financial guarantee contracts and loan commitments issued. Accordingly, no impairment loss will be recognized on equity investments.

Upon initial recognition of instruments in scope of the new impairment principles, the Company will record a loss allowance equal to 12-month ECL, being the ECL that result from default events that are possible within the next twelve months. Subsequently, for those financial instruments that have experienced a significant increase in credit risk since initial recognition, a loss allowance equal to lifetime ECL will be recognized, arising from default events that are possible over the expected life of the instrument.
Financial assets for which 12-month ECL are recognized will be considered to be in 'stage1'; financial assets which are considered to have experienced a significant increase in credit risk will be allocated in 'stage2', while financial assets that are considered to be credit impaired will be in 'stage3'. The loss allowance for purchased or originated credit impaired (POCI) financial assets will always be measured at an amount equal to lifetime ECL, as explained below.

Allocation of Exposures to Stages

The Company will distinguish financial assets between those which are measured based on 12-month ECLs (stage 1) and those that carry lifetime ECLs (stage 2 and 3), depending on whether there has been a significant increase in credit risk as evidenced by the change in the risk of default occurring on those financial assets since initial recognition.

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To determine the risk of default, the Company applies a default definition for accounting purposes, which is consistent with the EBA definitions. In particular, the Company will determine that financial instruments are in stage 3 by applying as consistent measures of default across all of its portfolios:

- the objective criterion of 90 days past due and;
- the existence of unlikeness to pay (UTP) criteria

Accordingly, upon transition, the Company considers all non-performing exposures in accordance with EBA definitions as creditimpaired and classifies those exposures at stage 3 for financial reporting purposes.

Purchased or originated credit impaired (POCI) financial assets, which include assets purchased at a deep discount and substantially modified assets arising from derecognition of the original asset and are considered originated credit impaired, are not subject to stage allocation and are always measured on the basis of lifetime ECL. The Company will recognize interest income of financial assets at stage 3 as well as POCI by applying the effective interest rate (EIR) or the credit-adjusted EIR respectively on their net carrying amount.

Financial assets that experience a significant increase in credit risk since initial recognition will be in stage 2. In assessing whether a financial asset has experienced a significant increase in credit risk since initial recognition, the Company intends to use a combination of quantitative, qualitative and backstop criteria including:

- relative changes on the residual lifetime probability of default;
- absolute thresholds on the residual lifetime probability of default;
- relative changes on credit risk ratings;
- watch list status;
- forbearance; and
- 30 days past due as backstop indicator.

Management may apply temporary individual or collective overlays on exposures sharing the same credit risk characteristics to take into account specific situations which otherwise would not be fully reflected in the impairment models.

Hence, upon transition, the Company, considers all performing forborne loans as stage 2, along with any performing exposures that have been assessed to have experienced a significant increase in credit risk since initial recognition.

The Company will classify all remaining financial assets which are not classified at stage 2, 3 or POCI in stage 1, measured based on 12- month ECL. The Bank will recognize interest income of financial assets at stage 2 and at stage 1, by applying the EIR on their gross carrying amount.

When the criteria for stage 2 classification are no longer met, and the financial asset is not credit impaired, it will be reclassified to stage 1. In addition, subsequent transfers from stage 3 to stage 2 will take place when the financial asset ceases to be credit impaired based on the assessment as described above.

Measurement of expected credit losses

As described above, if the credit risk of a financial instrument that is not classified as POCI has not increased significantly at the reporting date compared to its origination date, the loss allowance will be measured at an amount equal to 12 – month ECLs. The 12 – month ECLs represent a portion of lifetime losses, that result from default events that are possible within the next 12 months after the reporting date and is equal to the expected cash shortfalls over the life of the instrument or group of instruments, due to loss events probable within the next 12 months.

In cases where a significant increase in credit risk on a financial instrument has been identified at the reporting date since initial recognition date, the measurement of ECLs will be conducted on a lifetime basis. Lifetime ECLs represent the expected credit losses that result from all possible default events over the expected life of the financial instrument.

The measurement of ECLs will be a probability-weighted average estimate of credit losses that will reflect the time value of money. A credit loss is the difference between the cash flows that are due to the Bank in accordance with the contractual terms of the instrument and the cash flows that the Bank expects to receive (i.e. cash shortfalls) discounted at the original effective interest rate (EIR) of the same instrument, or the credit-adjusted EIR in case of purchased or originated credit impaired assets (POCI). In measuring ECL, information about past events, current conditions and reasonable and supportable forecasts of future conditions should be considered.

For the purposes of measuring ECL, the Company will estimate expected cash shortfalls, which reflect the cash flows expected from all possible sources including collateral and other credit enhancements that are part of the contractual terms and are not recognized separately. In the case of a collateralized financial instrument, the estimated expected cashflows related to the collateral reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the discounted costs of obtaining and selling the collateral, irrespective of whether foreclosure is probable.

ECLs will be calculated over the maximum contractual period over which the Company is exposed to credit risk. The maximum contractual period is defined based on the substantive terms of the instrument, including the Company's ability to demand repayment or cancellation and the customer's ability to require extension.

ECLs on individually large credit impaired loans, above pre-defined materiality thresholds set in accordance with the Company's risk management policy are measured individually. For the remaining retail exposures and some exposures to small and medium-sized enterprises, ECLs will be measured on a collective basis. This incorporates borrower specific information, collective historical experience of losses and forward-looking macroeconomic information.

ECL Key Inputs

The ECL calculations are based on the term structures of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). Generally, the Company intends to derive these parameters from internally developed statistical models and observed point-in-time and historical data, leveraging the existing infrastructure development for the regulatory framework and risk management practices, similar with the Group policies.

The PD represents the likelihood of a borrower defaulting on its financial obligations either on the next twelve months or over the remaining lifetime. In accordance with IFRS 9, the Company will use point-in-time unbiased PDs that will incorporate forward looking information and macroeconomic scenarios.

EAD represents the exposure that the Company expects to be owed at the event of default. The EAD of a financial asset will be the gross carrying amount at default. In estimating the EAD, the Company will use historical observations and forward looking forecasts to reflect payments of principal and interest.

LGD represents the Company's expectation of the extent of loss on a defaulted exposure and is the difference between the contractual cash flows due and those that the Company expects to receive including any amounts from collateral liquidation. LGD varies by type of counterparty, type and seniority of claim, availability of collateral or other credit support, and is usually expressed as a percentage of EAD.

The PD, LGD and EAD used for accounting purposes may differ from those used for regulatory purposes. PD under IFRS 9 is a point-in-time estimate whereas for regulatory purposes PD is a 'through-the-cycle' estimate. In addition, LGD and EAD for regulatory purposes are based on loss severity experienced during economic downturn conditions, while under IFRS 9, LGD and EAD reflect an unbiased and probability-weighted amount.

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

IFRS 9 Implementation Program

A Group-wide IFRS 9 Program, led jointly by Group Risk and Group Finance of Eurobank, was initiated in 2015 to ensure a robust and high quality implementation in compliance with the requirements of the Standard and respective regulatory guidance.

Overall governance is provided through a central Program Management Office (PMO) that coordinates the implementation of the Program among the various stakeholders and is responsible for the day-to-day management tasks, as well as two Management Committees, namely the Steering Committee and the Technical Committee.

The Steering Committee, which is jointly led by the Chief Risk Officer (CRO) and Chief Financial Officer (CFO) and comprises senior staff from all the main functions of the Eurobank, is mandated to oversee the implementation in accordance with the Standard, monitors timelines and the quality of the Program's deliverables, reviews program's results, approves deliverables and changes in the scope of the program where appropriate, and regularly informs the Executive Board, the Board Risk Committee, the Audit Committee and the Board of Directors on the Program's implementation progress.

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The implementation for the Company is managed locally with the establishment of local PMOs and Steering Committees. Progress is monitored by the central PMO with Head Office providing support and guidance to ensure consistent implementation within the Group.
The Company has largely completed the IFRS 9 accounting policies, key processes and process flows and the ECL methodologies while further refinements will continue during 2018. Educational workshops to the involved stakeholders are conducted on an ongoing basis on the impact of IFRS 9 to the Company's day-to-day operational activities in order to ensure that the new requirements are well understood and will be applied consistently. The implementation of an IT system for the calculation of ECL has progressed to productive runs for the last quarter of 2017.

Comparative information on transition

The new requirements of IFRS 9 will be applied retrospectively by adjusting the Company's balance sheet on the date of transition on 1 January 2018. The Company intends to apply the exemption not to restate comparative figures for prior periods; therefore the Company's 2017 comparatives will be presented on an IAS 39 basis.

Impact assessment

The impact of transitioning to IFRS 9, before tax, is estimated to be €12 million at 1 January 2018 for the loans measured at amortized cost. The estimated impact is attributed to the Company's lending portfolio. The above impact is expected to decrease shareholder's equity by the same amount as no deferred tax asset is expected to be recognized by the Company on IFRS 9 impact.

Classification and Measurement

The estimated impact from the classification and measurement of IFRS 9 is expected to be € 17 million as of 1 January 2018. This amount includes an effect from the loans debt instruments that have failed the SPPI test and measured at FVTPL. One loan failed the SPPI test.

IFRS 9, Amendment–Prepayment Features with Negative Compensation (effective 1 January 2019)

The amendment changes IFRS 9 requirements in order to allow measurement of a financial asset at amortized cost or at FVOCI, depending on the business model, even in the case of prepayment options which could result in the party that triggers the early termination receiving compensation from the other party (negative compensation).Therefore, measurement of these financial assets will be regardless of the event or circumstance that caused the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination.
Applying IFRS 9 before the amendment would probably result in the measurement of these financial assets at FVTPL.

The amendment also confirms the modification accounting of financial liabilities under IFRS 9. In specific, when a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss, calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognized in profit or loss.

The adoption of the amendment is not expected to impact the Company's financial statements.

Going concern

The accompanying financial statements have been prepared based on the going concern principle, which assumes that the Company will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, the management reviews the forecasts of the future cash inflows.

The Company recorded financing only from related parties, therefore, its going concern depends of the future continuation of these relations.

The Board of Directors, taking into consideration the factors mentioned in the Report of the board of Managing Directors, have been satisfied that the financial statements of the Company can be prepared on a going concern basis.

Functional and presentation currency

The Company's presentation currency is the Euro (EUR) being the functional currency of the parent company

Foreign currency

Transactions in foreign currencies are translated into Euro at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities stated in foreign currencies at the balance sheet date are translated into Euro at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognized in the Income Statement.

Non-monetary assets and liabilities in foreign currencies, which are stated at historical cost, are translated into Euro at the foreign exchange rate prevailing at the date of the transaction, in the Balance Sheet. Any resulting movement is also recognized in the Income Statement.

Income tax

Income tax on the profit or loss for the year comprises current tax. Current tax is the expected tax payable based on the taxable profit for the year, using tax rates enacted or substantially prevailing at the balance sheet date. Taxable profit may differ from profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax assets is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Financial instruments

Financial assets and financial liabilities are recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of the investment. As at December 31, 2017, the Company did not conclude any derivative contracts. A financial asset is derecognized when the contractual cash flows of the loan expire, or the Company transfers its rights to receive those cash flows in an outright sale in which substantially all the risk and rewards of ownership have been transferred.

Loans and receivables

These represent Loans and Advances to customers, and are measured at initial recognition at fair value and are subsequently measured at amortized cost using the effective interest rate method. Appropriate provisions for estimated irrecoverable amounts are recognized in the Income Statement when there is objective evidence that the asset is impaired.

The nominal or cost value of the other receivables, which are not traded in active markets or for which no valuation techniques can be applied is assumed to approximate their fair value.

Share capital

Share capital is equal to the nominal value of shares, respectively with to the value of capital contribution, of premium and incorporated reserves or other operations which lead to its modification. Subscribed and paid-in capital is recorded based on the articles of incorporation and on the supporting documents regarding capital paid-in.

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents comprize cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment

For financial assets that are not carried at fair value through profit or loss, the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment indicators

For the Company's Retail loan exposures, objective evidence that a loan or group of loans is impaired includes observable data that comes to the attention of the Company about the following loss events:

(a) significant financial difficulty of the obligor, a significant reduction of personal and/or family income or loss of job;
(b) a default or breach of contract;
(c) significant changes in the performance and behavior of the borrower (for example, a number of delayed contractual payments);
(d) measurable decrease in the estimated future cash flows from a group of financial assets through a negative payment pattern such as missed payments;
(e) the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider, such as a reduction of the obligors monthly installment for a specific period of time, or a temporary or permanent reduction of interest rate;
(f) it is becoming probable that the borrower will enter into bankruptcy status or other financial reorganization;
(g) loss events that could affect the ability of the borrower to repay contractual obligations within the agreed time, such as:
- serious illness or disability of the obligor or a family member;
- death of the borrower;

For all other financial assets including corporate loan exposures, the Company assesses on a case- by-case basis at each reporting date whether there is any objective evidence of impairment using the following criteria:
(a) significant financial difficulty of the issuer or obligor;
(b) a default of breach of contract;
(c) significant changes in the financial performance of the borrower that affect the borrower's ability to meet its debt obligations, such as:

-operating losses;
-working capital deficiencies;
-the borrower having a negative
(d) other facts indicating a deterioration of the financial performance of the borrower, such as a breach of loan covenants or other terms, or a partial write-off in the borrower's obligations due to economic or legal reasons relating to his financial status;
(e) significant changes in the value of the collateral supporting the obligation;
(f) the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider, such as a reduction of the obligors monthly installment for a specific period of time, or a temporary or permanent reduction of interest rate;
(g) becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
(h) significant adverse changes in the borrower's industry or geographical area that could affect the borrower's ability to meet its debt obligations;
(i) market related information including the status of the borrower's other debt obligations;
(j) a significant downgrade in the internal or external credit rating of the borrower's financial instruments when considered with other information.

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

Assets carried at amortized cost

Impairment assessment
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

In determining whether a loan is individually significant for the purposes of assessing impairment, the Company considers a number of factors, including the importance of the individual loan relationship and how it is managed, the size of the loan, and the product line. Consequently, loans to corporate clients and financial institutions as well as investment securities, are generally considered as individually significant. Retail lending portfolios are generally assessed for impairment on a collective basis as they consist of large homogenous portfolios, while exposures that are managed on an individual basis are assessed individually for impairment.

The Company assesses at each balance sheet date whether there is an objective evidence of impairment.

Interest-bearing borrowings
Interest-bearing borrowings are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Applying the effective interest method, the entity amortizes any fees, transaction cost and other premiums or discounts included in the calculation of the effective interest rate over the expected life of the underlying liability. Any such amortization would be recognized in the Income Statement.

De-recognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability of the Company is replaced by another from the same counterparty on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

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

Other payables

Other payables are recognized initially at fair value. The nominal or cost value of the other payables, which are not traded in active markets or for which no valuation techniques can be applied is assumed to approximate their fair value. Other payables are subsequently stated at amortized cost. Other payable are classified as current liabilities, unless the Company has indisputable right to postpone the settlement of obligations for at least 12 months after the balance sheet date.

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3 CASH FLOW STATEMENT

The Cash Flow statement has been prepared in accordance with the indirect method. The presentation for the year 2017 has not changed in comparison for the year 2016.

4 PRINCIPLES OF DETERMINATION OF RESULT

(a) General

Result is determined as the difference between income generated by loans and the costs and other charges for the year. Income from transactions is recognized in the year in which it is realized.

(b) Interest Income and expenses

Interest income and interest expense are recognized in the Income Statement for all interest bearing financial instruments.

For all interest bearing financial instruments, interest income or interest expense is recognized using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability (on an amortised cost basis). The calculation includes all contractual terms of the financial instrument (for example, prepayment options) but not future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees and Commissions are generally recognized on an accrual basis when the service has been provided.

(c) Exchange rate differences

Exchange rate differences arising upon the settlement of monetary items are recognized in the Profit&Loss Account in the period that they arise.
Exchange rate differences on non-current and non-liabilities loans are recognized in the Profit & Loss Account in the period they arise.

(d) Taxation

Domestic corporate income tax is determined by applying Dutch fiscal practice rules and taking into account allowable deductions, charges and exemptions.

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5 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of risks. Exposure to credit, interest rate, currency and liquidity risk arises in the normal course of the Company's business. The Company's overall risk management policy focus on the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance.

The management considers there is no significant concentration of the following risks at the balance sheet date.
The procedures for assessing the risk are also shown below:

5.1. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers.

For credit risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor risk, sector risk, repayment risk, etc.).

The Company's portfolio is reviewed on a regular basis for impairment provisions. There is a limited recourse through the Overdraft Multicurrency Agreement between the Company (Borrower) and Eurobank Cyprus Ltd. (Lender), which states that the aggregate loss accrued by the Company (Borrower) in relation to its creditors defaulting under corresponding loans will not exceed the lower of Euro 2.000.000 or, 1% (one percent) of the outstanding amounts of corresponding loans, calculated before tax and over the total term of the agreement.

Loans and advances

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.
Impairment provisions are provided where there is objective evidence that the Company will not be able to collect all amounts due.

Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Company's portfolio, could result in evidence that is different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and capital repayment obligations.

Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. The split of portfolio of the Company by industry is detailed in below.

The Company has no geographical exposure to markets other than Romania.

Credit monitoring

The Company is aware of the state of the borrower's business and any change in its creditworthiness at all times, as regular evaluation of financial statements and of the borrower's business operations are performed.

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5.1. Credit risk (continued)

Cash and cash equivalents
There are no restrictions on the availability of cash and cash equivalents. These are readily available.

Collateral

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is taking of security for funds advances, which is a common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable.

Longer-term finance and lending to corporate entities are generally secured; mortgage loans are also secured, while consumer loans to individuals are generally unsecured. In addition, in order to minimize the credit loss the Company will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

5.1.1. *Maximum exposure to credit risk before collateral held or other credit enhancements:*

	31-12-2017
Loans & advances to customers - principal outstanding*	305,392,898
Interest receivable	23,467,634
Other receivables related to loans-monthly administration fees	1,453,012
Less: allowance for impairment	(2,000,000)
Net Loans and advances to customers	**328,313,544**
Other receivables (Note 8)	2,775,269
Cash and cash equivalents	19,760,369
Total	**350,849,182**

	12/31/2016
Loans & advances to customers - principal outstanding*	295,704,960
Interest receivable	12,011,485
Other receivables related to loans-monthly administration fees	1,178,908
Less: allowance for impairment	-2,000,000
Net Loans and advances to customers	**306,895,353**
Other receivables (Note 8)	4,119,547
Cash and cash equivalents	6,640,175
Total	**317,655,075**

(*) Loans and advances to customers are after any write downs performed due to limited recourse against borrowings, which for 2017 is Euro 27.567.121 and for 2016 is Euro 18.073.114.

This write down is counterbalanced by the write-down of financing borrowings from Group company for the same amount (refer to note 11).

5.1.2. *Loans and advances*

As at December 31, 2017 and 2016, loans and advances are summarized as follows:

	31-12-2017	12/31/2016
Neither past due nor impaired	108,101,633	114,453,322
Past due but not impaired	34,500,221	38,945,262
Impaired - individually assessed	91,455,110	82,534,493
Impaired - collectively assessed	96,256,580	72,962,275
Gross Loans and advances to Customers	**330,313,544**	**308,895,352**
Less: Allowance for impairment	-2,000,000	(2,000,000)
Net Loans and advances to customers	**328,313,544**	**306,895,352**
Impairments not yet charged under the limited recourse guarantee with Eurobank Cyprus Ltd*	(11,145,752)	(17,733,038)
Net loans and advances after impairments	**317,167,792**	**289,162,314**

*) Loan and advances to customers are to be written down by this amount in the future against borrowings, due to limited recourse guarantee (see note 11).

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5.1. Credit risk (continued)

5.1.2. *Loans and advances (continued)*

The wholesale and small business loans as at 31 December 2017 are covered by collaterals at 131% and 96%, respectively (2016: 110% and 91%, respectively). Consumer loans are not collateralized. Mortgage loans are collateralized at 81% (2016: 101%).

Credit quality of loans and advances to customers

Loans and advances to customers are classified as "neither past due nor impaired", "past due but not impaired" and "impaired".
Loans are reported as "neither past due nor impaired" when no contractual payments are in arrears and there are no other indications of impairment.
"Past due but not impaired" category includes loans with contractual payments overdue by at least one day, but which are not impaired unless specific information indicates to the contrary. This is typically when loans are in arrears less than 90 days past due for consumer and small business exposures, and less than 180 days past due for mortgage and wholesale exposures. For loans in this category, although not considered impaired, the Company may recognize an impairment provision.

"Impaired" loans that are individually assessed comprise wholesale exposures as well as small business loans which carry an individual impairment provision. All other retail impaired exposures carry a collective impairment provision.
The evidence considered by the Company in determining that there is objective evidence of impairment is set out in Note 2 Impairment.
The tables below present the total gross amount, representing the maximum exposure to credit risk gross of impairment allowance, of loans and advances that are classified as non impaired (i.e. "neither past due nor impaired" and "past due but not impaired") and those classified as impaired.

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at 31 December 2017 and 2016 was assessed by reference to the entity's own standard grading system. The following information is based on that system:

	31/12/2017	31/12/2016
Acceptable- low risk	108,101,633	114,453,322
Total	**108,101,633**	**114,453,322**

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5.1. Credit risk (continued)

5.1.2. Loans and advances (continued)

(b) Loans and advances past due, but not impaired

	Consumer	Mortgage	Small business	Wholesale	31/12/2017
Current					
Past due up to 29 days	1,987,617	23,759,259	248,218	-	25,995,094
Past due 30 - 89 days	471,463	7,903,212	128,211	-	8,502,886
Past due 90 - 180 days	2,242	-	-	-	2,242
Past due more than 180 days	-	-	-	-	-
Total	2,461,322	31,662,471	376,429	-	34,500,222
Fair value of collateral	-	24,737,298	351,377	-	25,088,675

	Consumer	Mortgage	Small business	Wholesale	31/12/2016
Current					
Past due up to 29 days	4,519,880	24,832,410	286,910	-	29,639,200
Past due 30 - 89 days	1,220,153	7,837,946	192,221	-	9,250,320
Past due 90 - 180 days	-	55,743	-	-	-
Past due more than 180 days	-	-	-	-	-
Total	5,740,033	32,726,099	479,131	-	38,889,520
Fair value of collateral	-	25,630,526	473,784	-	26,104,310

(c) *Impaired loans and advances*

(c 1) *Impaired loans and advances collectively assessed*

For collectively assessed accounts, loans are treated as impaired based on historical loss data for groups of loans with similar characteristics. The collectively assessed loans and advances to customers before taking into consideration the cash flows from collateral held is presented below:

31/12/2017	Consumer	Mortgage	Small Business	Total
Collectively assessed loans	3,087,811	66,597,894	26,570,874	96,256,579
Fair value of collateral	0	57,528,729	25,588,660	83,117,389

31/12/2016	Consumer	Mortgage	Small Business	Total
Collectively assessed loans	3,907,451	50,200,660	18,854,164	72,962,275
Fair value of collateral	-	37,020,823	16,504,443	53,525,266

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5.1. Credit risk (continued)

5.1.2. *Loans and advances (continued)*

(c 2) *Impaired loans and advances individually assessed*

For individually assessed accounts, loans are treated as impaired as soon as there is objective evidence that an impairment loss has been incurred. The criteria used by the Company to determine that there is objective evidence of impairment include:
- known cash flow difficulties experienced by the borrower;
- overdue contractual payments of either principal or interest;
- breach of loan covenants or conditions;
- the probability that the borrower will enter bankruptcy or other financial reorganization;
- a downgrading in credit rating by an external credit rating agency.

During 2017 the impairment triggers and classification of exposures has been revised following integration of EBA concepts and categories regarding non-performing and forborne loans which had an effect on the assessment of the small business loans.

The individually assessed loans and advances to customers before taking into consideration the cash flows from collateral held is presented below. The breakdown of the gross amount of individually assessed loans and advances by classes is:

31/12/2017

	Mortgage	Small business	Wholesale	Total
Individually assessed loans	-	-	91,455,110	91,455,110
Fair value of collateral	-	-	120,434,462	120,434,462

31/12/2016

	Mortgage	Small business	Wholesale	Total
Individually assessed loans	-	-	82,534,493	82,534,493
Fair value of collateral	-	-	87,221,427	87,221,427

(d) *Repossessed collaterals*

During 2009, the Company has repossessed collaterals amounting to EUR 104 thousand through his agent assigned for the administration of these loans, Bancpost S.A. These collaterals are recorded in the agent's books until the Company instructs otherwise. Until such time, the Company recognized a receivable from its agent (at the auction value of the collateral), in correspondence with a reduction of the loan receivable.

During 2010-2017 there were no repossessed collateral.

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5.1. Credit risk (continued)

5.1.2. *Loans and advances (continued)*

(a) Concentration of credit risk exposure

Geographical Sector

The following table breaks down the Company's main credit exposure at their gross carrying amounts, as categorized by the geographical sectors of our counterparties:

	31/12/2017
Loans and advances to customers:	
Consumer	13,401,122
Mortgage	194,381,313
Small businesses	30,162,627
Wholesale	92,368,482
Cash and cash equivalents	19,760,369
Other Assets	2,775,269
Total	352,849,182

	31/12/2016
Loans and advances to customers:	
Consumer	23,126,158
Mortgage	180,305,940
Small businesses	22,928,760
Wholesale	82,534,490
Cash and cash equivalents	6,640,175
Other Assets	1,619,547
Total	317,155,070

Industry sector

The following table breaks down the Company's main credit exposure at their gross carrying amounts, as categorized by the industry sectors of our counterparties:

	Commerce and services	Private individuals	Manufacturing	Construction	Other industries	31/12/2017
Loans and advances to customers:						
- Consumer	-	13,401,122	-	-	-	13,401,122
- Mortgage	-	194,381,313	-	-	-	194,381,313
- Small businesses	13,159,021	-	4,925,647	2,790,613	9,287,346	30,162,627
- Wholesale	6,927,810	-	10,406,860	36,360,205	38,673,608	92,368,483
Cash and cash equivalents	19,760,369	-	-	-	-	19,760,369
Other Assets	2,775,269	-	-	-	-	2,775,269
Total	42,622,469	207,782,435	15,332,507	39,150,818	47,960,954	352,849,183

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5.1. Credit risk (continued)

5.1.2. Loans and advances (continued)

	Commerce and services	Private individuals	Manufacturing	Construction	Other industries	31/12/2016
Loans and advances to customers:						
- Consumer	-	23,126,158	-	-	-	23,126,158
- Mortgage	-	180,305,940	-	-	-	180,305,940
- Small businesses	15,531,856	-	3,396,934	3,410,685	589,285	22,928,760
- Wholesale	10,235,930	-	17,700,481	54,530,067	68,012	82,534,490
Cash and cash equivalents	6,640,175	-	-	-	-	6,640,175
Other Assets	1,619,547	-	-	-	-	1,619,547
Total	**34,027,508**	**203,432,098**	**21,097,415**	**57,940,752**	**657,297**	**317,155,070**

(f) Fair value of financial assets and liabilities

The three levels of the fair value hierarchy as at 31 December 2017 based on whether the inputs to the fair values are observable or unobservable, are as follows:

a) Level 1 – Financial instruments measured based on quoted prices in active markets for identical financial instruments that an entity can access at the measurement date. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. These include actively quoted debt instruments, equity and derivative instruments traded on exchanges, as well as mutual funds and unit-linked product that have regularly and frequently published quotes.

b) Level 2 – Financial instruments measured using valuation techniques with the following inputs: i) quoted prices for similar financial instruments in active markets, ii) quoted prices for identical or similar financial instruments in markets that are not active, iii) inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognized market data providers and iv) may also include other unobservable inputs which are insignificant to the entire fair value measurement.

c) Level 3 – Financial instruments measured using valuation techniques with significant unobservable inputs. When developing unobservable inputs, best information available is used, including own data, while at the same time market participants' assumptions are reflected (e.g. assumptions about risk). Level 3 financial instruments include unquoted equity instruments.

(g) Fair value of financial assets and liabilities

The fair value of financial assets is estimated using discounted cash flow models developed in-house by the Company's management. Due to the size and nature of the company, creating a sophisticated and detailed model is not feasible and therefore the model is subject to certain limitations.

The following table presents the carrying amounts and fair values of financial assets and liabilities which are not carried at fair value on the balance sheet, analysed by the level in the fair value hierarchy into which each fair value measurement is included:

31/12/2017

	Level 1	Level 2	Level 3	Total fair value	Net carrying amount
Financial assets					
Loans and advances to customers	-	-	267,735,240	267,735,240	328,313,544
Total financial assets					

31/12/2016

	Level 1	Level 2	Level 3	Total fair value	Net carrying amount
Financial assets					
Loans and advances to customers	-	-	284,374,019	284,374,019	306,895,352
Total financial assets					

Sensitivity analysis on fair value of financial assets and liabilities (market interest rate + 0.5%)

31/12/2017

	Level 1	Level 2	Level 3	Total fair value	Net carrying amount
Financial assets					
Loans and advances to customers	-	-	266,396,564	266,396,564	328,313,544
Total financial assets					

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5.1. Credit risk (continued)

5.1.2. ***Loans and advances (continued)***

The assumptions and methodologies underlying the calculation of fair values of financial instruments not carried at fair value on the balance sheet date are in line with those used to calculate the fair values for financial instruments carried at fair value and are as follows:

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

For other financial instruments which are short-term or re-price at frequent intervals (cash, due to banks etc), the carrying amounts represent reasonable approximations of fair values.

The following table presents the financial liabilities that have a short term maturity (less than 1 month) for which the assumption is that the carrying amount approximates their fair value:

	31/12/2017		31/12/2016	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial liabilities				
Borrowings	306,964,704	306,964,704	281,595,473	281,595,473
Other Liabilities	8,177,486	8,177,486	4,933,127	4,933,127
Total financial liabilities	**315,142,190**	**315,142,190**	**286,528,600**	**286,528,600**

5.2 Market risk

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific movements and changes in the level of volatility of market rates of prices such as interest rates, foreign exchange rates and equity prices.

5.2.1. Interest rate risk

The risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Loan assets and loan liabilities are undertaken back to back on terms that both relate to the same variable Euribor or Libor rate. The risk is fully compensated by this balance and hence there is no sensitivity risk to a change in interest rate.

5.2.2. Foreign exchange risk

Foreign currency risk is the risk that assets or liabilities in foreign currencies will fluctuate in value due to exchange rate fluctuations.

5.2.3. Sensitivity analysis

The sensitivity of the Income Statement is the effect of the assumed changes in foreign exchanges rates on the net income for one year. Sensitivity analysis used for monitoring market risk do not represent worst case scenario. The effect on the income statement as a result of parallel shift in yield curve is nil. An analysis of the Company's sensitivity to an increase or decrease in FX rates (assuming constant balance sheet position) is as follows:

Sensitivity of Income Statement

	31/12/2017	31/12/2016
	gain/(loss)	gain/(loss)
Foreign exchange		
10% depreciation of functional currency (EUR) over foreign currencies	13,466,700	12,659,805

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5.3. Liquidity risk

The Management considers that the liquidity risk is limited since the Group ensures availability of needed funds.

The table below presents the cash flow payable by the Company under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are contractual undiscounted cash flows.

Contractual undiscounted cash flows

	31/12/2017	31/12/2016
Up to 1 month:		
Borrowings from group companies	306,964,704	281,595,473
Interest payable to group companies	346,167	630,282
Other payables	7,831,319	6,802,845
	315,142,190	289,028,600
Total:		
Borrowings from group companies	306,964,704	281,595,473
Interest payable to group companies	346,167	630,282
Other payables	7,831,319	6,802,845
	315,142,190	289,028,600

5.4. Capital management

The Company's main objectives when managing capital, is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company is not required to comply with any capital requirements set by the regulators.

Capital consists of issued and paid up capital, share premium and other reserves. There have been no material changes in the Company's management of capital during the year

The capital of the Company is presented below:

	31/12/2017	31/12/2016
Issued and paid-up capital	20,000	20,000
Share premium	11,980,000	11,980,000
Other reserve	24,046,085	17,044,713
Total equity	36,046,085	29,044,713

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6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Impairment losses on loans and advances

The Company reviews its loan portfolios to assess impairment at least on a half yearly basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

An Overdraft Multicurrency agreement dated July 11, 2008 between the Company (Borrower) and Eurobank Cyprus Ltd. (Lender) was concluded. There is a limited recourse through the Overdraft Multicurrency Agreement which states that the aggregate loss accrued by the Company (Borrower) in relation to its creditors defaulting under corresponding loans will not exceed the lower of Euro 2.000.000 or 1% (one per cent) of the outstanding amounts of corresponding loans, calculated before tax and over the total term of the this agreement.

b) Uncertain tax position

The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management`s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

c) Deferred income tax asset recognition.

The recognized deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the income statement. Deferred income tax assets are recorded to the extent that realization of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

d) Fair value of financial assets and liabilities

The fair values of quoted investments in active markets are based on current bid prices (financial assets) or offer prices (financial liabilities). If there is no active market for a financial instrument, the Company establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. The valuation models reflect current market conditions at the measurement date which may not be representative of market conditions either before or after the measurement date. As at the balance sheet date, management has reviewed its models to ensure they appropriately reflect current market conditions, including the relative liquidity of the market and credit spreads.

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7 LOANS & ADVANCES TO CUSTOMERS

	31/12/2017	31/12/2016
Consumer loans*	13,401,121	23,126,158
Mortgage loans*	194,381,313	180,305,940
Small Business Borrowings/ Corporate loans*	122,531,110	105,463,250
Total loans to clients - gross*	330,313,544	308,895,348
Less: allowance for impairment (own risk)	-2,000,000	-2,000,000
	328,313,544	306,895,348
Impairments not yet charged under the limited recourse guarantee with Eurobank Cyprus Ltd**	-11,145,752	-17,733,038
	317,167,792	289,162,310

*) Loans and advances to customers are after any write downs performed due to limited recourse against borrowings, which for 2017 is EUR 27.567.121 and for 2016 is EUR 18.073.114. This write down is counterbalanced by the write down of financing borrowings from Group Company for the same amount (refer to note 11).

In the first quarter of 2017, ERB New Europe Funding II B.V. completed the assignment of a portfolio in amount of 138 MIL EUR and a sale contract in amount of 12 MIL EUR.

**) Loan and advances to customers are to be written down by this amount in the future against borrowings, due to limited recourse guarantee (see note 11).

	31/12/2017	31/12/2016
Movement in write downs limited recourse:		
Opening balance	186,277,610	168,204,496
Write downs performed during the year	27,567,121	18,073,114
Closing balance as at year end	213,844,731	186,277,610

Current Assets:	31/12/2017	31/12/2016
Loan repayments due:		
Up to 1 month	2,229,990	2,330,343
1-3 months	5,364,778	20,932,882
4-12 months	79,303,456	42,928,049
	86,898,224	66,191,274

	31/12/2017	31/12/2016
Non-Current Assets:		
1-5 years	82,041,836	73,581,429
Over 5 years	159,373,484	167,122,648
	241,415,320	240,704,077

Loans bear interest at 1 month or 3 month Euribor/Libor plus a spread and according to the Master Receivables Sale and Purchase Agreements.

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7 LOANS & ADVANCES TO CUSTOMERS (continued)

Movements in provisions in 2017 and 2016 for impairment of loans and interest receivable are:

Type of loan:	Consumer loans	Mortgage loans	Small business loans	Corporate loans	Total
Opening balance as at January 1, 2017	600,665	1,315,704	83,631	–	2,000,000
Provision charge / release for the year (including collection fees)	(90,289)	101,968	(11,679)	–	–
Disposal of loan portfolio	–	–	–	–	–
Other movements	–	–	–	–	–
Foreign exchange loss (gain)	–	–	–	–	–
Closing balance as at December 31, 2017	510,376	1,417,672	71,952	-	2,000,000

Type of loan:	Consumer loans	Mortgage loans	Small business loans	Corporate loans	Total
Opening balance as at January 1, 2016	1,554,429	422,016	23,555	-	2,000,000
Provision charge / release for the year (including collection fees)	(953,764)	893,688	60,076	-	-
Disposal of loan portfolio	-	-	-	-	-
Other movements	-	-	-	-	-
Foreign exchange loss (gain)	-	-	-	-	-
Closing balance as at December 31, 2016	600,665	1,315,704	83,631	-	2,000,000

8 OTHER RECEIVABLES

Description	31/12/2017	31/12/2016
Receivable from repossessed collaterals	94,773	97,248
Other receivables	60,906	11,977
Receivables from sold loans	–	58,809
Receivable from Eurobank Cyprus Ltd.	2,619,590	3,951,513
	2,775,269	4,119,547

9 CASH AND CASH EQUIVALENTS

Description	31/12/2017	31/12/2016
Due from banks/current accounts	14,749,853	2,106,364
Due from banks/deposits placed with banks	5,010,516	4,533,811
	19,760,369	6,640,175

There are no restrictions on the availability of cash and cash equivalents. These are readily available.

10 EQUITY

The Company's authorized share capital amounts to EUR 90.000 and consists of 90.000 ordinary shares with a nominal value of EUR 1 each.

As at December 31, 2017, 20.000 shares were issued and fully paid-up. The movements in the Equity we refer to the Statement of Equity included in this report.

ERB New Europe Funding II B.V. is fully controlled and owned by ERB New Europe Holding B.V., a wholly owned subsidiary of Eurobank Ergasias S.A., a bank incorporated in Greece and listed on the Athens Stock Exchange.

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11 BORROWINGS FROM GROUP COMPANY

	31/12/2017	31/12/2016
Financing borrowings from Eurobank Cyprus Ltd.	334,531,825	299,668,587
Write-downs due to limited recourse against loans and advances to customers	(27,567,121)	-18,073,114
	306,964,704	281,595,473

An Overdraft Multicurrency Agreement dated July 11, 2008 between the Company (Borrower) and Eurobank Cyprus Ltd. (Lender) was concluded. The attribution of impairment on loans & advances to borrowers relates to the impairments that management have estimated on the loan portfolio. Under the Overdraft Multicurrency Agreement the credit risk of the portfolio exceeding EUR 1,999,348 is born by Eurobank Cyprus Ltd., therefore this amount has been adjusted on the financing borrowing.

According to the agreement the borrowings are repriced and renewed on a monthly basis. Borrowings bear interest at 1 month or 3 month Euribor/Libor plus a spread and according to the Multicurrency Agreement. Based on Facility Agreement, borrowings bear interest at Euribor/Libor plus a spread for certain interest periods of up to six months until they are repriced.

The borrowings are matched with the loans and advances to customers (note 7).

12 INTEREST PAYABLE TO GROUP COMPANY

	31/12/2017	31/12/2016
Eurobank Cyprus Ltd., Cyprus.	346,167	630,282
	346,167	630,282

Repayments are due within 1 month.

13 OTHER PAYABLES

	31/12/2017	31/12/2016
Payables to Bancpost S.A.	6,387,994	3,319,907
Litigation provisions	–	2,500,000
Payables to Eurolife ERB Asigurari de Viata S.A.	431,539	311,552
Payables to sundry lawyers	32,959	2,135
VAT payable	1,329	-
Accrued expenses (PWC)	–	50,000
Other payables	977,498	619,251
	7,831,319	6,802,845

14 INTEREST INCOME

	1/1/17-31/12/17	1/1/16-31/12/16
Interest income on loans and advances	12,994,694	18,316,607
Interest related income	1,188,220	2,157,412
Interest related fees	(2,560,330)	-1,312,354
	11,622,584	19,161,665

15 INTEREST EXPENSE

	1/1/17-31/12/17	1/1/16-31/12/16
Interest expense borrowings from group Company	12,579,742	18,607,469
Bank interest expenses	19,166	32,325
	12,598,908	18,639,795

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16 OPERATING COSTS

	1/1/17-31/12/17	1/1/16-31/12/16
Management, domiciliary and accounting fees	70,000	70,000
Occasional consultancy fees	155,790	43,639
Non-deductible VAT	57,186	71,768
Legal services		191,787
Forced execution expenses		167,731
Litigations expenses		275,582
Other services (audit, valuation, banking fee, postage and travelling)	706,690	72,111
	989,666	892,618

17 TAXATION

In 2017 and 2016, this item can be detailed as follows:

	1/1/17-31/12/17	1/1/16-31/12/16
Result before taxation	7,042,472	10,802,389
Less: Foreign exchange gain/(loss)	(1,080,751)	495,106
Less: non- taxable operating income	-5,757,321	-11,093,094
Taxable profit	204,400	204,401
Statutory tax rate 20% over 200,000	40,000	40,000
Statutory tax rate 25% over remaining amount	1,100	1,100.00
	41,100	41,100
Corporate Income tax current year	41,100	41,100
Effective tax rate	0.58%	0.38%

The movements in the taxation are as follows:

	31/12/2017	31/12/2016
Opening balance	418,238	458,213
Estimate tax charge for the year	-41,100	(41,100)
Payments made	99,857	142,603
Amounts refunded by the Tax Authorities	(137,903)	(141,478)
Closing balance	339,093	418,238

The nominal Corporate income tax in the Netherlands is 20% for the first EUR 200,000 and the remaining taxable result 25%.

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18 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions.

The Company's immediate parent and controlling entity is ERB New Europe Holding B.V.,a wholly owned subsidiary of Eurobank Ergasias S.A. (the Bank) which is listed in the Athens Stock Exchange.

In November 2015, following the completion of the Bank's share capital increase, fully covered by investors, institutional and others the percentage of the Bank's ordinary shares with voting rights held by the HFSF decreased from 35.41% to 2.38%.

Despite the aforementioned significant decrease of its percentage, the HFSF is still considered to have significant influence over the Bank. In particular, in the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in the Bank's General Assembly only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets (including the sale of subsidiaries), or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014.

The related parties considered for reporting purposes comprize of Bancpost S.A., Eurolife ERB Asigurari Generale S.A., Eurolife ERB Asigurari de Viata S.A. Eurobank Private Bank Luxembourg S.A., Eurobank Cyprus Ltd. and ERB New Europe Funding III B.V. which are entities controlled by Eurobank Ergasias S.A.
The related party transactions the Company is involved in are included in the Balance Sheet and Income Statement and further disclosed in this note.

A number of transactions are entered into with related parties in the normal course of the business. These include loans, deposits and foreign currency transactions and acquisition of other services. The volumnes of related party transactions, outstanding balances at year-end, and relating expense and income for the year are as follows:

The related party transactions that refer to the Income Statement can be specified as follows:

	1/1/17-31/12/17	1/1/16-31/12/16
Interest expense borrowings Eurobank Cyprus	-12,598,908	-18,639,795
Bank fees Bancpost SA	-20,621	-29,938
Expenses relating to interest income on loans & advances Bancpost SA	-291,583	-1,058,593
Expenses relating to interest income on loans & advances Eurolife ERB Insurance	-	-253,762
Interest income Eurobank Cyprus Ltd	1,516	-
Interest income Bancpost SA	-29,757	1,353
Operating expenses Eurobank Property Services SA Romania	-	(5,333)
	(15,208,101)	(19,986,067)

The related party transactions that refer to the Balance Sheet can be specified as follows:

	1/1/17-31/12/17	1/1/16-31/12/16
Current accounts with banks Bancpost SA	14,647,941	2,007,648
Current accounts with banks Eurobank Cyprus	101,912	93,716
Term deposits with other banks Bancpost SA	2,933,790	2,457,085
Term deposits with other banks Eurobank Cyprus	2,076,726	2,076,726
Loans & advances to customers (prepaid origination fees) Bancpost SA	-	(65,524)
Other receivables Bancpost SA	94,773	97,248
Other receivables Eurobank Cyprus	56,166	56,166
Term loans from banks Eurobank Cyprus Ltd	(307,283,438)	-282,225,754
Other payables to Group Company	(6,448,585)	-3,314,833
	(1,978)	
Impairments not yet charged under the limited recourse guarantee with Eurobank Cyprus Ltd	11,145,752	17,733,038
	(282,676,941)	(261,084,485)

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19 COMMITMENTS AND CONTINGENCIES

No off balance sheet contractual commitments or obligations, affecting the financial statements, have occurred to date.

20 OTHER INFORMATION ON GENERAL AND ADMINISTRATIVE EXPENSES

During the year under review the Company did not have any employees. Hence, it did not pay any wages and related social security.

The audit fees of EUR 32.000 (2016: EUR 30.000) comprises the fees of independent external auditor PricewaterhouseCoopers Accountants N.V. for the statutory audit of the financial statements.

The external independent auditor has not charged any fees relating to other assurance related services, tax or any other consulting services.

21 DIRECTORS

During the current and the previous financial year the Company had four Managing Directors, who received no remuneration during the current financial year. The Company has no Supervisory Directors.

As per January 30, 2017, Mr. E.R. Janssens has resigned as Managing Director of the Company, and as per same date Mr. L.P. Elsterhamis has been appointed as Managing Director of the Company.

22 OTHER INFORMATION

POSITION OF EUROBANK GROUP
Macroeconomic environment

Greece's real GDP grew by 1.4% in 2017, according to the Hellenic Statistical Authority's (ELSTAT) first estimate from -0.02% in 2016, while the real GDP growth consensus forecast for 2018 is at 2.1% (compared to an official target of 2.5%). The unemployment rate in December 2017 was 20.8%, based on ELSTAT data (31 December 2016: 23.5%). On the fiscal front, Greece's primary surplus for 2017 is expected at 2.44% of GDP, according to the 2018 Budget data, outperforming the respective Third Economic Adjustment Program (TEAP) primary balance target of 1.75%. According to Bank of Greece and ELSTAT data the current account deficit decreased at -0.8% of GDP in 2017 (2016: -1.1 %).

Greece, following the conclusion of the TEAP second review in June 2017 and the consequent release of the € 8.5 bn loan tranche, reached a staff level agreement with the European institutions on the policy package of the third review on 4 December 2017 and implemented all prior actions by early 2018, which paved the way for the disbursement of the first sub-tranche of € 5.7 bn in the second half of March 2018. The second sub-tranche of € 1 bn will be disbursed in the second quarter of 2018 subject to positive reporting by the European institutions on the clearance of net arrears and the unimpeded flow of e-auctions. On the back of the aforementioned positive developments, Greece returned to the financial markets through the issue of a € 3 bn five-year bond at a yield of 4.625% on 24 July 2017 (for the first time since July 2014) and a € 3 bn seven-year bond at a yield of 3.5% on 8 February 2018. The proceeds of the bond issues are used for further liability/debt management and for the build-up of a state cash buffer that would facilitate the country's market access after the end of the program in August 2018.

The completion of the fourth and final review of the TEAP, which will be carried out by June 2018 according to the implementation plan, an expected significant rise in investments (2018 Budget estimate at 11.4% compared to 9.6% increase in 2017), and a forecasted strong tourism season support expectations for a further improvement in domestic economic activity in 2018. The decisive implementation of the reforms agreed in the context of the TEAP, the implementation of further debt relief measures in accordance with 24 May 2016 Eurogroup decisions, the mobilization of European Union (EU) funding to support domestic investment and job creation, the attraction of foreign and domestic capital and the adoption of an extrovert economic development model will facilitate the restoration of confidence in the prospects of the Greek economy and the further stabilization of the domestic economic environment, which are necessary conditions for the return of the country to a strong and sustainable growth path.

The main risks and uncertainties are associated with (a) the possible delays in the implementation of the reforms' agenda in order to meet the next targets and milestones of the TEAP, (b) the possible delays in the agreement of the post-program relation between Greece and the Institutions, (c) the impact on the level of economic activity and on the attraction of direct investments from the fiscal and social security-related measures agreed under the reviews of the TEAP, (d) the ability to attract new investments in the country, (e) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity, (f) the possible slow pace of deposits inflows and/ or possible delays in the effective management of non-performing exposures (NPEs) as a result of the challenging macroeconomic conditions in Greece and (g) the geopolitical conditions in the broader region and the external shocks from a slowdown in the global economy.

Liquidity risk

In accordance with the agreement with the European partners the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the European Stability Mechanism (ESM) program. The gradual stabilisation of the macroeconomic environment, following the completion of the second and the third review of the TEAP, has enhanced Greece's credibility towards the international markets, improved the domestic economic sentiment and facilitated the return of deposits as well as the further relaxation of capital controls. The successful completion of the fourth review of the TEAP and an agreement on the post-program relation of Greece with its official creditors will help further reinstating depositors' confidence and thus accelerate the return of deposits, and it will positively influence the financing of the economy.

In 2017, the Group's deposits inflows of € 1.8 bn (of which € 1.2 bn in Greece), along with the increased market repos on covered bonds and Greek Treasury bills, a € 500 million covered bond issue to international and domestic investors and the assets deleveraging resulted in the significant decrease of the Bank's dependency from the Eurosystem to € 10 bn at the end of December 2017, of which € 7.9 bn funding from ELA (31 December 2016: € 13.9 bn, of which € 11.9 bn from ELA) and the elimination of the Bank's participation in the second stream of the Hellenic Republic liquidity support program at the end of October 2017 (31 December 2016: bonds guaranteed by the Greek Government of € 2.5 bn). On 28 February 2018, the Eurosystem funding further declined to € 7.1 bn, of which € 5.7 bn from ELA.

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ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2017
(amounts in EUR)

Solvency risk

The Group monitors closely the developments in the Greek macroeconomic environment taking into account its direct and indirect exposure to sovereign risk. A key priority is the active management of NPEs, with the aim to substantially reduce their stock in accordance with the Bank's operational targets and taking advantage of the Group's internal infrastructure, the important legislative changes and the external partnerships that have taken or are expected to take place. As at 31 December 2017, the Bank has reduced its NPEs stock by € 2.4 bn to € 18.1 bn, outperforming the respective initial SSM target of € 18.8 bn.

In parallel, the Group recorded a net profit attributable to shareholders of € 104 million for 2017 (€ 186 million, net profit from continuing operations before restructuring costs) on the back of higher net interest and commission income from both Greek and international activities. In the context of its strategic plan, the Bank has undertaken significant initiatives towards the fulfillment of the remaining commitments of the restructuring plan and it proceeded with the redemption of the preference shares by issuing Tier 2 bonds at early 2018, which count in its total capital adequacy ratio . The Group's Common Equity Tier 1 (CET1) ratio stood at 17.9% at 31 December 2017, while the respective pro-forma ratio with the redemption of preference shares/issue of Tier 2 bonds and the completion of the sale transaction in Romania would be 15.8% . The impact of the adoption of IFRS 9 on Group's CET1 as at the end of 2018, according to the transitional arrangements for the 5-year phase in period, is estimated to be approximately 20 bps.

On 5 May 2018, the ECB announced the results of the Stress Test (ST) for the four Greek systemic banks, including Eurobank. Based on feedback received by the Single Supervisory Mechanism (SSM), the ST outcome pointed to no capital shortfall and no capital plan needed for Eurobank Ergasias S.A. as a result of the exercise. Going forward, the prime target remains the active management of NPEs, with the aim to substantially reduce their stock in accordance with the Bank's operational targets and taking advantage of the Group's internal infrastructure, the important legislative changes and the external partnerships that have taken or are expected to take place. As at 30 September 2018, the Bank has reduced the stock of NPEs by € 2 bn since 31 December 2017 to € 16.1 bn which compares to a revised target of € 16 bn submitted to SSM in September 2018

Post balance sheet events

Disposal of the Romanian portfolio of Bancpost SA

On 15 September 2017, the Eurobank Ergasias S.A. announced that it has entered into negotiations with Banca Transilvania with regards to the potential sale of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. in Romania (Romanian disposal group). The sale was considered highly probable, therefore, as of 30 September 2017 Romanian disposal group was classified as held for sale in its financial statements.

On 24 November 2017, the Eurobank Ergasias S.A. announced that it has reached an agreement with Banca Transilvania with regards to the above sale. Following the said agreement, on 3 April 2018, Eurobank and BT concluded all the remaining actions and fulfilled all the conditions precedent for the completion of the transfer of the shares held by the Group in the above companies to BT.

In addition, in July and August 2018, the Romanian National Authority for Consumer Protection (ANPC) has imposed two fines on Bancpost S.A. in connection with complaints raised by certain Bancpost S.A. lending clients. The cases related to portfolios of performing loans which were assigned by Bancpost S.A. to ERB New Europe Funding II B.V. (NEF II) (an SPV in the Netherlands controlled by Eurobank) in 2008. The ANPC has imposed fines on Bancpost S.A. totalling € 68 thousand, as it challenged the capacity of NEF II to acquire the loan receivables from Bancpost S.A. and of certain alleged breaches of consumer protection laws. Furthermore, the ANPC concluded that payments by the consumers such as interests, fees, penalties in relation to all loans assigned to NEF II were illegally cashed in by NEF II for a period of ten years and should be reimbursed by Bancpost S.A. Bancpost S.A. is in the process of challenging the ANPC minutes. The SPA for the sale of Bancpost S.A. mentioned above between Eurobank Group and BT also provides for an indemnity in respect of losses incurred from claims made against the Purchaser or Bancpost S.A. in relation to loans and receivables of the above perimeter. The Group is closely monitoring the developments of all the above cases of Bancpost S.A. and is in the process of analyzing the potential implications that may affect its legal rights and obligations, including those arising under the SPA with BT.

Above mentioned post balance sheet events do not affect the financial position of the Company as at 31.12.2017.

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[illegible] [illegible]

Amsterdam, [illegible]

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ERB NEW EUROPE FUNDING II B.V.

Other information

Statutory provision regarding appropriation of Result

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been cleared, the other reserves are at the disposal of the shareholder in accordance with Article 22 of the Company's Articles of Association.

Furthermore, Dutch law prescribes that any profit distribution may only be made to the extent that the shareholders' equity exceeds the amount of the issued capital and the legal reserves.

Appropriation of result

The Board of Managing Directors proposes to add the net profit for the year to the accumulated profits. This proposed allocation of result has been incorporated in the financial statements, and is subject to the approval of the General Meeting of Shareholders.

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