

**ERB NEW EUROPE FUNDING II B.V.**

Amsterdam, The Netherlands

**ANNUAL REPORT 2013**

**ERB NEW EUROPE FUNDING II B.V.**

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# ERB NEW EUROPE FUNDING II B.V.

Amsterdam

## Directors' Report

In accordance with the Articles of Association of ERB New Europe Funding II B.V., the management herewith submits the Annual Report of ERB New Europe Funding II B.V. (the Company) for the year ended 31 December 2013.

### Key Activities

ERB New Europe Funding II B.V. (the Company) was incorporated on April 24, 2008 and has its registered address at Naritaweg 165, 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 Eurobank Ergasias 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

#### *Eurobank Ergasias S.A. share capital increase*

On 14 November 2013, Eurobank Ergasias S.A. announced the initiation of the process to raise approximately € 2 bn through a capital increase. On 14 January 2014, Eurobank Ergasias S.A. and the Hellenic Financial Stability Fund (HFSF) announced that the transaction timetable will be adjusted to allow for the finalization of the assessment of forward looking capital needs of the Greek banking sector and the new recapitalization framework.

On 8 April 2014, the BoG following a) the assessment of Eurobank's capital needs amounting to € 2,945 million under the baseline scenario, concluded on 6 March 2014 and b) the capital enhancement plan submitted by the Bank on 24 March 2014, whereby the Bank: i) revised its capital actions providing for an additional positive impact on regulatory capital of € 81 million and proposed to adjust the restructuring plan accordingly and ii) stated that it intends to cover the remaining capital needs through a share capital increase, notified the Bank that its Core Tier I capital should increase by € 2,864 million.

On 12 April 2014, the Extraordinary Shareholders' General Meeting approved the increase of the share capital of the Bank up to € 2,864 million through payment in cash or/and contribution in kind, the cancellation of the preemption rights of the Bank's ordinary shareholders, including HFSF, and the only preference shareholder, namely the Greek State, and the issuance of up to 9,546,666,667 new ordinary registered shares, of a nominal value of € 0,30 each. The proceeds will be used to increase the Tier I Capital according to 8 April 2014 resolution of the BoG.

On 29 April 2014, the Bank announced that both the public offering of new ordinary registered shares to the public in Greece and the private placement of new ordinary registered shares to investors outside Greece were oversubscribed. The new shares have been listed on the main market of the Athens Exchange and their trading commenced on 9 May 2014. The successful completion of the Bank's capital increase constitutes a step towards further strengthening its capital position and enhances its ability to support the Greek economy.

As at 30 September 2014, the Common Equity Tier I ratio of Eurobank Ergasias S.A. (proforma with the regulatory treatment of deferred tax assets as deferred tax credit (Law 4303/2014)) stood at 16,1%, well above the statutory limit.

# **ERB NEW EUROPE FUNDING II B.V.**

Amsterdam

## **Directors' Report**

The European Central Bank (ECB), in the context of preparation of the Single Supervisory Mechanism (SSM) conducted a Comprehensive Assessment(CA) comprising of a supervisory risk assessment, asset quality review (AQR) and stress test. The comprehensive assessment encompassed the Eurozone's most significant banks and was carried out jointly with national competent authorities (NCAs) and European Banking Authorities (EBA). On the 26th of October 2014 the ECB and the EBA announced the results of the CA. Taking into account that the ECB stated that the dynamic scenario will be taken into consideration for assessing Group's capital position , the Group meets the CA's benchmark in both baseline and adverse scenario and no capital shortfall arises from such extensive exercise.

### **Result**

In the current financial year the Company recorded a profit of EUR 125,666 (2012: loss of EUR 801,191) which is set out in detail in the attached Income Statement.

### **Risk Management**

The Managing Board 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. For further analysis we refer to note 5 of the financial statements in which the different risks identified for the Company have been further addressed.

### **Outlook**

There were no changes in the nature of the activities of the Company in 2013 and no changes are expected in 2014.

### **Post balance sheet events**

No major post balance sheet events affecting the financial statements have occurred to date.

### **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). The Company has no exposure to Greek sovereign risk. 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.

# ERB NEW EUROPE FUNDING II B.V.

Amsterdam

## Directors' Report

### 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 December 17, 2013, Mr. G. Meijssen has resigned as managing director of the Company, and as per same date Mr. M.A.H. Martis has been appointed as managing director of the Company.

On March 14, 2014, Mr. T. Karakasis has resigned as managing director and Mr. E. Zois has been appointed as the new managing director of the Company at per same date.

As per April 28, 2014, Mr. C. Kokologiannis has resigned as managing director of the Company, and as per same date Mr. S. Psychogyios has been appointed as managing director of the Company.

Amsterdam, *2 december* 2014

### Managing Directors,




S. Psychogyios



E. Zois



S. van der Meer



M.A.H. Martis

# ERB NEW EUROPE FUNDING II B.V.

**Balance Sheet as at December 31, 2013**  
**(amounts in EUR, after appropriation of results)**

<b>ASSETS</b>	<u>Notes</u>	<u>31/12/2013</u>	<u>31/12/2012</u>
<b>Non Current Assets</b>			
Loans & advances to customers	7	410,741,305	500,950,167
<b>Current Assets</b>			
Loans & advances to customers	7	54,509,392	62,613,491
Other receivables	8	154,635	36,058,369
Income tax receivable	18	334,915	305,002
Cash and cash equivalents	9	12,454,263	27,180,931
<b>TOTAL ASSETS</b>		<b>478,194,510</b>	<b>627,107,960</b>
 <b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to equity holders of the company</b>			
Issued and paid-up capital	10	20,000	20,000
Share premium	10	11,980,000	11,980,000
Accumulated profits	10	4,125,727	4,000,061
		16,125,727	16,000,061
<b>Current Liabilities</b>			
Borrowings from group company	11	458,503,689	606,027,152
Interest payable to group company	12	1,083,030	2,954,969
Other payables	13	2,482,064	2,125,778
		462,068,783	611,107,899
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>478,194,510</b>	<b>627,107,960</b>

The notes to the accounts on pages 9 to 31 form an integral part of these financial statements

# ERB NEW EUROPE FUNDING II B.V.

## Income Statement for the financial year ended December 31, 2013 (amounts in EUR)

	<u>Notes</u>	<u>01/01-31/12/2013</u>	<u>01/01-31/12/2012</u>
<b>Financial income and expenses</b>			
Interest income	14	37,439,212	44,372,714
Interest expense	15	(36,557,963)	(43,662,657)
		<u>881,249</u>	<u>710,057</u>
Provision charge for impairment of loans	7	(2,160,337)	(2,079,861)
Net impairment of financial assets	16	-	(118,014)
Other operating income		2,129,184	1,154,990
Operating income/(loss)		<u>850,096</u>	<u>(332,828)</u>
Foreign exchange gain		165,160	24,515
Operating costs	17	(731,500)	(472,216)
Profit / (loss) before taxation		<u>283,756</u>	<u>(780,529)</u>
Corporate income tax	18	(158,090)	(20,662)
Profit / (loss) after taxation		<u>125,666</u>	<u>(801,191)</u>

The notes to the accounts on pages 9 to 31 form an integral part of these financial statements

# ERB NEW EUROPE FUNDING II B.V.

**Statement of comprehensive income  
for the financial year ended December 31, 2013  
(amounts in EUR)**

	<u>Notes</u>	<u>01/01-31/12/2013</u>	<u>01/01-31/12/2012</u>
<b>Net result after taxation</b>		<b>125,666</b>	<b>(801,191)</b>
<b>Other comprehensive income:</b>			
		--	--
<b>Other comprehensive income for the year, net of tax</b>		<b>--</b>	<b>--</b>
<b>Total comprehensive income for the year</b>		<b><u>125,666</u></b>	<b><u>(801,191)</u></b>

The notes to the accounts on pages 9 to 31 form an integral part of these financial statements



# ERB NEW EUROPE FUNDING II B.V.

## Cash Flow Statement for the financial year ended December 31, 2013 (amounts in EUR)

	Notes	EUR	EUR
		2013	2012
<b>Cash flows from operating activities:</b>			
Profit / (Loss) before taxation		283,756	(780,529)
Adjustments for:			
Interest income	14	(37,439,212)	(44,372,714)
Interest expenses	15	36,557,963	43,662,657
		(597,493)	(1,490,586)
Net decrease/ (increase) in loans & advances		95,892,001	113,637,868
Net decrease/ (increase) in other receivables		35,903,732	(23,055,057)
Net decrease/ (increase) in income tax receivable	18	4,118	-
Net increase in other payables		356,286	1,953,150
Cash generated from operations		131,558,644	91,045,375
Income taxes paid	18	(192,121)	(821,000)
Interest received		39,860,172	37,235,731
Interest paid		(38,429,900)	(41,774,914)
		132,796,795	85,685,192
<b>Net cash from operation activities:</b>		132,796,795	85,685,192
<b>Cash flows from financing activities:</b>			
Increase in borrowings from group company	11	48,090,241	17,296,540
Repayment of borrowings from group company	12	(195,613,704)	(105,221,050)
<b>Net cash used in financing activities</b>		<u>(147,523,463)</u>	<u>(87,924,510)</u>
<b>Net (Decrease) / Increase in cash and cash equivalents</b>		(14,726,668)	(2,239,318)
<b>Cash and cash equivalents at the beginning of the year</b>	9	<u>27,180,931</u>	<u>29,420,249</u>
<b>Cash and cash equivalents at the end of the year</b>	9	<u><u>12,454,263</u></u>	<u><u>27,180,931</u></u>

The notes to the accounts on pages 9 to 31 form an integral part of these financial statements

# ERB NEW EUROPE FUNDING II B.V.

## Statement of changes in equity for the financial year ended December 31, 2013 (amounts in EUR)

### EQUITY

The Company's authorised 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, 2013, 20,000 shares were issued and fully paid-up.

On December 23, 2011, the Equity of the Company was increased by EUR 10,000,000 by a contribution to the Company's share premium.

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

	Attributable to owners of the parent			
	Issued and paid-up capital	Share premium	Accumulated profits	Total
<b>Balance as at January 1, 2012</b>	20,000	11,980,000	4,801,252	16,801,252
Loss for the year	-	-	(801,191)	(801,191)
<b>Balance as at December 31, 2012</b>	<b>20,000</b>	<b>11,980,000</b>	<b>4,000,061</b>	<b>16,000,061</b>
<b>Balance as at January 1, 2013</b>	20,000	11,980,000	4,000,061	16,000,061
Profit for the year	-	-	125,666	125,666
Other Comprehensive Income for the year	-	-	-	-
Total Comprehensive Income for the year	-	-	125,666	125,666
<b>Balance as at December 31, 2013</b>	<b>20,000</b>	<b>11,980,000</b>	<b>4,125,727</b>	<b>16,125,727</b>

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.

The notes to the accounts on pages 9 to 31 form an integral part of these financial statements

# ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013  
(amounts in EUR)

## 1 GENERAL

ERB New Europe Funding II B.V. (the Company) was incorporated on April 24, 2008 and has its registered address at Naritaweg 165, 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.

In May 2013, following its full subscription in Eurobank's recapitalisation of € 5,839 million, the HFSF became the controlling shareholder and a related party of Eurobank. On 19 June 2013, HFSF acquired 3,789,317,358 Eurobank's ordinary shares with voting rights, representing 98.56% of its ordinary share capital. Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the controlling percentage of HFSF increased to 95.23%.

Following the completion of Bank's share capital increase in April 2014 fully covered by private, institutional and other investors, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 95.23% to 35.41%. In addition, in the context of the Law 3864/2010 (the 'HFSF Law') as recently amended by Law 4254/2014, the HFSF's voting rights in the Bank's General Assemblies are no longer full but have been switched to restricted ones. As a result of the above, the HFSF is no more the controlling shareholder of the Group but is considered to have significant influence over it, remaining therefore its related party.

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

These financial statements were approved and authorised for issue by the Board of Managing Directors on 2 December 2014.

## 2 SIGNIFICANT ACCOUNTING POLICIES

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

### (a) 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.

The policies set out below have been consistently applied to the years 2013 and 2012, 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.

(a) The following new standards and amendments to existing standards, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), applied from 1 January 2013:

#### IAS 1, Amendment - Presentation of Items of Other Comprehensive Income

The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The adoption of the amendments has no impact on the Company's financial statements.

# ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013  
(amounts in EUR)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### IFRS 7, Amendment - Disclosures, Offsetting Financial Assets and Financial Liabilities

The amendment requires disclosure of the effect or potential effect of netting arrangements on an entity's financial position. In particular, it requires information about all recognised financial instruments that are set off, according to IAS 32 "Financial Instruments: Presentation", as well as about those recognised financial instruments that, although they are not set off under IAS 32 "Financial Instruments: Presentation", are subject to an enforceable master netting arrangement or similar agreement.

### IFRS 13, Fair value measurement

IFRS 13 establishes a single framework for measuring fair value, provides a revised definition of fair value and introduces more comprehensive disclosure requirements on fair value measurement. The disclosure requirements of IFRS 13 do not require comparative information to be provided for periods prior to initial application (1 January 2013). New disclosures and enhancements to existing disclosures are provided in Note 5.1.2 (g) - Fair value of financial assets and liabilities.

### Annual Improvements to IFRSs 2009–2011 Cycle

Improvements to IFRSs comprise amendments to a number of standards aiming to clarify:

- the requirements for comparative information in IAS 1 "Presentation of Financial Statements";
  - the accounting for the tax effect of distributions to holders of equity instruments in IAS 32 "Financial Instruments: Presentation"; and
- The above improvements to IFRSs did not have a material impact on the Company's financial statements.

(b) A number of new standards, amendments and interpretations to existing standards are effective after 2013, as they have not yet been endorsed for use in the European Union or have not been early applied by the Company. Those that may be relevant to the Company are set out below:

### IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)

The amendment clarifies the requirements for offsetting financial assets and financial liabilities.

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

### IAS 36, Amendment - Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)

The amendments restrict the requirement to disclose the recoverable amount of an asset or cash generating unit only to periods in which an impairment loss has been recognized or reverses.

They also include detailed disclosure requirements applicable when an asset or cash generating unit's recoverable amount has been determined on the basis of fair value less costs of disposal.

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

### IFRS 9, Financial Instruments (effective date to be determined by IASB)

IFRS 9, Financial instruments, is a new standard for financial instruments that is ultimately intended to replace current IAS 39 Financial Instruments: Recognition and Measurement in its entirety.

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. It requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment which is not held for trading, in other comprehensive income, with only dividend income generally recognized in profit or loss.

# ERB NEW EUROPE FUNDING II B.V.

## Notes to the Financial Statements as at December 31, 2013 (amounts in EUR)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities, as well as derecognition requirements. IFRS 9 requires that, in cases where a financial liability is designated as at fair value through profit or loss, the part of a fair value change due to the reporting entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Fair value changes attributable to a financial liability's credit risk are not subsequently reclassified in profit or loss. According to IAS 39 which currently applies, the amount of the change in the fair value of the financial liability designated as fair value through profit or loss is recognized in profit or loss.

Based on IFRS 9 and IFRS 7 Amendments, Mandatory Effective Date and Transition Disclosures, issued in December 2011, entities were required to apply IFRS 9 for annual periods beginning on or after January 1, 2015, with earlier application permitted. Additionally, IFRS 9 should be applied to all financial instruments outstanding as of the effective date, as if the classification and measurement under IFRS 9 had always been applied, but comparative periods do not need to be restated.

IFRS 9 was amended in November 2013 with IFRS 9 Financial Instruments: Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 to include a new general hedge accounting model that will better reflect reporting entities' risk management activities in the financial statements and some related amendments to IAS 39 and IFRS 7. The amendments also allow entities to early adopt the provision in IFRS 9 as issued in 2010, related to the presentation of changes in an entity's own credit risk within other comprehensive income without applying the other requirements of IFRS 9 at the same time. In addition, the January 1 2015 mandatory effective date is removed and a new mandatory effective date will be set upon completion of the impairment phase of the accounting for financial instruments.

Entities that adopt IFRS 9 as amended in November 2013 can choose an accounting policy of either adopting the new IFRS 9 hedge accounting model now or continuing to apply the hedge accounting model in IAS 39 for the time being.

As IFRS 9 is an ongoing IASB project, which has not yet been finalized, it remains impractical to quantify its effect, as at the date of the publication of these financial statements.

#### Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2015, not yet endorsed by EU)

The amendments introduce key changes to seven IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Definition of vesting condition in IFRS 2 "Share – based Payment";
- Accounting for contingent consideration in a business combination in IFRS 3 "Business Combinations";
- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets in IFRS 8 "Operating Segment";
- Short-term receivables and payables in IFRS 13 "Fair Value Measurement";
- Key management personnel in IAS 24 "Related Party Disclosures"; and

#### Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 January 2015, not yet endorsed by EU)

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2011-13 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Scope of portfolio exception in IFRS 13 "Fair Value Measurement";
- Meaning of "effective IFRSs" in IFRS 1 First-time Adoption of International Financial Reporting Standards.

# ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013

(amounts in EUR)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### IFRIC 21, Levies (effective 1 January 2014, not yet endorsed by EU)

IFRIC 21 Levies clarifies that an entity recognizes a liability for a levy that is not income tax when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, for example a specified level of revenue, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

The adoption of the interpretation is not expected to have a material impact on 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.

### Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Euro, which is the Company's functional and presentation currency.

### 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 recognised 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 recognised 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.

# ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013  
(amounts in EUR)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the investment. As at December 31, 2013, 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 amortised cost using the effective interest rate method. Appropriate provisions for estimated irrecoverable amounts are recognised 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.

### Cash and cash equivalents

Cash and cash equivalents comprise 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.

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013

(amounts in EUR)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *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 reorganisation;
- (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 or 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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Notes to the Financial Statements as at December 31, 2013

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## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Assets carried at amortised 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 recognised 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Applying the effective interest method, the entity amortises 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 amortisation would be recognised in the Income Statement.

#### Other payables

Other payables are recognised 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.

## 3 CASH FLOW STATEMENT

The Cash Flow statement has been prepared in accordance with the indirect method.

## 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 recognised in the Income Statement for all interest bearing financial instruments.

For all interest bearing financial instruments, interest income or interest expense is recognised 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 recognised on an accrual basis when the service has been provided.

# ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013  
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## 4 PRINCIPLES OF DETERMINATION OF RESULT (continued)

### (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.

## 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 minimise 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.

# ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013  
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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 the taking of security for funds advances, which is 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 minimise 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:

	<u>31/12/13</u>
Loans & advances to customers -principal outstanding*	432,014,052
Interest receivable	30,907,126
Other receivables related to loans-monthly administration fees	4,329,519
Less: allowance for impairment	<u>(2,000,000)</u>
<b>Net Loans and advances to customers</b>	<b>465,250,697</b>
Other receivables (Note 8)	154,637
Cash and cash equivalents	<u>12,454,263</u>
<b>Total</b>	<b><u>477,859,597</u></b>

(\*) Loans and advances to customers are after any write downs performed due to limited recourse against borrowings, which for 2013 is Euro 14,648,379 and for 2012 is Euro 17,628,673.

	<u>31/12/12</u>
Loans & advances to customers -principal outstanding	536,069,731
Interest receivable	30,654,916
Other receivables related to loans-monthly administration fees	4,631,204
Less: allowance for impairment	<u>(7,792,193)</u>
<b>Net Loans and advances to customers</b>	<b>563,563,658</b>
Other receivables (Note 8)	36,218,684
Cash and cash equivalents	<u>27,180,931</u>
<b>Total</b>	<b><u>626,963,273</u></b>

### 5.1.2. Loans and advances

As at December 31, 2013 and 2012, loans and advances are summarised as follows:

	<u>31/12/13</u>	<u>31/12/12</u>
Neither past due nor impaired	190,712,966	277,133,681
Past due but not impaired	86,982,025	109,610,561
Impaired- individually assessed	101,523,037	94,263,176
Impaired -collectively assessed	88,032,669	90,348,433
<b>Gross Loans and advances to Customers</b>	<b>467,250,697</b>	<b>571,355,851</b>
Less: Allowance for impairment	<u>(2,000,000)</u>	<u>(7,792,193)</u>
<b>Net Loans and advances to customers</b>	<b><u>465,250,697</u></b>	<b><u>563,563,658</u></b>

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013

(amounts in EUR)

### 5.1. Credit risk (continued)

(\*) Loans and advances to customers are after any write downs performed due to limited recourse against borrowings, which for 2013 is Euro 14,648,379 and for 2012 is Euro 17,628,673. This write down is counterbalanced by the write down of financing borrowings from Group Company for the same amount (refer to note 11).

The wholesale and small business loans as at 31 December 2013 are covered by collaterals at 115% and 83%, respectively (2012: 144% and 90%, respectively).

Consumer loans are not collateralised. Mortgage loans are collateralised at 96% (2012:95%).

#### 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 2013 and 2012 was assessed by reference to the entity's own standard grading system. The following information is based on that system:

	<u>2013</u>	<u>2012</u>
Acceptable- low risk	187,916,256	274,330,356
Watch list	2,796,711	2,803,325
<b>Total</b>	<u><b>190,712,967</b></u>	<u><b>277,133,681</b></u>

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Notes to the Financial Statements as at December 31, 2013  
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### 5.1. Credit risk (continued)

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

	Consumer	Mortgage	Small business	Wholesale	2013
Current					
Past due up to 29 days	22,390,544	34,713,934	1,195,622	-	58,300,100
Past due 30 - 89 days	8,360,104	13,758,951	1,429,962	-	23,549,017
Past due 90 - 180 days	-	5,132,908	-	-	5,132,908
<b>Total</b>	<b>30,750,648</b>	<b>53,605,793</b>	<b>2,625,584</b>	<b>-</b>	<b>86,982,025</b>
<b>Fair value of collateral</b>	<b>-</b>	<b>42,113,324</b>	<b>2,102,774</b>	<b>-</b>	<b>44,216,098</b>
	Consumer	Mortgage	Small business	Wholesale	2012
Current					
Past due up to 29 days	33,099,884	40,028,440	2,616,804	3,628,664	79,373,792
Past due 30 - 89 days	11,923,151	11,101,487	1,916,976	-	24,941,614
Past due 90 - 180 days	-	5,295,155	-	-	5,295,155
<b>Total</b>	<b>45,023,035</b>	<b>56,425,082</b>	<b>4,533,780</b>	<b>3,628,664</b>	<b>109,610,561</b>
<b>Fair value of collateral</b>	<b>-</b>	<b>44,735,861</b>	<b>3,804,549</b>	<b>3,628,664</b>	<b>52,169,074</b>

*(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:

2013				
	Consumer	Mortgage	Small Business	Total
Collectively assessed loans	36,658,113	29,954,440	21,420,116	88,032,669
<b>Fair value of collateral</b>	<b>-</b>	<b>21,921,521</b>	<b>-</b>	<b>21,921,521</b>

2012				
	Consumer	Mortgage	Small Business	Total
Collectively assessed loans	38,924,584	34,994,956	16,428,892	90,348,432
<b>Fair value of collateral</b>	<b>-</b>	<b>25,750,112</b>	<b>-</b>	<b>25,750,112</b>

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013

(amounts in EUR)

### 5.1. Credit risk (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 reorganisation;
- a downgrading in credit rating by an external credit rating agency.

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:

	2013		
	Small business	Wholesale	Total
Individually assessed loans	29,061,490	72,461,547	101,523,037
Fair value of collateral	38,455,811	68,977,094	107,432,905

	2012		
	Small business	Wholesale	Total
Individually assessed loans	23,323,950	70,939,226	94,263,176
Fair value of collateral	30,093,658	76,091,200	106,184,858

#### (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 2013, 2012, 2011 and 2010 there were no repossessed collateral.

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Notes to the Financial Statements as at December 31, 2013

(amounts in EUR)

### 5.1. Credit risk (continued)

#### *(e) 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:

	<u>Romania</u>	<u>2013</u>	
Loans and advances to customers:			
Consumer	109,742,226		109,742,226
Mortgage	216,012,706		216,012,706
Small businesses	65,904,464		65,904,464
Wholesale	75,591,301		75,591,301
Cash and cash equivalents	12,454,263		12,454,263
Other Assets	154,637		154,637
<b>Total</b>	<b><u>479,859,597</u></b>		<b><u>479,859,597</u></b>

	<u>Romania</u>	<u>Bulgaria</u>	<u>2012</u>
Loans and advances to customers:			
Consumer	187,715,611	-	187,715,611
Mortgage	245,401,270	-	245,401,270
Small businesses	60,302,310	-	60,302,310
Wholesale	77,936,660	-	77,936,660
Cash and cash equivalents	17,454,142	9,726,789	27,180,931
Other Assets	4,894,866	31,323,819	36,218,685
<b>Total</b>	<b><u>593,704,859</u></b>	<b><u>41,050,608</u></b>	<b><u>634,755,467</u></b>

##### *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:

	<u>Commerce and services</u>	<u>Private individuals</u>	<u>Manufacturing</u>	<u>Construction</u>	<u>Other industries</u>	<u>2013</u>
Loans and advances to customers:						
- Consumer	-	109,742,226	-	-	-	109,742,226
- Mortgage	-	216,012,706	-	-	-	216,012,706
- Small businesses	42,908,433		11,859,059	8,688,336	2,448,636	65,904,464
- Wholesale	21,510,689	-	11,521,173	34,955,929	7,603,510	75,591,301
Cash and cash equivalents	12,454,263	-	-	-	-	12,454,263
Other Assets	154,637	-	-	-	-	154,637
<b>Total</b>	<b><u>77,028,022</u></b>	<b><u>325,754,932</u></b>	<b><u>23,380,232</u></b>	<b><u>43,644,265</u></b>	<b><u>10,052,146</u></b>	<b><u>479,859,597</u></b>

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013

(amounts in EUR)

### 5.1. Credit risk (continued)

	Commerce and services	Private individuals	Manufacturing	Construction	Other industries	2012
Loans and advances to customers:						
- Consumer	-	187,715,611	-	-	-	187,715,611
- Mortgage	-	245,401,270	-	-	-	245,401,270
- Small businesses	41,390,086	-	8,746,132	8,009,765	2,156,327	60,302,310
- Wholesale	23,373,000	-	13,726,929	34,242,473	6,594,258	77,936,660
Cash and cash equivalents	27,180,931	-	-	-	-	27,180,931
Other Assets	36,218,685	-	-	-	-	36,218,685
<b>Total</b>	<b>128,162,702</b>	<b>433,116,881</b>	<b>22,473,061</b>	<b>42,252,238</b>	<b>8,750,585</b>	<b>634,755,467</b>

#### (f) Fair value of financial assets and liabilities

The three levels of the fair value hierarchy as at 31 December 2013 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 recognised market data providers and iv) may also include other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments mainly include over-the-counter (OTC) derivatives and less-liquid debt instruments.

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

#### (g) Fair value of financial assets and liabilities

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:

	Level 1	Level 2	Level 3	Total fair value	Net carrying amount
<b>Financial assets</b>					
Loans and advances to customers	-	-	481,572,251	481,572,251	465,250,697
Total financial assets					

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:



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## Notes to the Financial Statements as at December 31, 2013

(amounts in EUR)

### 5.1. Credit risk (continued)

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 realisation. 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.

### 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. Loan assets and loan liabilities are undertaken back to back in the identical currencies.

#### 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*

	<u>31/12/13</u>	<u>31/12/12</u>
<u>Foreign exchange</u>	(loss)	(loss)
10% depreciation of functional currency (EUR) over foreign currencies	<u>(151,568)</u>	<u>(1,666,726)</u>

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013

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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*

	31/12/13	31/12/12
<i>Up to 1 month:</i>		
Borrowings from group companies	458,503,689	569,627,152
Interest payable to group companies	2,049,612	4,686,220
Other payables	2,482,064	2,066,189
	463,035,365	576,379,561
 <i>1-3 month:</i>		
Borrowings from group companies	--	--
Interest payable to group companies	--	133,511
Other payables	--	365,827
	--	499,338
 <i>3-12 month:</i>		
Borrowings from group companies	--	36,400,000
Interest payable to group companies	--	4,688
Other payables	--	239,217
	--	36,643,905
 <i>Total:</i>		
Borrowings from group companies	458,503,689	606,027,152
Interest payable to group companies	2,049,612	4,824,419
Other payables	2,482,064	2,671,233
	463,035,365	613,522,804

### 5.5. 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.

## 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 are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Apart from the historical experience the Company considered also the effect of the current financial industry conditions in evaluating these estimates and judgements.

#### *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.

## ERB NEW EUROPE FUNDING II B.V.

**Notes to the Financial Statements as at December 31, 2013**  
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### 7 LOANS & ADVANCES TO CUSTOMERS

	31/12/13	31/12/12
Consumer loans*	109,742,226	187,715,611
Mortgage loans*	216,012,706	245,401,270
Small Business Borrowings/ Corporate loans*	141,495,765	138,238,970
Total loans to clients - gross*	467,250,697	571,355,851
Less: allowance for impairment (own risk)	(2,000,000)	(7,792,193)
	465,250,697	563,563,658

\*) Loans and advances to customers are after any write downs performed due to limited recourse against borrowings, which for 2013 is EUR 14,648,379 and for 2012 is EUR 17,628,673. This write down is counterbalanced by the write down of financing borrowings from Group Company for the same amount (refer to note 11).

	31/12/13	31/12/12
Movement in write downs limited recourse:		
Opening balance	80,273,704	62,516,898
Write downs performed during the year	14,648,379	17,756,806
Closing balance as at year end	94,922,083	80,273,704

<i>Current Assets:</i>	31/12/13	31/12/12
Loan repayments due:		
Up to 1 month	4,012,183	5,281,959
1-3 months	8,601,498	10,192,409
4-12 months	41,895,711	47,139,123
	54,509,392	62,613,491

<i>Non Current Assets:</i>	31/12/13	31/12/12
1-5 years	165,590,799	223,909,599
Over 5 years	245,150,506	277,040,568
	410,741,305	500,950,167

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

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 percent) of the outstanding amounts of corresponding loans, calculated before tax and over the total term of this agreement.

During 2013, through a Deed on Novation, the Company transferred all risks and rewards related to a part of the portfolio sub-participated in December 2011 to ERB New Europe Funding III B.V. for a total amount of Euro 22,4 millions. Also, in November 2013, the Company has concluded a Sale Agreement with Bancpost S.A. Romania for a total amount of EUR 40.5 millions, through which the Company has transferred all the risks and rewards back to Bancpost S.A.

In December 2013, the Company has concluded a Receivable Sale Agreement with Bancpost S.A. Romania for a total amount of Euro 45.4 million.

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013

(amounts in EUR)

### 7 LOANS & ADVANCES TO CUSTOMERS (continued)

Movements in provisions in 2013 and 2012 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, 2013	1,585,038	1,599,509	815,163	3,792,483	7,792,193
Provision charge for the year (including collection fees)	178,704	739,955	825,950	415,728	2,160,337
Disposal of loan portfolio	-	(2,145,270)	(1,556,170)	(4,158,299)	(7,859,739)
Other movements	-	-	-	-	-
Foreign exchange loss (gain)	-	(23,287)	(19,592)	(49,912)	(92,791)
Closing balance as at December 31, 2013	<u>1,763,742</u>	<u>170,907</u>	<u>65,351</u>	<u>-</u>	<u>2,000,000</u>

Type of loan:	Consumer loans	Mortgage loans	Small business loans	Corporate loans	Total
Opening balance as at January 1, 2012	1,608,961	408,823	213,063	6,006,019	8,236,866
Provision charge (release) for the year	(23,923)	1,192,657	602,367	2,990,777	4,761,878
Disposal of loan portfolio	-	-	-	(4,965,690)	(4,965,690)
Other movements	-	-	-	(233,944)	(233,944)
Foreign exchange loss (gain)	-	(1,971)	(267)	(4,679)	(6,917)
Closing balance as at December 31, 2012	<u>1,585,038</u>	<u>1,599,509</u>	<u>815,163</u>	<u>3,792,483</u>	<u>7,792,193</u>

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013

(amounts in EUR)

### 8 OTHER RECEIVABLES

<u>Description</u>	<u>31/12/13</u>	<u>31/12/12</u>
Receivable from repossessed collaterals	98,470	99,715
Other receivables	-	26,754,753
Receivable from Eurobank Cyprus Ltd.	56,165	681,643
Receivable from Bulgarian entities	-	4,569,066
Receivable from Romanian entities	-	3,953,192
	<u>154,635</u>	<u>36,058,369</u>

### 9 CASH AND CASH EQUIVALENTS

<u>Description</u>	<u>31/12/13</u>	<u>31/12/12</u>
Due from banks/current accounts	3,591,371	14,629,843
Due from banks/deposits placed with banks	8,862,892	12,551,088
	<u>12,454,263</u>	<u>27,180,931</u>

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

### 10 EQUITY

The Company's authorised 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, 2013, 20,000 shares were issued and fully paid-up. On December 23, 2011, the Equity of the Company was increased by EUR 10,000,000 by a contribution to the Company's share premium. The movements in the Equity we refer to the Statement of Equity on page 8 of 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.

### 11 BORROWINGS FROM GROUP COMPANY

	<u>31/12/13</u>	<u>31/12/12</u>
Financing borrowings from Eurobank Cyprus Ltd.	473,152,068	552,556,439
Financing borrowings from Eurobank Private Bank Luxembourg S.A.	-	71,099,386
Write-downs due to limited recourse against loans and advances to customers	<u>(14,648,379)</u>	<u>(17,628,673)</u>
	<u>458,503,689</u>	<u>606,027,152</u>

An Over 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 Over Multicurrency Agreement the credit risk of the portfolio exceeding EUR 2,000,000 is born by Eurobank Cyprus Ltd., therefore this amount has been adjusted on the financing borrowing.

On November 21, 2011, the Company concluded a Facility agreement with Eurobank Private Bank Luxembourg S.A., for a maximum borrowing amount of EURO 200,000,000 which are fully secured by virtue of the First Demand Letter of Guarantee, in which Eurobank Ergasias S.A. undertakes to repay the borrowings from Eurobank Private Bank Luxembourg S.A. in case of default by the Company after being called to repay. On July 2013, through a Deed on Novation between Bancpost S.A., the Company and ERB New Europe Funding III B.V., the Company was released from all obligations related to November 2011 Facility Agreement.

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).

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013

(amounts in EUR)

<b>12</b>	<b>INTEREST PAYABLE TO GROUP COMPANY</b>		
		<u>31/12/13</u>	<u>31/12/12</u>
	Eurobank Cyprus Ltd., Cyprus.	1,083,030	2,833,770
	Eurobank Private Bank Luxembourg S.A.	--	121,199
		<u>1,083,030</u>	<u>2,954,969</u>
	Repayments are due within 1 month.		
<b>13</b>	<b>OTHER PAYABLES</b>		
		<u>31/12/13</u>	<u>31/12/12</u>
	Payables to Bancpost S.A.	1,405,146	1,827,124
	Payables to Eurobank Bulgaria A.D.	--	215,351
	Payables to sundry lawyers	22	--
	VAT payable	819	1,033
	Accrued expenses	44,554	--
	Other payables	1,031,523	82,270
		<u>2,482,064</u>	<u>2,125,778</u>
<b>14</b>	<b>INTEREST INCOME</b>		
		<u>1/1/13-31/12/13</u>	<u>1/1/11-31/12/12</u>
	Interest income on loans and advances	32,753,939	38,404,950
	Interest related income	7,176,454	8,857,563
	Interest related fees	(2,491,181)	(2,889,799)
		<u>37,439,212</u>	<u>44,372,714</u>
<b>15</b>	<b>INTEREST EXPENSE</b>		
		<u>1/1/13-31/12/13</u>	<u>1/1/11-31/12/12</u>
	Interest expense borrowings from group Company	36,547,137	43,617,154
	Bank interest expenses	10,826	45,503
		<u>36,557,963</u>	<u>43,662,657</u>
<b>16</b>	<b>NET IMPAIRMENT OF FINANCIAL ASSETS</b>		
		<u>1/1/13-31/12/13</u>	<u>1/1/11-31/12/12</u>
	Consumer lending	--	92,698
	Mortgage lending	--	19,634
	Small business lending	--	5,682
		<u>--</u>	<u>118,014</u>
	Net impairment from financial asset represents the accelerated amortisation of the origination fee recognized through income statement for the loans which were written-down during the year.		
<b>17</b>	<b>OPERATING COSTS</b>		
		<u>1/1/13-31/12/13</u>	<u>1/1/11-31/12/12</u>
	Management, domiciliary and accounting fees	75,000	75,000
	Occasional consultancy fees	29,340	99,355
	Non-deductible VAT	64,830	52,403
	Other	562,330	245,458
		<u>731,500</u>	<u>472,216</u>

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013

(amounts in EUR)

### 18 TAXATION

As at December 31, 2013, this item can be detailed as follows:

	31/12/13	31/12/12
Result before taxation	283,756	(780,529)
Less: Foreign exchange (gain)/loss	(165,160)	(24,515)
Less: non- provision charge for impairment of loans	2,104,616	2,042,779
Less: non- taxable operating income	(2,074,267)	(1,134,423)
Taxable profit	148,945	103,312
Corporate income tax expense for the year	29,789	20,662
<i>Effective corporate income tax rate</i>	20.00%	20.00%

The movements in the taxation are as follows:

	31/12/13	31/12/12
Opening balance	305,002	(495,336)
Estimate tax charge for the year	(29,789)	(20,662)
Tax charge previous years	(128,301)	--
Payments made	192,121	821,000
Interest expense related to CIT	(4,118)	--
Closing balance	334,915	305,002

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

### 19 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 May 2013, following its full subscription in Eurobank's recapitalisation of € 5,839 million, the HFSF became the controlling shareholder and a related party of Eurobank. On 19 June 2013, HFSF acquired 3,789,317,358 Eurobank's ordinary shares with voting rights, representing 98.56% of its ordinary share capital. Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the controlling percentage of HFSF increased to 95.23%.

Following the completion of Bank's share capital increase in April 2014 fully covered by private, institutional and other investors, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 95.23% to 35.41%. In addition, in the context of the Law 3864/2010 (the 'HFSF Law') as recently amended by Law 4254/2014, the HFSF's voting rights in the Bank's General Assemblies are no longer full but have been switched to restricted ones. As a result of the above, the HFSF is no more the controlling shareholder of the Group but is considered to have significant influence over it, remaining therefore its related party.

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013  
(amounts in EUR)

### 19 RELATED PARTIES (CONTINUED)

The related parties considered for reporting purposes comprise 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:

	<u>31/12/13</u>	<u>31/12/12</u>
Interest expense borrowings	(36,557,963)	(43,662,657)
Bank fees	(40,110)	(45,611)
Expenses relating to interest income on loans & advances	(2,416,951)	(3,007,104)
Interest income	21,365	81,492
Operating expenses	(27,324)	(5,785)
	<u>(39,020,983)</u>	<u>(46,639,665)</u>

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

	<u>31/12/13</u>	<u>31/12/12</u>
Current accounts with banks	3,578,249	14,656,161
Term deposits with other banks	8,862,892	12,551,088
Loans & advances to customers (prepaid origination fees)	765,647	1,781,729
Other receivables	154,637	35,376,727
Term loans from banks	(459,586,720)	(608,982,124)
Other payables	(1,578,382)	(2,202,990)
	<u>(447,803,677)</u>	<u>(546,819,409)</u>

### 20 COMMITMENTS AND CONTINGENCIES

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

### 21 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 35,000 (2012: EUR 40,000) comprises the fees of independent external auditor PricewaterhouseCoopers Accountants N.V. for the statutory audit of the financial statements.

PricewaterhouseCoopers Belastingadviseurs N.V. has charged EUR 7,940 for tax consulting services.

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



## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2013  
(amounts in EUR)

### 22 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 December 17, 2013, Mr. G. Meijssen has resigned as managing director of the Company, and as per same date Mr. M.A.H. Martis has been appointed as managing director of the Company.

On March 14, 2014, Mr. T. Karakasis has resigned as managing director and Mr. E. Zois has been appointed as the new managing director of the Company at per same date.

On April 28, 2014, Mr. C. Kokologiannis has resigned as managing director of the Company, and as per same date Mr. S. Psychogyios has been appointed as managing director of the Company.

#### The Board of Managing Directors.

S. Psychogyios

S. van der Meer

Amsterdam, 2 december 2014

E. Zois

M.A.H. Martis

# ERB NEW EUROPE FUNDING II B.V.

## Other information

### Other reserve

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.

### Post balance sheet events

#### **Eurobank Ergasias S.A. shareholding structure:**

On 14 November 2013, Eurobank Ergasias S.A. announced the initiation of the process to raise approximately € 2 bn through a capital increase. On 14 January 2014, Eurobank Ergasias S.A. and the Hellenic Financial Stability Fund (HFSF) announced that the transaction timetable will be adjusted to allow for the finalization of the assessment of forward looking capital needs of the Greek banking sector and the new recapitalization framework.

On 8 April 2014, the BoG following a) the assessment of Eurobank's capital needs amounting to € 2,945 million under the baseline scenario, concluded on 6 March 2014 and b) the capital enhancement plan submitted by the Bank on 24 March 2014, whereby the Bank: i) revised its capital actions providing for an additional positive impact on regulatory capital of € 81 million and proposed to adjust the restructuring plan accordingly and ii) stated that it intends to cover the remaining capital needs through a share capital increase, notified the Bank that its Core Tier I capital should increase by € 2,864 million.

On 12 April 2014, the Extraordinary Shareholders' General Meeting approved the increase of the share capital of the Bank up to € 2,864 million through payment in cash or/and contribution in kind, the cancellation of the preemption rights of the Bank's ordinary shareholders, including HFSF, and the only preference shareholder, namely the Greek State, and the issuance of up to 9,546,666,667 new ordinary registered shares, of a nominal value of € 0,30 each. The proceeds will be used to increase the Tier I Capital according to 8 April 2014 resolution of the BoG.

On 29 April 2014, the Bank announced that both the public offering of new ordinary registered shares to the public in Greece and the private placement of new ordinary registered shares to investors outside Greece were oversubscribed. The new shares have been listed on the main market of the Athens Exchange and their trading commenced on 9 May 2014. The successful completion of the Bank's capital increase constitutes a step towards further strengthening its capital position and enhances its ability to support the Greek economy.

As at 30 September 2014, the Common Equity Tier I ratio of Eurobank Ergasias S.A. (proforma with the regulatory treatment of deferred tax assets as deferred tax credit (Law 4303/2014)) stood at 16,1%, well above the statutory limit.

## **ERB NEW EUROPE FUNDING II B.V.**

### **Other information**

The European Central Bank (ECB), in the context of preparation of the Single Supervisory Mechanism (SSM) conducted a Comprehensive Assessment(CA) comprising of a supervisory risk assessment, asset quality review (AQR) and stress test. The comprehensive assessment encompassed the Eurozone's most significant banks and was carried out jointly with national competent authorities (NCAs) and European Banking Authorities (EBA). On the 26th of October 2014 the ECB and the EBA announced the results of the CA. Taking into account that the ECB stated that the dynamic scenario will be taken into consideration for assessing Group's capital position , the Group meets the CA's benchmark in both baseline and adverse scenario and no capital shortfall arises from such extensive exercise.

No other post balance sheet events affecting the financial statements have occurred to date.

### **Independent auditor's report**

Reference is made to the independent auditor's report hereinafter.





## ***Independent auditor's report***

To: the general meeting of ERB New Europe Funding II B.V.

### ***Report on the financial statements***

We have audited the accompanying financial statements 2013 as set out on pages 4 to 31 of ERB New Europe Funding II B.V., Amsterdam, which comprise the balance sheet as at 31 December 2013, the income statement, the statement of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

### ***Managing Directors' responsibility***

The Managing Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Directors are responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Ref.: e0340266

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### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of ERB New Europe Funding II B.V. as at 31 December 2013, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

### ***Report on other legal and regulatory requirements***

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the Directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 3 December 2014  
PricewaterhouseCoopers Accountants N.V.

V.S. van der Reijden RA



