ERB NEW EUROPE FUNDING B.V.

Amsterdam, The Netherlands

ANNUAL REPORT 2016

PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

ERB NEW EUROPE FUNDING B.V.

<u>**Contents**</u> <u>**Page**</u>

pwc PricewaterhouseCoopers Accountants N.V. For identification purposes only

ERB NEW EUROPE FUNDING B.V.

Amsterdam

Report of the board of Managing Directors

In accordance with the Articles of Association of ERB New Europe Funding B.V., the Board of Managing Directors herewith submits the Annual Report of ERB New Europe Funding B.V. (the Company) for the year ended 31 December 2016.

Key Activities

ERB New Europe Funding B.V. (the Company) was incorporated on 19 October 2006 and has its registered address at Herengracht 500, Amsterdam, The Netherlands. The Company is incorporated in The Netherlands and is wholly owned by Eurobank Ergasias S.A. in Greece. On 1 November 2012 the Company changed its name to ERB New Europe Funding B.V. (former name: EFG New Europe Funding B.V.).

In 2006, the Company initiated a corporate loan portfolio, originating from the Eurobank Ergasias Group's activities in Serbia, to invest in loans granted to Serbian Corporates and/or Eurobank Ergasias Group companies in Serbia. The Company itself is funded directly by the Eurobank Private Bank Luxembourg S.A. in Luxembourg.

All loans and advances to third party customers, are 99% guaranteed for repayment by Eurobank A.D. Beograd. All loans and advances to Eurobank Ergasias Group companies, except Reco Real Property AD Beograd, are 99% guaranteed by Eurobank Ergasias S.A. Eurobank A.D. Beograd issued a guarantee for the loans and advances to Reco Real Property AD Beograd. The total combined exposure for the Company will not exceed 1% of its total loans and advances with a maximum of 2 million Euro.
The Board of Managing Directors of the Company has performed an assessment on the recoverability of all loans and the ability (financial resources and liquidity) of Eurobank A.D. and Eurobank S.A. and concluded that Eurobank A.D. and Eurobank Ergasias S.A. are able to fulfil their commitments regarding the guarantee given to the Company.

Overview of activities

During the financial year 2016 the Company decreased its loan portfolio for a total amount of EUR 11.322.585 (2015: 31.785.439).
The loan portfolio was decreased by repayments from customers.

Position of Eurobank Group

Macroeconomic environment

Greece's real GDP is expected to grow by 1.8% in 2017, according to the 2018 Draft Budget submitted in Parliament in early October 2017 (European Commission Autumn Forecast for 2017 at 1.6%) from -0.03% in 2016, according to recent Hellenic Statistical Authority (ELSTAT) data. On the fiscal front, the 2016 Greece's primary balance registered a surplus of 3.9% of GDP outperforming the 0.5% of GDP Third Economic Adjustment Program (TEAP) target. According to the 2018 Draft Budget the primary surplus for 2017 and 2018 is expected at 2.2% and 3.6% of GDP, respectively.

In June 2017, Greece, after the implementation of a series of prior actions including structural reforms and fiscal structural measures amounting to 2% of GDP for the post program period, successfully concluded the second review of TEAP, which paved the way for the release of the next loan tranche to Greece under the existing adjustment program, amounting to € 8.5 bn in two sub-tranches, for debt servicing needs and arrears clearance. The first sub-tranche of € 7.7 bn has been disbursed in June 2017. The second sub-tranche of € 0.8 bn was disbursed in late October 2017 after the progress by the Greek authorities towards the clearance of the general government arrears to the private sector. On 25 July 2017, the Greek government, on the back of the aforementioned positive developments, issued a € 3 bn five-year bond at a yield of 4.625% for the first time since July 2014. The proceeds of the bond issue will be used for further liability/debt management and for the build-up of a state cash buffer in the context of the 15 June 2017 Eurogroup's decisions.

Position of Eurobank Group (continued)

The completion of the second program review has reduced the uncertainties that prevailed during the first months of the year and improved expectations for an increase in the domestic economic activity in the second half of 2017. The third review of TEAP commenced at the end of October 2017 and its timely completion would lead to the disbursement of an additional € 5 bn. 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 would 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.

Currently, 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 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, (c) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity, (d) 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 (e) 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 ESM program. The successful completion of the second review of the TEAP has enhanced Greece's credibility towards the international markets and improved the domestic economic sentiment, which along with the return to positive economic growth rate is expected to accelerate in turn the deposit inflows in the banking system, the faster relaxation of capital controls and the further access to the markets for liquidity.

As at 30 September 2017, Eurobank (the Bank) has managed to reduce its dependence on Eurosystem funding mainly through asset deleveraging, deposit inflows and increased market repos on covered bonds and Greek treasury bills. In the same context, the Bank also reduced its participation in the second stream of the Hellenic Republic's liquidity support plan.

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 major area of focus is the active management of non-performing exposures, 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.

The Group remains focused on the organic strengthening of its capital position by the further expansion of pre-provision income while maintaining its robust risk management practices, and by proceeding to additional initiatives associated with the restructuring, transformation or optimization of operations, in Greece and abroad, that will generate or release further capital and/or reduce risk weighted assets. The Group's Common Equity Tier 1 (CET1) ratio stood at 17.3 % at 30 September 2017 (31 December 2016: 17.6%) and the net profit attributable to shareholders amounted to € 61 million for the period ended 30 September 2017 (31 December 2016: € 230 million).

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.

ERB NEW EUROPE FUNDING B.V.

Amsterdam

Report of the board of Managing Directors

Credit Rating of Eurobank Group

The parent company's (Eurobank Ergasias Group) long term rating was 'CCC+' at August 2016 (2015: 'SD, 2014: CCC+) according to the Standard & Poor's credit rating.

Result

During the year under review, the Company recorded a loss of EUR 111,278 (2015: profit after tax of EUR 205,898) which is set out in detail in the attached Income Statement.

Risk Management

The Company's activities expose it to a variety of risks. Exposure to credit risk, interest rate risk, foreign currency risk and liquidity risk arises in the normal course of the Company's business. The risk management of the Company is organized from Serbia and the management of the Company is provided with the outcome periodically. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks 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:

Credit risk

Credit risk - is the risk of a 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, ect.).

The credit risks are reduced to the fact that all loans and advances to customers are 99% guaranteed for repayment by Eurobank Ergasias Group companies, Eurobank A.D. Beograd and Eurobank Ergasias S.A. All these companies are sufficiently capitalized to cover the granted guaranties, and therefore the Company has only a 1% risk with a maximum of 2 million on its loan portfolio.

The Company has defined risk grading system which is based on various factors: financial, sector, management and operations.

The customers which were granted loans & advances are obligated to provide the Company with irrevocable and unconditional payment guarantee issued by Eurobank A.D. Beograd.

Market risk

The Company takes on exposure to market risks, 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 currency risk

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. Thus this risk is fully compensated by this balance. Hence there is only immaterial foreign currency risk, which is on the difference between interest receivable and interest payable stated in a foreign currency. At this time, the only foreign currency exposure is CHF (Swiss Francs).

Liquidity risk

The risk that daily calls on its cash may exceed available cash resources. Loan assets and loan liabilities are undertaken back to back and on a non recourse basis. This risk is fully compensated by this balance.

Capital management

The Company's policy is to maintain a stable capital base so as to support the Company's operations and sustain future development of the business as necessary. Capital consists of issued and paid up capital, share premium and other reserve. The Company is not required to comply with any capital requirements set by the regulators.

For further analysis we refer to note 6 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 2016 and no changes are expected in 2017. The Company will continue operating in the same manner and maintaining existing portfolio of clients. No significant new business and relationships are planned for 2017. Funding of the Company will remain the same and under the same terms. Capital base of the Company is adequate and no increase are needed. No investments are planned either in human resources or in any other area.

ERB NEW EUROPE FUNDING B.V.

Amsterdam

Report of the board of Managing Directors

Post balance sheet events

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

Future Developments

The Company's business strategy and activities are linked to these of Eurobank Ergasias S.A.,which is the direct shareholder of the Company. The assessment by the directors of the Company's on going business model is closely associated with the business decisions and operations of the Parent Company and its subsidiaries. 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 of Managing Directors

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. Janssenss has resigned as Managing Director of the Company, and as per same date Mr. L.P. Elstershamis has been appointed as Managing Director of the Company.

Amsterdam, January 12, 2018

The Board of Managing Directors,
ERB New Europe Funding B.V.
Chamber of Commerce number: 34258424

S. Psychogyios | E. Zois

L.P. Elstershamis | R. Wemmi

Statement of Financial Position as at December 31, 2016
(In EUR, after appropriation of results)

	Notes	31/12/2016	31/12/2015
ASSETS			
Non-current assets			
Loans & advances to customers	7	39,823,192	43,319,233
		39,823,192	43,319,233
Current assets			
Loans & advances to customers	7	23,925,396	31,796,218
Interest receivable	8	58,700	303,687
Other receivables	9	2,537	98,380
Taxation	15	2,253	12,009
Cash and cash equivalents	10	1,890,575	1,973,866
		25,879,461	34,184,160
TOTAL ASSETS		65,702,653	77,503,393
EQUITY	11		
Capital and reserves attributable to equity holders of the company			
Issued and paid-up capital		18,000	18,000
Share premium		1,982,000	1,982,000
Other reserve		2,096,005	2,207,283
TOTAL EQUITY		4,096,005	4,207,283
LIABILITIES			
Non-current liabilities			
Borrowings from group company	12	37,571,315	43,154,489
		37,571,315	43,154,489
Current liabilities			
Borrowings from group company	12	23,904,894	29,953,511
Interest payable to group company	13	59,625	49,134
Other payables	14	70,814	138,976
		24,035,333	30,141,621
TOTAL EQUITY AND LIABILITIES		65,702,653	77,503,393

The notes to the Financial Statements on pages 10 to 35 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

Income Statement
for the financial year ended December 31, 2016
(in EUR)

	Note	1/1 - 31/12/2016	1/1 - 31/12/2015
Financial income and expenses			
Interest income on loans & advances		1,575,533	2,468,284
Interest expense on borrowings		-1,375,723	-2,026,608
		199,810	441,676
Impairment loss on loans and interest receivable	6.1	-23,278	-9,919
Commission expenses	16	-42,792	-74,259
Financial income and expenses		133,740	357,498
Other net income	17	4,579	47,079
General and Administrative Expenses	18	-230,283	-143,381
(LOSS)/PROFIT BEFORE TAXATION		-91,964	261,197
Corporate income tax	15	-19,314	-55,299
(LOSS)/PROFIT AFTER TAXATION		-111,278	205,898

The notes to the Financial Statements on pages 10 to 35 form an integral part of these financial statements

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

Statement of comprehensive income
for the financial year ended December 31, 2016
(in EUR)

	Notes	1/1 - 31/12/2016	1/1 - 31/12/2015
(Loss)/profit after taxation		**-111,278**	**205,898**
Other comprehensive income:		--	--
Other comprehensive income for the year, net of tax		--	--
Total comprehensive (expense)/income for the year		**-111,278**	**205,898**

The notes to the Financial Statements on pages 10 to 35 form an integral part of these financial statements

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

ERB NEW EUROPE FUNDING B.V.

Cash Flow Statement
for the financial year ended December 31, 2016
(in EUR)

	Notes	1/1-31/12/2016		1/1-31/12/2015	
Cash flow from operating Activities:					
(Loss)/profit before taxation		-91,964		261,197	
Adjustments for:					
Impairment loss on loans and advances	6.1	23,278		9,919	
Interest income		-1,575,533		-2,468,284	
Interest expense		1,375,723		2,026,608	
		-268,496		-170,560	
(Decrease) / Increase in other payables	14	-65,987		2,175	
Decrease in loans & advances to customers	7	11,366,863		31,785,439	
Cash generated from operations		11,032,380		31,617,054	
Income Tax received	15	-23,435		-	
Income Tax paid	15	35,398		-	
Interest received		1,820,520		2,513,741	
Interest paid		-1,365,231		-2,093,732	
Net cash from operation activities			11,499,632		32,037,063
Cash flow from financing activities:					
Proceeds from borrowings from group company	12	48,864		101,676	
Repayments of borrowings from group company	12	-11,631,790		-33,110,065	
Net cash used in financing activities			-11,582,926		-33,008,389
Net decrease in cash and cash equivalents			-83,294		-971,326
Cash and cash equivalents at the beginning of the year			1,973,865		2,945,191
Cash and cash equivalents at the end of the year	10		**1,890,571**		**1,973,865**

Cash flow from investing activities:
During the financial year 2016 & 2015 there were no investing activities in the Company.

The notes to the Financial Statements on pages 10 to 35 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

Statement of Changes in Equity
for the financial year ended December 31, 2016
(in EUR)

EQUITY

As at December 31, 2016, 18.000 shares were issued and fully paid-up. The movements in EUR in the year under review can be summarized as follows:

	Attributable to owner's parent			
	Issued and paid-up capital	Share premium	Other reserve	Total equity
Balance as at January 1, 2015	**18,000**	**1,982,000**	**2,001,385**	**4,001,385**
Additions	--	--	--	--
Profit for the year	--	--	205,898	205,898
Other Comprehensive Income for the year	--	--	--	--
Balance as at December 31, 2015	**18,000**	**1,982,000**	**2,207,283**	**4,207,283**
Loss for the year	--	--	-111,278	-111,278
Other Comprehensive Income for the year	--	--	--	--
Balance as at December 31, 2016	**18,000**	**1,982,000**	**2,096,005**	**4,096,005**

The notes to the Financial Statements on pages 10 to 35 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2016
(in EUR)

1 GENERAL

ERB New Europe Funding B.V. (the Company) was incorporated on October 19, 2006 and has its registered and office address at Herengracht 500, Amsterdam, the Netherlands. The Company is incorporated in The Netherlands and is wholly owned by Eurobank Ergasias S.A. in Greece. The Company's Chamber of Commerce number is 34258424.

On November 1, 2012 the Company changed its name to ERB New Europe Funding B.V. (former name: EFG New Europe Funding B.V.)

The key activities of the Company are to invest in loans granted to Serbian Corporates (originated by the Eurobank Ergasias Group in Serbia) or Eurobank Ergasias Group companies in Serbia. The Company itself is funded directly by the Eurobank Private Bank in Luxembourg. All loans and advances to customers are 99% guaranteed for repayment by Eurobank A.D. and Eurobank Ergasias S.A.

These financial statements were approved and authorized for issue by the Board of Managing Directors on October 31, 2017.

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 on ongoing concern basis.
The policies set out below have been consistently applied to the years 2016, 2015, 2014 and 2013. 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.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 2016:

IAS 1, Amendment-Disclosure Initiative

The amendment clarifies that an entity need not provide in the financial statements, including the notes, a specific disclosure required by an IFRS if the information resulting from that disclosure is not material and also clarifies that additional disclosures may be necessary if the information required by IFRSs is not sufficient for an understanding of the impact of particular transactions and events on the entity's financial position and performance.
The line items listed in IAS 1 for the balance sheet and the statement of profit or loss should be disaggregated if this is relevant to an understanding of the entity's financial position and additional guidance on the use of subtotals is provided. In the statement of comprehensive income the share of the other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss and when determining a systematic approach to presenting notes, the entity should consider the understand ability and comparability of its financial statements.
The adoption of the amendment had no impact on the Company's financial statements.

IAS 27, Amendment-Equity Method in Separate Financial Statements

The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements. In particular, separate financial statements are those presented in addition to consolidated financial statements or in addition to the financial statements of an investor that does not have investments in subsidiaries but has investments in associates or joint ventures which are required by IAS 28 'Investments in Associates and Joint Ventures' to be accounted for using the equity method.
The adoption of the amendment had no impact on the Company's financial statements.

IFRS 10, IFRS 12 and IAS 28, Amendments-Investment Entities: Applying the Consolidation Exception

The amendments clarify the application of the consolidation exception for the subsidiaries of investment entities.
The adoption of the amendments had no impact on the Company's financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle

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:
• IFRS 2 'Share-based Payment': The terms 'performance condition' and 'service condition' are separately defined;
• IFRS 3 'Business Combinations': It is clarified that contingent consideration in a business acquisition that is not classified as equity, whether or not it falls within the scope of IAS 39 (or IFRS 9 once adopted), is subsequently measured at fair value at each reporting date, with changes in fair value recognized in profit or loss;

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

- IFRS 8 'Operating Segment': Disclosure of the judgments made by management in aggregating operating segments is required, including a description of the segments aggregated and the economic indicators assessed in determining that the aggregated segments share similar economic characteristics. Furthermore, a reconciliation of segment assets to the entity's total assets is required if the reconciliation is reported to the chief operating decision maker;
- IFRS 13 'Fair Value Measurement': It is clarified that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial;
- IAS 16 'Property, Plant and Equipment': It is clarified how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model;
- IAS 24 'Related Party Disclosures': It is clarified that an entity that provides key management personnel services to the reporting entity or to its parent (the management entity) is a related party to the reporting entity and the amounts charged to it for services provided should be disclosed; and
- IAS 38 'Intangible Assets': It is clarified how the gross carrying amount and the accumulated amortization are treated where an entity uses the revaluation model.

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

Annual Improvements to IFRSs 2012-2014 Cycle

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2012-14 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- IFRS 5 'Non-current assets held for sale and discontinued operations': It is clarified that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. Therefore the asset (or disposal group) does not need to be reinstated in the financial statements, as if it had never been classified as 'held for sale' or 'held for distribution', simply because the manner of disposal has changed;
- IFRS 7 'Financial instruments': Specific guidance is added to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. It is also clarified that the additional disclosure required by the amendments to IFRS 7, 'Disclosure-Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34 'Interim financial reporting';
- IAS 19 'Employee benefits': When determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise; and
- IAS 34 'Interim financial reporting': It is clarified that the reference in the standard to 'information disclosed elsewhere in the interim financial report' means some other statement (such as management commentary or risk report) that is available to users of the financial statements at the same time as the interim financial statements, requiring a cross-reference from the interim financial statements to the location of that information.

The adoption of the amendments 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 2016, 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:

IAS 7, Amendment-Disclosure Initiative (effective 1 January 2017, not yet endorsed by EU)

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 is not expected to impact the Company's financial statements.

Classification and measurement
IFRS 9, Financial Instruments (effective 1 January 2018)

In July 2014, the IASB published the final version of IFRS 9 'Financial Instruments' 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.
IFRS 9 applies 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 principle 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 principle 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 in 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.

IAS 12, Amendment-Recognition of Deferred Tax Assets for Unrealized Losses (effective 1 January 2017, not yet endorsed by EU)

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 those 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 is not expected to impact the Company's consolidated financial statements.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 that are 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:

• the stated policies and objectives for each portfolio;
• how the performance of each portfolio is evaluated and reported;
• the risks associated with the performance of the business model and how those risks are managed;
• how managers are compensated; and
• past experience on how the cash flows from those portfolios were collected, expectations about future sales activity and how the Company's stated objective for managing the financial assets is achieved.

SPPI assessment

In assessing whether the contractual cash flows are solely payments of principle 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.

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 will apply to financial assets that are not measured at FVTPL, including loans, lease receivables, debt securities, financial guarantee contracts and loan commitments issued. No impairment loss will be recognized on equity investments.

The new standard uses a 'three stage approach' that will reflect changes in credit quality since initial recognition. At each reporting date, a loss allowance equal to 12-month ECL will be recognized for debt investment securities that are determined to have a low credit risk at the reporting date, and for all other financial assets for which there is no significant increase in credit risk since initial recognition. 12-month ECL are the portion of ECL that result from default events that are possible within the next 12 months after the reporting date. For financial assets that have experienced a significant increase in credit risk since initial recognition where no specific loss event has been identified, a loss allowance equal to lifetime expected credit losses will be recognized. The loss allowance for purchased or originated credit impaired financial assets will always be measured at an amount equal to lifetime ECL. Financial assets where 12-month ECL are recognized are considered to be in 'stage-1'; financial assets which have experienced a significant increase in credit risk are in 'stage-2' and financial assets that are credit impaired are in 'stage-3'.

The measurement of expected credit losses will be a probability-weighted average amount that will reflect the time value of money. In measuring ECL, information about past events, current conditions and reasonable and supportable forecasts of future conditions should be considered. The new impairment model is expected to result in a higher loss allowance for the Company compared to IAS 39.

The implementation of IFRS9 is not expected to have a significant impact on the Company's financial statements, since any additional impairments are to be borne by the guarantors (other Eurobank Group entities, see Note 7 for more details).

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Annual Improvements to IFRSs 2014-2016 Cycle (effective 1 January 2017 and 1 January 2018, not yet endorsed by EU)
The amendments introduce key changes to two IFRSs following the publication of the results of the IASB's 2014-16 cycle of the annual improvements project. The topics addressed by these amendments are set out below:
• 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 amendment applies for annual periods beginning on or after 1 January 2017; and
• 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 amendment applies for annual periods beginning on or after 1 January 2018.

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.
The financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and of financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss.
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, as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.
The Company's presentation currency is the Euro (€) being the functional currency of the parent company.

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 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 (€) 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 in the Income Statement 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.

The tax effects of income tax losses available for carry forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses 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. A financial asset is derecognized when the contractual cash flows of the loan expire or the Company transfers its rights to receive those cashflows in an outright sale in which substantially all the risk and rewards of ownership have been transferred. The Company classifies its financial assets and financial liabilities in the categories: loans and advances to customers and borrowings from group Company.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Loans and receivables
The Loans and receivables include Loans and Advances to customers, which are measured at initial recognition at fair value and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowance for impairment for estimated irrecoverable amounts are recognized in the Income Statement when there is objective evidence that the asset should be 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.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less, that is readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment
The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets should be 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 the 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. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) 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;
d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

The Company assesses at each balance sheet date whether objective evidence of impairment exist for each financial asset individually.
We refer you to note 6, section 'Impairment policy'.
The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The estimated period between a loss occurring and its identification is determined by management for each identified loan.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 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 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.

Provisions
Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimates of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into account risks and uncertainties surrounding the amount to be recognized as a provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If, subsequently, it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Trade payables
Trade payable are initially measured at fair value and are subsequently measured at amortized cost, using the effective interest rate method.

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 payables 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.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

3 CASH FLOW STATEMENT

The Cash Flow statement has been prepared in accordance with the indirect method. The presentation for the year 2016 has not changed in comparison for the year 2015.

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 Income Statement for all interest bearing financial instruments.

For all interest bearing financial instruments, interest income or interest expense is recognized on an accrual basis 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 amortized 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 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 Income Statement in the period that they arise. Exchange rate differences on non-current assets and non-current liabilities are recognized in the Income Statement 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 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and judgements

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 on a monthly 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. The 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.

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.

6 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 risk management of the Company is organized from Serbia and the management of the Company is provided with the outcome periodically. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks 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:

6.1 Credit risk

Credit risk - is the risk of a 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, ect.).

The credit risks are reduced to the fact that all loans and advances to customers are 99% guaranteed for repayment by Eurobank Ergasias Group companies, Eurobank A.D. Beograd and Eurobank Ergasias S.A. All these companies are sufficiently capitalized to cover the granted guaranties, and therefore the Company has only a 1% risk with a maximum of 2 million on its loan portfolio.

Risk grading system for wholesale clients

The 11 grade system defines the credit rating of the borrower (and not the credit facility), and is based on the weighted average of the following risk parameters:

-Financials
-Sector
-Management
-Operations

In addition, other factors such as debt servicing, change in the borrower's ownership, etc., may affect the final rating of a customer.

The credit rating is based on a profound analysis of qualitative and quantitative factors performed by the Company:

-Qualitative factors: are those that deal with the borrower's management, industry, operating conditions, etc.

-Quantitative factors: are those that refer to a set of various rations (main rations: profitability, leverage, liquidity) emerging from the borrower's financial statements (Balance Sheet, Income Statement, notes to financial statements etc.).

Each grade carries a defined impairment requirement.

Based on the above-mentioned parameters the rating of clients is defined.

Collateral

The customers which were granted loans & advances are obligated to provide the Company with irrevocable and unconditional payment guarantee issued by Eurobank A.D. Beograd.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

Guarantees

All loans and advances to third party customers are 99% guaranteed for repayment by Eurobank A.D. Beograd. All loans and advances to Eurobank Ergasias Group companies, except Reco Real Property A.D. Beograd, are 99% guaranteed by Eurobank Ergasias S.A. Eurobank A.D. Beograd issued a guarantee for the loans and advances to Reco Real Property A.D. Beograd. The total combined exposure for the Company will not exceed 1% of its total loans and advances with a maximum of EUR 2 million.
Maximum cumulative exposure of the Company cannot exceed EUR 2 million. The risk of exposures of EUR 2 million are covered with the share capital and share premium.

Management of the Company has performed an assessment on the recoverability of all loans and the ability (financial resources and liquidity) of Eurobank A.D. and Eurobank S.A. and concluded that Eurobank A.D. and Eurobank Ergasias S.A. are able to fulfil their commitments regarding the guarantee given to the Company.

Impairment policy

Impaired loans and advances are loans and advances for which the Bank determines that it is probable that it will be unable to collect entire principal and interest due according to the contractual terms of the loan / securities agreement(s). Loans and advances are individually impaired and not on a portfolio basis. Individually impaired assets are those which have been individually assessed for impairment and for which an impairment loss has been recognized. For individually assessed accounts, loans are treated as impaired as soon as there is objective evidence that an impairment loss has been incurred.

Depending on the internal credit rating and existing collateral the Company determines whether an impairment charge is required.

Credit monitoring

It is the Company's intention to be 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.

"Loans" as mentioned in the below notes, referred to a combination of both short and long-term loans.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

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

	31/12/2016	31/12/2015
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to customers	63,792,866	75,160,738
Less: allowance for impairment	-44,279	-45,287
	63,748,587	75,115,451
Interest receivable	58,700	303,687
Other receivables	2,536	98,380
Cash and cash equivalents	1,890,575	1,973,866
Total	65,700,397	77,491,384

Loans and advances are summarized as follows:		
Neither past due nor impaired	60,049,734	68,740,980
Past due not impaired	-	301,688
Individually impaired	3,743,132	6,118,069
Gross	63,792,866	75,160,738
Less: allowance for impairment	-44,279	-45,287
Net	63,748,587	75,115,451

Included in the gross loans and advances are:
Past due more than 90 days - EUR 787 (2015: EUR 5 863 446)
Of which non-performing loans - EUR 787 (2015: EUR 5 863 446)

Loans and advances neither past due nor impaired

The loans and advances to customers represent the fully drawn amounts in accordance with the agreements.

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

	31/12/2016	31/12/2015
	Loans and advances to customers	Loans and advances to customers
Grades:		
Satisfactory risk (wholesale grades 1 to 6)	59,685,571	66,705,821
Watch list and special mention (wholesale grade 7)	364,164	2,035,159
Total	60,049,734	68,740,980

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

Watch list is a list of loans singled out for special surveillance by management to spot irregularities. In order to put a loan on watch list the Company considers many different aspects, quantitative and qualitative. Main criteria for watch listed loans are:

I Quantitative data :
Financial ratios deterioration
Fluctuations in profitability
High leverage
Low financial expenses coverage

II Qualitative data :

A) Sector characteristic - position and conditions in the sector
- Market share reduction
- The sector is influenced by cyclical factors - seasonality
- No new entrance barriers
- Production/ commerce of a single product

B) Management Skills - Market Knowledge / Experience
- Management is performed actually by one person (one-man show)
- Potential movements in the highest management executive levels

C) Ability to forecast / Access to funding
- Difficulties in predicting future performance of Company
- Limited or no access to other sources of financing
- Loans serviced in line with forecasts

Loans and advances past due but not impaired

	31/12/2016	31/12/2015
	Loans and advances to customers	Loans and advances to customers
Past due up to 29 days	-	301,688
Total	-	301,688

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

Impaired loans and advances individually assessed

As at 31 December 2016 and 2015 the Company did have loans and advances that were individually impaired.

	31/12/2016	31/12/2015
	Loans and advances to customers	Loans and advances to customers
Individually impaired loans - gross	3,743,132	6,118,069
Total	3,743,132	6,118,069

Movements in impairment allowance for the loans & advances to customers are:

	31/12/2016	31/12/2015
Opening balance	45,287	35,368
Impairment charge	-1,008	9,919
Released provisions	-24,286	-
Total	19,992	45,287

Concentration of risks of financial assets with credit risk exposure

Geographical sectors

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

Loans and advances to customers:	31/12/2016	31/12/2015
Serbia	63,792,866	75,160,738
Total	63,792,866	75,160,738

Industry sectors

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

Loans and advances to customers:	31/12/2016	31/12/2015
Commerce and services	53,202,208	62,209,598
Manufacturing	14,871	1,198,707
Construction	10,575,787	11,752,433
Total	63,792,866	75,160,738

Included in the gross loans and advances are:

Past due more than 90 days - EUR 787 (2015: EUR 5.863.446)

Of which non-performing loans - EUR 787 (2015: EUR 5.863.446)

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2016
(in EUR)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk

The Company takes on exposure to market risks, 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.

6.3 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.

6.4 Foreign currency risk

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. Thus this risk is fully compensated by this balance. Hence there is only immaterial foreign currency risk, which is on the difference between interest receivable and interest payable stated in a foreign currency. At this time, the only foreign currency exposure is CHF (Swiss Francs).

Sensitivity analysis

The sensitivity of the Income Statement is the effect of the assumed changes in interest rates and FX rate on the net interest income for one year.

There is no effect on P&L as result of parallel shift in yield curve. Sensitivity analysis used for monitoring market risk do not represent worst case scenario:

	Sensitivity of income statement	
	31/12/2016	**31/12/2015**
Foreign exchange sensitivity		
10% change of EUR/CHF and USD exchange rate	8,492	7,869
	8,492	7,869

The foreign currency risk is only applicable on cash and cash equivalents and not on loans & advances to customers and borrowings from group Company.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Liquidity risk

The risk that daily calls on its cash may exceed available cash resources. Loan assets and loan liabilities are undertaken back to back and on a non-recourse basis. This risk is fully compensated by this balance.

The table below presents the cash flow receivable and payable by the Company under financial assets and liabilities by remaining contractual maturities at the balance sheet date.

ERBNEF SER Assets maturity

31/12/2016	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Loans & advances to customers	717,016	104,807	23,103,573	21,418,147	18,405,045	**63,748,587**
Interest receivable	58,700	-	-	-	-	**58,700**
Other receivables	-	-	2,536	-	-	**2,536**
Taxation	-	-	2,253	-	-	**2,253**
Cash and cash equivalents	1,890,575	-	-	-	-	**1,890,575**
Total Assets held for managing liquidity risk	**2,666,291**	**104,807**	**23,108,362**	**21,418,147**	**18,405,045**	**65,702,651**

ERBNEF SER Liabilities maturity

31/12/2016	Up to 1 month	1-3 months	4-12 months	1-5 years	Over 5 years	Total
Borrowings from group companies	716,268	84,871	23,103,755	19,156,007	18,415,309	**61,476,209**
Interest payable to Group companies	59,625					**59,625**
Other payables	70,818	-	-	-	-	**70,818**
Total Liabilities held for managing liquidity risk	**1,677,802**	**619,653**	**30,779,620**	**28,628,257**	**18,052,742**	**61,606,652**

31/12/2015	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Loans & advances to customers	1,500,729	293,117	30,002,372	26,363,535	16,955,699	**75,115,451**
Interest receivable	**303,687**	-	-	-	-	**303,687**
Other receivables	-	-	98,380	-	-	**98,380**
Taxation	-	-	12,009	-	-	**12,009**
Cash and cash equivalents	1,973,866	-	-	-	-	**1,973,866**
Total Assets held for managing liquidity risk	**3,778,282**	**293,117**	**30,112,761**	**26,363,535**	**16,955,699**	**77,503,393**

ERBNEF SER Liabilities maturity

31/12/2015	Up to 1 month	1-3 months	4-12 months	1-5 years	Over 5 years	Total
Borrowings from group companies	1,500,000	268,226	28,185,285	26,214,190	16,940,299	**73,108,000**
Interest payable to Group companies	49,134	-	-	-	-	**49,134**
Other payables	-	138,976	-	-	-	**138,976**
Total Liabilities held for managing liquidity risk	**1,549,134**	**407,202**	**28,185,285**	**26,214,190**	**16,940,299**	**73,296,110**

6.6 Fair values of financial assets and liabilities

Fair value presented in financial statements is the amount for which an asset may be exchanged, or a liability settled, between informed, willing parties in an arm's length transaction.

Fair value is calculated using market information available as at the reporting date as well as the individual assessment methods of the Company.

Fair value of a financial instrument presented at nominal value is equal to its bookkeeping value. This includes cash as well as liabilities and receivables without defined maturity or fixed interest rate. For other liabilities and receivables the expected future cash flow is discounted up to their present value by means of current interest rate. Bearing in mind that the variable interest rates are contractual for the majority of Company assets and liabilities, changes in the current interest rates lead to changes in the agreed interest rates.

Fair value of irrevocable loan obligations and potential obligations is the same as their bookkeeping values.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Fair values of financial assets and liabilities (continued)

Assessment of financial instruments
Company measures fair value by means of the following fair value hierarchy reflecting the importance of the inputs used in measurement.

Level 1: quoted market prices (uncorrected) in active markets for identical instrument.

Level 2: Assessment techniques based on the observable inputs that are not the quoted prices from the level 1, whether directly (as prices) or indirectly (derived from prices). This category includes instruments valued through their use: quoted prices in active markets for similar instruments; stated prices for same or similar instruments in the markets considered as less active; or other assessment techniques in which all important inputs are directly or indirectly observable from the market data.

Level 3: Assessment techniques used for non-observable inputs. This category includes all instruments relative to which the valuation techniques include inputs not based on observable data and non-observable inputs that have a significant effect on the valuation of the instruments. This category includes instruments valued on the basis of quoted prices of similar instruments with significant non-observable adjustments or assumptions necessary to maintain the difference between the instruments.

Fair value of financial assets and liabilities traded in active markets is based on quoted market prices or prices quoted by dealers. For all other financial instruments the Company determines fair value by means of assessment techniques.

Assessment techniques include net present value and discounted cash flow models, comparisons with similar instruments for which there is an observable market price and other assessment models. Assumptions and inputs used in assessment techniques include risk free and benchmark interest rates, loan margins and other premiums used in assessment of discount rate, bond and share prices, foreign currency exchange rates, capital and capital indexed prices and expected oscillations of the prices and correlations. The aim of assessment techniques is to determine the fair value which reflects the price of a financial instrument as at the reporting date that would be defined by market participants in free transactions carried out at an arm's length.

The availability of the observable market prices and model inputs decreases the need for assessment by management and reduces the uncertainty arising from determining the fair value. The availability of the observable market data and inputs varies based on the product and market and is prone to change due to particular occurrences and general condition of the future markets.

The Company does not have any financial instruments which is measured at fair value.

The following table presents the fair value of financial instruments not measured at fair value and analyses them according to the fair value hierarchy within which the fair value measurement takes place:

In EUR	31/12/2016 Book value	31/12/2016 Fair value	31/12/2015 Book value	31/12/2015 Fair value
Financial (monetary) assets				
Cash and cash equivalents	1,890,575	1,890,575	1,973,866	1,973,866
Loans and advances from customers	63,748,588	63,007,690	75,115,451	73,094,867
Other assets	61,236	61,236	414,076	414,076
Total	**65,700,399**	**64,959,501**	**77,503,393**	**75,482,809**
Financial (monetary) liabilities				
Borrowings	61,476,209	61,476,209	73,107,999	73,108,000
Other liabilities	174,721	174,721	188,110	188,110
Total	**61,650,930**	**61,650,930**	**73,296,110**	**73,296,110**

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

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Fair values of financial assets and liabilities (continued)

In EUR		Fair value		
31/12/2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Loans and advances from customers	-	63,007,690	-	63,007,690
Total	**-**	**63,007,690**	**-**	**63,007,690**
Liabilities				
Borrowings	-	61,476,209	-	61,476,209
Total	**-**	**61,476,209**	**-**	**61,476,209**

31/12/2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Loans and advances from customers	-	73,094,867	-	73,094,867
Total	**-**	**73,094,867**	**-**	**73,094,867**
Liabilities				
Borrowings	-	73,108,000	-	73,108,000
Total	**-**	**73,108,000**	**-**	**73,108,000**

Where possible, fair value of borrowings and advances is based on the observable market transactions If observable market transactions are not available, fair value is assessed by means of assessment models such as cash flow discount techniques Assessment technique inputs include the expected loan losses over the course of loan duration, interest rates, advances, and source data or secondary market data For collateral dependant reduced (impaired) loans, fair value is measured based on the value of the attending collateral Model inputs may include data by third party brokers based on the OTC trading activity, and information obtained from other market participants which include observable primary and secondary transactions

Table below presents Company classification for each class of financial assets and liabilities and their fair value as at 31 December 2016:

In EUR

31/12/2016	Kept at fair value	Held to maturity	Loans and receivables	AFS	Amortized cost	Total book value	Fair value
Cash and cash equivalents	-	-	1,890,575	-	-	1,890,575	1,890,575
Assets held to maturity		-	-	-	-	-	-
Loans and advances from customers	-	-	63,748,588	-	-	63,748,588	63,007,690
Other assets	-	-	-	-	61,237	61,237	61,237
Total assets	**-**	**-**	**65,639,163**	**-**	**61,237**	**65,700,400**	**64,959,502**
Borrowings	-	-	-	-	61,476,209	61,476,209	61,476,209
Other liabilities	-	-	-	-	130,439	130,439	130,439
Total liabilities	**-**	**-**	**-**	**-**	**61,606,648**	**61,606,648**	**61,606,648**

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Fair values of financial assets and liabilities (continued)

Table below presents Company classification for each class of financial assets and liabilities and their fair value as at 31 December 2015:

In EUR

31/12/2015	Kept at fair value	Held to maturity	Loans and receivables	AFS	Amortized cost	Total book value	Fair value
Cash and cash equivalents	-	-	1,973,866	-	-	1,973,866	1,973,866
Assets held to maturity		-	-	-	-	-	-
Loans and advances from customers	-	-	75,115,451	-	-	75,115,451	73,094,867
Other assets	-	-	-	-	414,076	414,076	414,076
Total assets	**-**	**-**	**77,089,317**	**-**	**414,076**	**77,503,393**	**75,482,809**
Borrowings	-	-	-	-	73,108,000	73,108,000	73,107,999
Other liabilities	-	-	-	-	188,109	188,109	188,109
Total liabilities	**-**	**-**	**-**	**-**	**73,296,109**	**73,296,109**	**73,296,109**

Methodologies and assumptions used in determining fair value of those financial instruments not yet recorded at fair value in the financial statements are described below.

Assets whose fair value approximates their bookkeeping value

For financial assets and liabilities that are liquid or have short-term maturity (less than one year), the assumption is that their bookkeeping value approximates their fair value. This assumption is also applied to borowings and financial instruments with variable rate.

Financial instruments with fixed rate

Fair value of financial assets and liabilities with fixed rate recorded at amortized value is assessed by comparison with market interest rates at initial recognition based on the current market rates offered for similar financial instruments.

The assessed fair value of borrowings with fixed interest rate is based on the discount of cash flows by applying the prevailing interest rates to money market debt with similar risk and maturity.

6.7 Capital management

The Company actively manages capital base to cover risk inherent to the business. The Company's objectives, when managing capital are:

- To provide an adequate level of capital so as to enable the Company to continue its operations as a going concern.
- To maintain a strong capital base to support the development of its business.

Capital consists of issued and paid up capital, share premium and other reserves. The Company is not required to comply with any capital requirements set by the regulators.
There have been no material changes in the Company's management of capital during the year.

The capital of the Company is presented below:

	31/12/2016	31/12/2015
Issued and paid-up capital	18,000	18,000
Share premium	1,982,000	1,982,000
Other reserve	2,096,005	2,207,283
Total equity	**4,096,005**	**4,207,283**

7 LOANS & ADVANCES TO CUSTOMERS

	31/12/2016	31/12/2015
Loans to Serbian corporate clients	63,792,866	75,160,738
Added / (Less): allowance for impairment	-18,474	-19,482
Added / (Less): buffer SME	-25,805	-25,805
	63,748,588	75,115,451
Loan repayments due:		
Up to 1 month	717,016	1,500,729
1-3 months	104,807	293,117
4-12 months	23,103,573	30,002,371
	23,925,396	31,796,218
1-5 years	21,418,147	26,363,535
Over 5 years	18,405,045	16,955,699
	39,823,192	43,319,233

Loans bear variable interest ranging from 1 month to 3 month Euribor/Libor plus a spread ranging from a minimum 2 20% to a maximum of 5 7% and according to the client specific Credit Facility Agreements 99% of the loan value is secured by a guarantee from either Eurobank A D Beograd, in Serbia, (under Master and Guarantee Agreement dated December 4, 2006) or by the Company's shareholder, Eurobank Ergasias S A

Interest receivable amounting to EUR 1 575 533 has been included in the current loans and advances to customers on the balance sheet

8 INTEREST RECEIVABLE

	31/12/2016	31/12/2015
Interest on loans to Serbian corporate clients	57,593	275,202
Default interest receivable	1,108	28,485
	58,700	303,687

9 OTHER RECEIVABLES

	31/12/2016	31/12/2015
Other receivables	2,536	98,380
	2,536	98,380

10 CASH AND CASH EQUIVALENTS

Description			31/12/2016	31/12/2015
Eurobank Privatebank Luxembourg S A	EUR	1.00000	1,348,732	1,425,973
Eurobank Privatebank Luxembourg S A	CHF	1.07510	71,275	61,190
			1,420,007	*1,487,163*
ING Bank	EUR	1.00000	5,000	439,781
Eurobank Private Bank Luxembourg S A	EUR	1.00000	422,333	3,686
Eurobank Ergasias S A	EUR	1.00000	43,235	43,235
			1,890,575	1,973,866

The total balance of cash and cash equivalents consists of a total balance in euro of EUR 1 819 300 (2015: EUR 1 912 676) and in Swiss Franc of CHF 76 628 (2015: CHF 66 140)

The outlook of the credit ratings of the Eurobank Privatebank Luxembourg S A , Eurobank Ergasias S A and ING Bank N V. can be classified as 'Stable'.
There are no restrictions on the availability of cash and cash equivalents These are readily available

11 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, 2016, 18.000 shares were issued and fully paid-up. For the movements in the Equity we refer to the Statement of Equity on page 10 of this report.
ERB New Europe Funding B.V. is a subsidiary of Eurobank Ergasias S.A., a Bank incorporated in Greece and listed on the Athens Stock Exchange.

LIABILITIES

12 BORROWINGS FROM GROUP COMPANY

	31/12/2016	31/12/2015
Financing borrowings from group Company:		
Eurobank Private Bank Luxembourg S.A.	61,476,209	73,107,999
	61,476,209	73,107,999
Repayment due:		
Up to 1 month	716,268	1,500,000
1-3 months	14,871	268,226
4-12 months	23,173,755	28,185,285
	23,904,894	29,953,511
1-5 years	19,156,007	26,214,190
Over 5 years	18,415,309	16,940,299
	37,571,315	43,154,489

Borrowings bear variable interest ranging from 1 month to 3 month Euribor/Libor plus 2.25% until 31 December 2016.

They are fully secured by virtue of the Request for the Issuance of a Letter of Guarantee, dated December 14, 2006, however amended, in which the Eurobank Ergasias S.A. undertakes to repay the Eurobank Private Bank Luxembourg S.A. in case of default by the Company after being called to repay. The current loans are repayable on a basis mirroring that in the Loans in note 7 above.

13 INTEREST PAYABLE TO GROUP COMPANY

	31/12/2016	31/12/2015
Default interest payable	59,625	49,134
	59,625	49,134

Repayments are due within 3 months.

14 OTHER PAYABLES

	31/12/2016	31/12/2015
Trade payables	39,996	115,890
Accrued audit fees	27,300	22,110
Several services and fees due to Eurobank Ergasias S.A.	506	506
Other payables	3,012	470
	70,814	138,976

15 Corporate Income Tax

As at December 31, 2016, this item can be detailed as follows:

	31/12/2016	31/12/2015
Profit before income tax	-91,964	261,197
Less: Tax free or non-taxable income:		
- Exemptions	188,535	-
Taxable profit	96,571	261,197
Statutory tax rate 20% over 200,000	19,314	40,000
Statutory tax rate 25% over remaining amount	-	15,299
Corporate Income tax current year	19,314	55,299
	19,314	55,299
Effective tax rate	-21%	21%

The movements in the Taxation are as follows:

	31/12/2016	31/12/2015
Opening balance	12,009	-178,896
Receipt of preliminary assessment 2013	-	151,466
Receipt of preliminary assessment 2014	-23,435	-
Payments made via preliminary assessment 2016	35,398	-
Paybale CIT 2016	-19,314	-
Value added tax reclaimed	-2,404	-7,920
Value added tax reclaimable	-	23,342
Balance as at December 31, 2016	2,253	12,009

The nominal Corporate income tax rate in the Netherlands is 20% for the first EUR 200.000 and 25% for the remaining taxable result. Based upon the taxable result of the Company during the year under review, the effective Corporate income tax is 0%.

16 COMMISSION EXPENSES

	31/12/2016	31/12/2015
Interest expense banks	1,189	-
Introduction fee to Eurobank A D. Beograd	39,996	72,000
Finance expense breakage Eurobank Private Bank Luxembourg S.A.	1,607	168
Guarantee fee to Eurobank Ergasias S.A.	-	2,091
	42,792	74,259

17 OTHER NET INCOME

	31/12/2016	31/12/2015
Other income	4,139	40,000
Foreign exchange gain/(loss)	440	7,079
	4,579	47,079

18 GENERAL AND ADMINISTRATIVE EXPENSES

	31/12/2016	31/12/2015
Management and domiciliation fee	93,854	86,444
Tax advisory fee	14,450	26,114
Other	23,600	30,823
Other impairments	98,380	-
	230,283	143,381

The audit fees of EUR 15.000 (2015: EUR 15.000) included under "Other" solely comprises the fees of external independent 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, consulting or any other consulting services.

19 RELATED PARTIES

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.

19 RELATED PARTIES (CONTINUED)

Transactions with related parties for the year ended on 31 December 2016 are presented in the table below:

	31/12/2016	31/12/2015
Interest income on loans & advances ERB Leasing A.D. Beograd	26,616	177,679
Interest income on loans & advances IMO Property Investments AD Beograd	407,875	546,234
Interest income on loans & advances Reco Real Property AD Beograd	49,672	57,227
Interest income on loans & advances ERB Asset Fin. d.o.o. Beograd	-	2,576
Interest expense on borrowings	-1,375,723	-2,026,608
Commission expenses	-42,792	-74,259
	-934,352	-1,317,151

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

	31/12/2016	31/12/2015
Loans & advances to customers ERB Leasing A.D. Beograd	716,268	2,044,731
Loans & advances to customers IMO Property Investments AD Beograd	20,400,000	23,900,000
Loans & advances to customers Reco Real Property AD Beograd	2,440,000	2,510,000
Current account with Eurobank Private Bank Luxembourg S.A.	1,420,007	1,487,163
Current account with Eurobank Ergasias S.A.	43,235	43,235
Borrowings from group Company	-61,476,209	-73,107,999
Interest payable to group Company	-59,625	-49,134
Other payables	-3,518	-506

20 COMMITMENTS AND CONTINGENCIES

The EUR 5 mln relates to the guarantee provided by Eurobank Ergasias S.A. for an overdraft provided by Eurobank Private Bank Luxembourg (overdraft is not utilised).
The EUR 0.2 mln guarantee provided by Eurobank Ergasias S.A. has been cancelled as of 16 May 2016 since the residual credit risk not covered by Eurobank A.D Beograd is covered by the Company's capital amounting to EUR 2 mln.

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.

22 DIRECTORS

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

23 OTHER INFORMATION

POSITION OF EUROBANK GROUP

Macroeconomic environment

Greece's real GDP is expected to grow by 1.8% in 2017, according to the 2018 Draft Budget submitted in Parliament in early October 2017 (European Commission Autumn Forecast for 2017 at 1.6%) from -0.03% in 2016, according to recent Hellenic Statistical Authority (ELSTAT) data. On the fiscal front, the 2016 Greece's primary balance registered a surplus of 3.9% of GDP outperforming the 0.5% of GDP Third Economic Adjustment Program (TEAP) target. According to the 2018 Draft Budget the primary surplus for 2017 and 2018 is expected at 2.2% and 3.6% of GDP, respectively.

In June 2017, Greece, after the implementation of a series of prior actions including structural reforms and fiscal structural measures amounting to 2% of GDP for the post program period, successfully concluded the second review of TEAP, which paved the way for the release of the next loan tranche to Greece under the existing adjustment program, amounting to € 8.5 bn in two sub-tranches, for debt servicing needs and arrears clearance. The first sub-tranche of € 7.7 bn has been disbursed in June 2017. The second sub-tranche of € 0.8 bn was disbursed in late October 2017 after the progress by the Greek authorities towards the clearance of the general government arrears to the private sector. On 25 July 2017, the Greek government, on the back of the aforementioned positive developments, issued a € 3 bn five-year bond at a yield of 4.625% for the first time since July 2014. The proceeds of the bond issue will be used for further liability/debt management and for the build-up of a state cash buffer in the context of the 15 June 2017 Eurogroup's decisions.

The completion of the second program review has reduced the uncertainties that prevailed during the first months of the year and improved expectations for an increase in the domestic economic activity in the second half of 2017. The third review of TEAP commenced at the end of October 2017 and its timely completion would lead to the disbursement of an additional € 5 bn. 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 would 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.

Currently, 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 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, (c) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity, (d) 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 (e) 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 ESM program. The successful completion of the second review of the TEAP has enhanced Greece's credibility towards the international markets and improved the domestic economic sentiment, which along with the return to positive economic growth rate is expected to accelerate in turn the deposit inflows in the banking system, the faster relaxation of capital controls and the further access to the markets for liquidity.

As at 30 September 2017, Eurobank (the Bank) has managed to reduce its dependence on Eurosystem funding mainly through asset deleveraging, deposit inflows and increased market repos on covered bonds and Greek treasury bills. In the same context, the Bank also reduced its participation in the second stream of the Hellenic Republic's liquidity support plan.

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 major area of focus is the active management of non-performing exposures, 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.
The Group remains focused on the organic strengthening of its capital position by the further expansion of pre-provision income while maintaining its robust risk management practices, and by proceeding to additional initiatives associated with the restructuring, transformation or optimization of operations, in Greece and abroad, that will generate or release further capital and/or reduce risk weighted assets. The Group's Common Equity Tier 1 (CET1) ratio stood at 17.3 % at 30 September 2017 (31 December 2016: 17.6%) and the net profit attributable to shareholders amounted to € 61 million for the period ended 30 September 2017 (31 December 2016: € 230 million).
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.

Post balance sheet events

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

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

The Board of Managing Directors,

S. Psychogyios	E. Zois
L.P. Elstershamis	R. Wemmi

Amsterdam, January 12, 2018

ERB NEW EUROPE FUNDING B.V.

Amsterdam

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 13 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 loss for the year to the other reserve. This proposed allocation of result has been incorporated in the financial statements, and is subject to the approval of the General Meeting of Shareholders.

Distributions to shareholders are subject to two tests, namely, the equity test and the distribution or liquidity test.
The directors of the B.V. must approve a proposed distribution and may only refuse if they know (or ought to reasonably foresee) that the B.V. after the distribution would no longer be able to repay its debts as and when they fall due (art. 2:216.2 DCC).

Independent auditor's report

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

pwc

ERB New Europe Funding B.V.
Attn: the board of managing directors
Herengracht 500
1017 CB AMSTERDAM

12 January 2018

Reference: MC/e0413501/TH/jm

Subject: financial statements and auditor's report 2016

Dear Sirs

We are pleased to send you a stamped version of the financial statements 2016, and our signed auditor's report dated 12 January 2018. Furthermore, we enclose three copies of the aforementioned auditor's report.

We provided one version of the auditor's report with an original signature. This auditor's report needs to be included in the section 'Other information' accompanying the financial statements which are signed by the board of managing directors and is for your own records. A copy of the auditor's report includes the name of the external auditor, but lacks a personal signature. We confirm that we give you our consent to include a copy in the section 'Other information' accompanying a copy of the financial statements 2016, which corresponds with the attached stamped version of the financial statements.

Signing and adopting the financial statements

The original financial statements must be signed by the board of managing directors before they are offered to the general meeting of ERB New Europe Funding B.V. These financial statements must be adopted by the general meeting of ERB New Europe Funding B.V. This adoption must be recorded in the minutes of the meeting. If the financial statements are not adopted within 45 days from the date of issuance of our auditor's report, our consent to include the report in the section 'Other information' accompanying the financial statements will be revoked. If that is the case, please contact us to discuss the situation.

Please send us a signed copy of the financial statements for our file.

Subsequent events

Please note that, if prior to the adoption of the financial statements there are circumstances or events with significant financial implication for the company (subsequent events), the financial statements need to be adjusted. Naturally, in such a situation, our consent is revoked.

PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 AV Rotterdam, the Netherlands
T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, www.pwc.nl

Consent to use and make public our auditor's report and related conditions

We confirm that we give you our consent to publish the copy of our auditor's report together with the corresponding complete set of the financial statements (including the directors' report and the 'Other information'), provided that the financial statements will be adopted without any changes by the general meeting of ERB New Europe Funding B.V.

If you publish the financial statements and a copy of the auditor's report on the Internet, you must safeguard that the financial statements are adequately segregated from any other information on the website. This could be done by publishing the financial statements as a separate, non-editable file, or by including a warning as soon as the reader leaves the financial statements (such as 'You are now leaving the protected audited financial statements').

Filing requirements

Within eight days after adoption of the financial statements, filing with the Chamber of Commerce must be fulfilled.

The financial statements must be adopted within seven months after year-end or, in case the general meeting of ERB New Europe Funding B.V. has formally extended the period for preparing, the financial statements must be adopted and filed within twelve months after year-end at the latest.

It should be borne in mind that filing the financial statements is required by law and that any failure to file them constitutes an offence. In certain cases, failure to file may lead to you, as director, being held liable.

There is no requirement for the board of managing directors to sign the accounts which are to be filed at the Chamber of Commerce. In order to avoid the risk of identity theft we recommend that you do not file financial statements and auditor's reports which include a signature. In an accompanying letter to the Chamber of Commerce, you should mention that the original financial statements have been signed by the board of managing directors and adopted by the general meeting of ERB New Europe Funding B.V., and the date on which this took place.

Information systems

In accordance with Section 2:393 sub 4 of the Dutch Civil Code, independent auditors must report their findings resulting from the audit of the financial statements with respect to the reliability and continuity of electronic data processing. As a result of our audit procedures we have no matters to report.

The responsibility for sufficient reliability and continuity of the electronic data processing lies primarily with management of the company. Our audit of the statutory financial statements is focused on issuing an opinion on the fairness of presentation of the financial statements and not the reliability and continuity of automated data processing as a whole or parts thereof.

It has been agreed that no separate examination of the reliability and continuity of automated data processing as a whole or parts thereof is carried out. If we had carried out specific procedures on the above aspects, additional findings might have been identified and reported to you.

Fraud

The primary responsibility for preventing and detecting fraud and mistakes rests with management. The board of managing directors of the company sees to it that management develops adequate procedures and takes appropriate measures if necessary. The auditor is responsible for evaluating the risk that the financial statements could be materially misstated due to fraud, mistakes or misappropriation of assets.

If during the course of our audit we had detected an act of fraud, we would have reported any such matter to you. If, in the event of a material fraud in respect of financial reporting, no appropriate action had been taken by you, we would be required to report this to the relevant authorities.

During the audit of the financial statements 2016, no indications of fraud came to our attention.

Please do not hesitate to contact us, if you have any queries.

Yours sincerely
PricewaterhouseCoopers Accountants N.V.

M.P.A. Corver RA
partner

Enclosures

pwc

Independent auditor's report

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

Report on the financial statements 2016

Our opinion

In our opinion ERB New Europe Funding B.V.'s financial statements give a true and fair view of the financial position of the company as at 31 December 2016, 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 (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of ERB New Europe Funding B.V., Amsterdam ('the company').

The financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the following statements for 2016: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 AV Rotterdam, the Netherlands
T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, www.pwc.nl

Independence

We are independent of ERB New Europe Funding B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- the directors' report; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of managing directors is responsible for the preparation of the other information, including the directors' report and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the board of managing directors

The board of managing directors is responsible for:
- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of managing directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of managing directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of managing directors should prepare the financial statements using the going-concern basis of accounting unless the board of managing directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of managing directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to irregularities, including fraud, or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 12 January 2018
PricewaterhouseCoopers Accountants N.V.

M.P.A. Corver RA

pwc

Appendix to our auditor's report on the financial statements 2016 of ERB New Europe Funding B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things, of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of managing directors.
- Concluding on the appropriateness of the board of managing directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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