

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

Amsterdam, The Netherlands

**ANNUAL REPORT 2016**

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

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# ERB NEW EUROPE FUNDING II B.V.

Amsterdam

## Report of the board of Managing Directors

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

### Key Activities

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

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

### Position of Eurobank Group

#### Macroeconomic environment

Greece's real GDP 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.

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### Report of the board of Managing Directors

#### Position of Eurobank Group (continued)

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 II B.V.

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### Report of the board of Managing Directors

#### Credit Rating of Eurobank Group

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

#### Result

In the current financial year the Company recorded a profit of EUR 10.761.289 (2015: profit of EUR 402.535), of which EUR 11.668.242 relates to other operating income (2015: EUR 2.030.123), which is set out in detail in the attached Income Statement. In the second quarter of 2016, ERB New Europe Funding II B.V. completed the assignment of a portfolio of non-performing gross loans of EUR 26 million (EUR 26 million, net of impairment allowance), which represented significant part of consumer unsecured loans past due more than 90 days as at 31 December 2015. Overall, the transactions resulted in a gain of EUR 10 million, that has been recognized in 'Other operating income'.

#### Risk Management

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

#### Credit risk

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

#### Market risk

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

#### Interest rate risk

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

#### Foreign exchange risk

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

#### Outlook

The Company will continue operating in the same manner and maintaining existing portfolio of clients. No significant new business and relationship are planned for 2016. Funding of the Company will remain the same and under the same terms. Capital base of the Company is adequate and no increase is needed. No investments are planned either in human resources or in any other area.

## ERB NEW EUROPE FUNDING II B.V.

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### Report of the board of Managing Directors

#### Post balance sheet events

##### Legislation on the conversion of CHF denominated loans to Romanian Leu

On 18 October 2016, the Romanian parliament unanimously passed a bill that allows borrowers to convert Swiss franc- On 18 October 2016, the Romanian parliament unanimously passed a bill that allows borrowers to convert Swiss franc-denominated loans into local currency 'Leu' using the exchange rate prevailing on the date they were originated. On 7 February 2017, the Romanian Constitutional Court (RCC) ruled that the above legislation is unconstitutional. The Court decision was grounded mainly on the breach of the principle of 'bicameralism' (i.e. the bill, in the form adopted by the Chamber of Deputies, is significantly different to the one adopted by the Senate) and the introduction of an 'automatic hardship' mechanism which is unfair to creditors.

##### Romanian Legislation on the discharge of debt obligations ('Datio in Solutum')

In May 2016, Law 77/2016 on the discharge of debt obligations ('Datio in Solutum') came into force in Romania. In particular, the said law provides for the discharge in full and under certain preconditions of the loans contracted by individuals and secured by mortgage arrangements by 'payment in kind' through the transfer of the mortgaged property.

According to the decision of the Romanian Constitutional Court (RCC) dated 25 October 2016 which was published in the Romanian Official Gazette on 18 January 2017, the specific law is partially unconstitutional and the Romanian courts of law shall verify the existence of hardship conditions when called to decide upon a 'Datio in Solutum' case based on this law.

Above mentioned post balance sheet events do not affect the financial position of the Company as at 31.12.2016.

#### Future Developments

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

#### Composition of the board

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

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

Amsterdam, January 31, 2018

#### The Board of Managing Directors,

S. Psychogyios

E. Zois

L.P. Elstershamis

R. Wemmi

## ERB NEW EUROPE FUNDING II B.V.

**Balance Sheet as at December 31, 2016**  
(amounts in EUR, after appropriation of results)

ASSETS	<u>Note</u>	<u>31/12/2016</u>	<u>31/12/2015</u>
<b>Non-Current Assets</b>			
Loans & advances to customers	7	240,704,077	285,295,502
<b>Current Assets</b>			
Loans & advances to customers	7	66,191,274	50,563,490
Other receivables	8	4,119,547	1,371,482
Income tax receivable	17	418,238	458,213
Cash and cash equivalents	9	6,640,175	6,244,566
<b>TOTAL ASSETS</b>		<b>318,073,311</b>	<b>343,933,253</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the company</b>			
Issued and paid-up capital	10	20,000	20,000
Share premium	10	11,980,000	11,980,000
Accumulated profits	10	17,044,712	6,283,424
		29,044,712	18,283,424
<b>Current Liabilities</b>			
Borrowings from group company	11	281,595,472	322,304,358
Interest payable to group company	12	630,282	174,221
Other payables	13	6,802,845	3,171,250
		289,028,599	325,649,829
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>318,073,311</b>	<b>343,933,253</b>

The notes to the Financial Statements on pages 10 to 33 form an integral part of these Financial Statements

## ERB NEW EUROPE FUNDING II B.V.

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

	Note	01/01-31/12/2016	01/01-31/12/2015
<b>Financial income and expenses</b>			
Interest income	14	19,161,665	22,376,518
Interest expense	15	(18,639,795)	(21,935,846)
		521,870	440,672
Other operating income / (expense)		11,668,242	2,030,123
Operating income		12,190,112	2,470,794
Foreign exchange loss		(495,106)	(1,458,837)
Operating costs	16	(892,618)	(572,128)
Profit before taxation		10,802,389	439,829
Corporate income tax expense	17	(41,100)	(37,294)
Profit after taxation		10,761,289	402,535

The notes to the Financial Statements on pages 10 to 33 form an integral part of these Financial Statements



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

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

	<u>Notes</u>	<u>01/01-31/12/2016</u>	<u>01/01-31/12/2015</u>
<b>Profit after taxation</b>		<b>10,761,289</b>	<b>402,535</b>
<b>Other comprehensive income:</b>		-	-
<b>Other comprehensive income for the year, net of tax</b>		-	-
<b>Total comprehensive income for the year</b>		<b><u>10,761,289</u></b>	<b><u>402,535</u></b>

The notes to the Financial Statements on pages 10 to 33 form an integral part of these Financial Statements

## ERB NEW EUROPE FUNDING II B.V.

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

	Note	1/1-31/12/2016	1/1-31/12/2015
<b>Cash flows from operating activities:</b>			
Profit / (Loss) before taxation		10,802,389	439,829
Adjustments for:			
Interest income	14	(19,161,665)	(22,376,518)
Interest expenses	15	18,639,795	21,935,846
		10,280,518	(843)
Net decrease/ (increase) in loans & advances		17,022,669	29,924,207
<i>Writedown of borrowings from group company</i>		(18,254,323)	(15,603,643)
Net decrease/ (increase) in other receivables		(248,065)	52,795,725
Net decrease/ (increase) in other payables		1,131,595	954,999
Cash generated from operations		28,186,717	83,674,088
Income taxes paid	17	(1,125)	(17,288)
Interest received		31,102,637	25,394,698
Interest paid		(18,183,734)	(23,327,183)
		41,104,495	85,724,315
<i>Net cash from operation activities:</i>		41,104,495	85,724,315
<b>Cash flows from financing activities:</b>			
Increase in borrowings from group company	11	52,420,526	-
Repayment of borrowings from group company	12	(76,285,588)	(45,244,268)
<i>Writedown of borrowings from group company</i>		(18,254,323)	(69,271,206)
<i>Unrealised currency translation (gains)/losses</i>		1,410,500	27,172,994
<i>Net cash used in financing activities</i>		(40,708,886)	(87,342,480)
<b>Net (Decrease) / Increase in cash and cash equivalents</b>	9	395,609	(1,618,165)
<b>Cash and cash equivalents at the beginning of the year</b>	9	6,244,566	7,862,730
<b>Cash and cash equivalents at the end of the year</b>	9	6,640,175	6,244,566

**Cash flow from investing activities:**

During the financial year 2016 there were no investing activities in the Company.

The notes to the Financial Statements on pages 10 to 33 form an integral part of these Financial Statements

## ERB NEW EUROPE FUNDING II B.V.

### Statement of changes in equity for the financial year ended December 31, 2016 (amounts in EUR)

#### EQUITY

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

	Attributable to owners of the parent			Total equity
	Issued and paid-up capital	Share premium	Accumulated profits	
Balance as at January 1, 2015	20,000	11,980,000	5,880,889	17,880,889
Profit for the year	-	-	402,535	402,535
Other Comprehensive Income for the year	-	-	-	-
Total Comprehensive Income for the year	-	-	402,535	402,535
<b>Balance as at December 31, 2015</b>	<b>20,000</b>	<b>11,980,000</b>	<b>6,283,424</b>	<b>18,283,424</b>
Balance as at January 1, 2016	20,000	11,980,000	6,283,424	18,283,424
Profit for the year	-	-	10,761,289	10,761,289
Other Comprehensive Income for the year	-	-	-	-
Total Comprehensive Income for the year	-	-	10,761,289	10,761,289
<b>Balance as at December 31, 2016</b>	<b>20,000</b>	<b>11,980,000</b>	<b>17,044,713</b>	<b>29,044,713</b>

The notes to the Financial Statements on pages 10 to 33 form an integral part of these Financial Statements

## ERB NEW EUROPE FUNDING II B.V.

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

### 1 GENERAL

ERB New Europe Funding II B.V. (the Company) was incorporated on April 24, 2008 and has its registered and office address at Herengracht 500, 1017 CH, Amsterdam, the Netherlands. The Company is incorporated in The Netherlands and is wholly owned by ERB New Europe Holding B.V., a wholly owned subsidiary of Eurobank Ergasias S.A. in Greece. The Company's Chamber of Commerce number is 34300657.

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

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

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

These financial statements were approved and authorized for issue by the Board of Managing Directors on December 10, 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 ongoing concern basis.

The policies set out below have been consistently applied to the years 2016 and 2015, except as described below. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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

#### Amendments to standards adopted by the Company

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

## ERB NEW EUROPE FUNDING II B.V.

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

### 2 PRINCIPAL ACCOUNTING POLICIES (continued)

#### 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.

• 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, 'Disclosures-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.

#### 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.

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2016  
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### 2 PRINCIPAL ACCOUNTING POLICIES (continued)

#### *SPT 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.

#### *Preliminary assessment of changes to the classification and measurement*

The Company conducted a preliminary high-level assessment of possible changes to the classification and measurement of its portfolios based on its existing business models as at 31 December 2016. The Company's current expectation is that:

- loans and advances to banks and customers that are classified as loans and receivables and measured at amortized cost under IAS 39 would also be measured at amortized cost under IFRS 9;
- held-to-maturity investment securities measured at amortized cost under IAS 39 would in general also be measured at amortized cost under IFRS 9;
- debt securities classified as available-for-sale under IAS 39, may under IFRS 9 be measured at amortized cost or FVOCI depending on the business model within which they are held;
- assets in the debt securities leading portfolio (see note 26) that are measured at amortized cost under IAS 39, may under IFRS 9 be measured at amortized cost or FVOCI depending on the business model within which they are held;
- debt securities that are measured at FVTPL under IAS 39 would in general continue to be measured at FVTPL under IFRS 9;
- trading assets and derivative assets that are measured at FVTPL under IAS 39 would also be measured at FVTPL under IFRS 9; and
- equity securities classified as available-for-sale under IAS 39 would generally be measured at FVTPL under IFRS 9.

The above classification and measurement assessment may not be fully representative of the impact on the Company's financial statements as at 1 January 2018 because IFRS 9 requires the business model assessment to be made based on the facts and circumstances that exist at the date of initial application. Moreover, the Company's preliminary assessment has not included a detailed review of the contractual terms of all the financial assets which is in progress.

The final impact will depend on the structure of the Company's portfolios on initial application, which may not be the same as at 31 December 2016.

#### **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).

#### **Transition**

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

Moreover, the following assessments will have to be made on the basis of facts and circumstances that exist at the date of initial application:

- the determination of the business model within which a financial asset is held;
- the designation and revocation of previous designations of certain financial assets and liabilities as measured at FVTPL; and
- the designation of certain investments in equity instruments not held-for-trading as at FVOCI.

#### **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.

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2016  
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### 2 PRINCIPAL ACCOUNTING POLICIES (continued)

#### Going concern

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

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

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

#### Functional and presentation currency

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

#### Foreign currency

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

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

#### Income tax

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

#### Deferred tax

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

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

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

#### Financial instruments

Financial assets and financial liabilities are recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of the investment. As at December 31, 2016, the Company did not conclude any derivative contracts. A financial asset is derecognized when the contractual cash flows of the loan expire, or the Company transfers its rights to receive those cash flows in an outright sale in which substantially all the risk and rewards of ownership have been transferred.

#### Loans and receivables

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

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

#### Share capital

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

## ERB NEW EUROPE FUNDING II B.V.

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

### 2 PRINCIPAL ACCOUNTING POLICIES (continued)

#### Cash and cash equivalents

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

#### Impairment

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

#### Impairment indicators

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

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

For all other financial assets including corporate loan exposures, the Company assesses on a case-by-case basis at each reporting date whether there is any objective evidence of impairment using the following criteria:

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



## ERB NEW EUROPE FUNDING II B.V.

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

### 2 PRINCIPAL ACCOUNTING POLICIES (continued)

#### *Assets carried at amortized cost*

##### **Impairment assessment**

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

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

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

##### **Interest-bearing borrowings**

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

##### **De-recognition of financial liabilities**

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

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

##### **Other payables**

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

## ERB NEW EUROPE FUNDING II B.V.

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

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

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

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

#### (c) Exchange rate differences

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

#### (d) Taxation

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

## ERB NEW EUROPE FUNDING II B.V.

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

### 5 FINANCIAL RISK MANAGEMENT

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

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

#### 5.1. Credit risk

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

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

The Company's portfolio is reviewed on a regular basis for impairment provisions. There is a limited recourse through the Overdraft Multicurrency Agreement between the Company (Borrower) and Eurobank Cyprus Ltd. (Lender), which states that the aggregate loss accrued by the Company (Borrower) in relation to its creditors defaulting under corresponding loans will not exceed the lower of Euro 2,000,000 or, 1% (one percent) of the outstanding amounts of corresponding loans, calculated before tax and over the total term of the agreement.

#### Loans and advances

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

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

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

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

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

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

#### Credit monitoring

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

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2016  
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### 5.1. Credit risk (continued)

#### Cash and cash equivalents

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

#### Collateral

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

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

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

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

	31-12-2016
Loans & advances to customers - principal outstanding*	295,704,960
Interest receivable	12,011,485
Other receivables related to loans-monthly administration fees	1,178,908
Less: allowance for impairment	-2,000,000
<b>Net Loans and advances to customers</b>	<b>306,895,353</b>
Other receivables (Note 8)	4,119,547
Cash and cash equivalents	6,640,175
<b>Total</b>	<b>317,655,075</b>
<hr/>	
	12/31/2015
Loans & advances to customers - principal outstanding*	314,038,630
Interest receivable	20,587,386
Other receivables related to loans-monthly administration fees	3,232,976
Less: allowance for impairment	-2,000,000
<b>Net Loans and advances to customers</b>	<b>335,858,992</b>
Other receivables (Note 8)	1,371,482
Cash and cash equivalents	6,244,566
<b>Total</b>	<b>343,475,040</b>

(\*): Loans and advances to customers are after any write downs performed due to limited recourse against borrowings, which for 2016 is Euro 18,073,114 and for 2015 is Euro 15,266,904

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

#### 5.1.2. Loans and advances

As at December 31, 2016 and 2015, loans and advances are summarized as follows:

	31-12-2016	12/31/2015
Neither past due nor impaired	114,453,322	133,583,380
Past due but not impaired	38,945,262	46,687,881
Impaired - individually assessed	82,534,493	38,904,766
Impaired - collectively assessed	72,962,275	118,682,965
<b>Gross Loans and advances to Customers</b>	<b>308,895,352</b>	<b>337,858,992</b>
Less: Allowance for impairment	-2,000,000	-2,000,000
<b>Net Loans and advances to customers</b>	<b>306,895,352</b>	<b>335,858,992</b>
Impairments not yet charged under the limited recourse guarantee with Eurobank Cyprus Ltd*	(17,733,038)	(26,521,945)
<b>Net loans and advances after impairments</b>	<b>289,162,314</b>	<b>309,337,047</b>

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

## ERB NEW EUROPE FUNDING II B.V.

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

### 5.1. Credit risk (continued)

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

The wholesale and small business loans as at 31 December 2016 are covered by collaterals at 110% and 91%, respectively (2015: 100% and 87%, respectively). Consumer loans are not collateralized. Mortgage loans are collateralized at 101% (2015: 95%).

#### Credit quality of loans and advances to customers

Loans and advances to customers are classified as "neither past due nor impaired", "past due but not impaired" and "impaired".

Loans are reported as "neither past due nor impaired" when no contractual payments are in arrears and there are no other indications of impairment.

"Past due but not impaired" category includes loans with contractual payments overdue by at least one day, but which are not impaired unless specific information indicates to the contrary. This is typically when loans are in arrears less than 90 days past due for consumer and small business exposures, and less than 180 days past due for mortgage and wholesale exposures. For loans in this category, although not considered impaired, the Company may recognize an impairment provision.

"Impaired" loans that are individually assessed comprise wholesale exposures as well as small business loans which carry an individual impairment provision. All other retail impaired exposures carry a collective impairment provision.

The evidence considered by the Company in determining that there is objective evidence of impairment is set out in Note 2 Impairment.

The tables below present the total gross amount, representing the maximum exposure to credit risk gross of impairment allowance, of loans and advances that are classified as non impaired (i.e. "neither past due nor impaired" and "past due but not impaired") and those classified as impaired.

#### (a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at 31 December 2016 and 2015 was assessed by reference to the entity's own standard grading system. The following information is based on that system.

	31/12/2016	31/12/2015
Acceptable- low risk	114,453,322	133,583,380
Total	114,453,322	133,583,380

ERB NEW EUROPE FUNDING II B.V.

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

5.1. Credit risk (continued)

5.1.2. Loans and advances (continued)

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

	Consumer	Mortgage	Small business	Wholesale	31/12/2016
Current					
Past due up to 29 days	4,519,880	24,832,410	286,910	-	29,639,200
Past due 30 - 89 days	1,220,153	7,837,946	192,221	-	9,250,320
Past due 90 - 180 days	-	55,743	-	-	55,743
Past due more than 180 days	-	-	-	-	-
<b>Total</b>	<b>5,740,033</b>	<b>32,726,099</b>	<b>479,131</b>	<b>-</b>	<b>38,945,263</b>
Fair value of collateral	-	25,630,526	473,784	-	26,104,309

	Consumer	Mortgage	Small business	Wholesale	31/12/2015
Current					
Past due up to 29 days	7,491,364	27,069,550	395,526	-	34,956,440
Past due 30 - 89 days	1,879,962	9,429,666	421,813	-	11,731,441
Past due 90 - 180 days	-	-	-	-	-
Past due more than 180 days	-	-	-	-	-
<b>Total</b>	<b>9,371,326</b>	<b>36,499,216</b>	<b>817,339</b>	<b>-</b>	<b>46,687,881</b>
Fair value of collateral	-	28,267,241	771,691	-	29,038,932

(c) Impaired loans and advances

(c 1) Impaired loans and advances collectively assessed

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

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

	31/12/2015			
	Consumer	Mortgage	Small Business	Total
Collectively assessed loans	34,086,292	53,747,632	30,849,041	118,682,965
<b>Fair value of collateral</b>	<b>-</b>	<b>37,510,211</b>	<b>21,829,061</b>	<b>59,339,273</b>

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2016  
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### 5.1. Credit risk (continued)

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

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

For individually assessed accounts, loans are treated as impaired as soon as there is objective evidence that an impairment loss has been incurred. The criteria used by the Company to determine that there is objective evidence of impairment include:

- known cash flow difficulties experienced by the borrower,
- overdue contractual payments of either principal or interest,
- breach of loan covenants or conditions,
- the probability that the borrower will enter bankruptcy or other financial reorganization,
- a downgrading in credit rating by an external credit rating agency

During 2016 the impairment triggers and classification of exposures has been revised following integration of EBA concepts and categories regarding non-performing and forbore loans which had an effect on the assessment of the small business loans

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

31/12/2016				
	Mortgage	Small business	Wholesale	Total
Individually assessed loans	-	-	82,534,493	82,534,493
Fair value of collateral	-	-	87,221,427	87,221,427

31/12/2015				
	Mortgage	Small business	Wholesale	Total
Individually assessed loans	-	-	38,904,766	38,904,766
Fair value of collateral	-	-	41,841,734	41,841,734

##### (d) Repossessed collateral

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

During 2010-2016 there were no repossessed collateral.

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

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

5.1. Credit risk (continued)

5.1.2. Loans and advances (continued)

(e) Concentration of credit risk exposure

Geographical Sector

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

		<u>31/12/2016</u>
Loans and advances to customers:		
	Consumer	23,126,158
	Mortgage	180,305,940
	Small businesses	22,928,760
	Wholesale	82,534,490
Cash and cash equivalents		6,640,175
Other Assets		1,619,547
<b>Total</b>		<b><u>317,155,070</u></b>
		<u>31/12/2015</u>
Loans and advances to customers:		
	Consumer	64,518,278
	Mortgage	197,483,461
	Small businesses	36,952,487
	Wholesale	38,904,766
Cash and cash equivalents		6,244,566
Other Assets		1,371,483
<b>Total</b>		<b><u>345,475,041</u></b>

Industry sector

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

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



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

Notes to the Financial Statements as at December 31, 2016  
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5.1. Credit risk (continued)

5.1.2. Loans and advances (continued)

	Commerce and services	Private individuals	Manufacturing	Construction	Other industries	31/12/2015
Loans and advances to customers						
- Consumer	-	64,518,278	-	-	-	64,518,278
- Mortgage	-	197,483,461	-	-	-	197,483,461
- Small businesses	23,205,765	-	6,748,102	5,547,274	1,451,346	36,952,487
- Wholesale	10,490,504	-	5,133,335	20,169,790	3,111,137	38,904,766
Cash and cash equivalents	6,244,567	-	-	-	-	6,244,567
Other Assets	1,371,483	-	-	-	-	1,371,483
<b>Total</b>	<b>41,312,319</b>	<b>262,001,739</b>	<b>11,881,437</b>	<b>25,717,064</b>	<b>4,562,483</b>	<b>345,475,042</b>

*ff) Fair value of financial assets and liabilities*

The three levels of the fair value hierarchy as at 31 December 2016 based on whether the inputs to the fair values are observable or unobservable, are as follows

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

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

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

*gg) Fair value of financial assets and liabilities*

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

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

	31/12/2016				Net carrying amount
	Level 1	Level 2	Level 3	Total fair value	
<b>Financial assets</b>					
Loans and advances to customers	-	-	284,374,019	284,374,019	306,895,353
<b>Total financial assets</b>					

	31/12/2015				Net carrying amount
	Level 1	Level 2	Level 3	Total fair value	
<b>Financial assets</b>					
Loans and advances to customers	-	-	291,780,553	291,780,553	335,858,992
<b>Total financial assets</b>					

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

	31/12/2016				Net carrying amount
	Level 1	Level 2	Level 3	Total fair value	
<b>Financial assets</b>					
Loans and advances to customers	-	-	259,091,041	259,091,041	306,895,353
<b>Total financial assets</b>					

## ERB NEW EUROPE FUNDING II B.V.

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

### 5.1. Credit risk (continued)

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

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

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

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

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

	31/12/2016		31/12/2015	
	Carrying amount	Fair Value	Carrying amount	Fair Value
<b>Financial liabilities</b>				
Borrowings	281,595,473	281,595,473	322,304,358	322,304,358
Other Liabilities	7,433,127	7,433,127	3,345,471	3,345,471
<b>Total financial liabilities</b>	<b>289,028,600</b>	<b>289,028,600</b>	<b>325,649,829</b>	<b>325,649,829</b>

### 5.2. Market risk

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

#### 5.2.1. Interest rate risk

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

#### 5.2.2. Foreign exchange risk

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

#### 5.2.3. Sensitivity analysis

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

##### Sensitivity of Income Statement

	31/12/2016	31/12/2015
<u>Foreign exchange</u>	gain/(loss)	gain/(loss)
10% depreciation of functional currency (EUR) over foreign currencies	12,659,805	6,377,389

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2016  
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### 5.3. Liquidity risk

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

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

#### Contractual undiscounted cash flows

	31/12/2016	31/12/2015
<i>Up to 1 month:</i>		
Borrowings from group companies	281,595,473	322,304,358
Interest payable to group companies	630,282	174,221
Other payables	6,802,845	3,171,250
	<u>289,028,600</u>	<u>325,649,829</u>
<i>Total:</i>		
Borrowings from group companies	281,595,473	322,304,358
Interest payable to group companies	630,282	174,221
Other payables	6,802,845	3,171,250
	<u>289,028,600</u>	<u>325,649,829</u>

### 5.4. Capital management

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

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

The capital of the Company is presented below

	31/12/2016	31/12/2015
Issued and paid-up capital	20,000	20,000
Share premium	11,980,000	11,980,000
Other reserve	17,044,713	6,283,424
Total equity	<u>29,044,713</u>	<u>18,283,424</u>

## ERB NEW EUROPE FUNDING II B.V.

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

### 6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

#### a) Impairment losses on loans and advances

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

An Overdraft Multicurrency agreement dated July 11, 2008 between the Company (Borrower) and Eurobank Cyprus Ltd. (Lender) was concluded. There is a limited recourse through the Overdraft Multicurrency Agreement which states that the aggregate loss accrued by the Company (Borrower) in relation to its creditors defaulting under corresponding loans will not exceed the lower of Euro 2,000,000 or 1% (one per cent) of the outstanding amounts of corresponding loans, calculated before tax and over the total term of this agreement.

#### b) Uncertain tax position

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

#### c) Deferred income tax asset recognition

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

#### d) Fair value of financial assets and liabilities

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

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2016  
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### 7 LOANS & ADVANCES TO CUSTOMERS

	31/12/2016	31/12/2015
Consumer loans*	23,126,158	64,518,278
Mortgage loans*	180,305,940	197,483,461
Small Business Borrowings/ Corporate loans*	105,463,250	75,857,253
Total loans to clients - gross*	308,895,348	337,858,992
Less: allowance for impairment (own risk)	-2,000,000	-2,000,000
	306,895,348	335,858,992
Impairments not yet charged under the limited recourse guarantee with Eurobank Cyprus Ltd**	-17,733,038	-26,521,945
	289,162,310	309,337,047

\* ) Loans and advances to customers are after any write downs performed due to limited recourse against borrowings, which for 2016 is EUR 18.073.114 and for 2015 is EUR 15.266.904. This write down is counterbalanced by the write down of financing borrowings from Group Company for the same amount (refer to note 11).

In the second quarter of 2016, ERB New Europe Funding II B.V. completed the assignment of a portfolio of non-performing gross loans of EUR 26 million (EUR 26 million, net of impairment allowance), which represented significant part of consumer unsecured loans past due more than 90 days as at 31 December 2015. Overall, the transactions resulted in a gain of EUR 10 million, that has been recognized in 'Other operating income'.

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

	31/12/2016	31/12/2015
Movement in write downs limited recourse		
Opening balance	168,204,496	152,937,592
Write downs performed during the year	18,073,114	15,266,904
Closing balance as at year end	186,277,610	168,204,496

	31/12/2016	31/12/2015
<b>Current Assets:</b>		
Loan repayments due		
Up to 1 month	2,330,343	3,120,521
1-3 months	20,932,882	6,258,372
4-12 months	42,928,049	41,184,597
	66,191,274	50,563,490

	31/12/2016	31/12/2015
<b>Non-Current Assets:</b>		
1-5 years	73,581,429	100,831,643
Over 5 years	167,122,648	184,463,859
	240,704,077	285,295,502

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

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

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

Movements in provisions in 2016 and 2015 for impairment of loans and interest receivable are:

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

Type of loan	Consumer loans	Mortgage loans	Small business loans	Corporate loans	Total
Opening balance as at January 1, 2015	1,646,989	314,533	38,478	-	2,000,000
Provision charge / release for the year (including collection fees)	-92,560	107,483	-14,923	-	-
Disposal of loan portfolio	-	-	-	-	-
Other movements	-	-	-	-	-
Foreign exchange loss (gain)	-	-	-	-	-
Closing balance as at December 31, 2015	1,554,429	422,016	23,555	-	2,000,000

**8 OTHER RECEIVABLES**

Description	31/12/2016	31/12/2015
Receivable from Eurobank Cyprus Ltd. related to litigation provisions *	2,509,000	-
Receivable from repossessed collaterals	97,248	97,605
Other receivables	11,977	9,857
Receivables from sold loans	58,809	-
Receivable from Eurobank Cyprus Ltd	1,451,513	1,264,020
	<u>4,119,547</u>	<u>1,371,482</u>

\* Receivable from Eurobank Cyprus Ltd. related to litigation provisions relates to a receivable due to the limited recourse guarantee for provisions regarding potential litigations (for details please refer to Note 13)

**9 CASH AND CASH EQUIVALENTS**

Description	31/12/2016	31/12/2015
Due from banks/current accounts	2,106,364	2,463,129
Due from banks/deposits placed with banks	4,533,811	3,781,438
	<u>6,640,175</u>	<u>6,244,566</u>

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

**10 EQUITY**

The Company's authorized share capital amounts to EUR 90,000 and consists of 90,000 ordinary shares with a nominal value of EUR 1 each.

As at December 31, 2016, 20,000 shares were issued and fully paid-up. The movements in the Equity we refer to the Statement of Equity on page 9 of this report.

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

## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2016  
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### 11 BORROWINGS FROM GROUP COMPANY

	31/12/2016	31/12/2015
Financing borrowings from Eurobank Cyprus Ltd.	299,668,587	391,579,170
Write-downs due to limited recourse against loans and advances to customers	-18,073,114	-69,274,812
	281,595,473	322,304,358

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

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

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

### 12 INTEREST PAYABLE TO GROUP COMPANY

	31/12/2016	31/12/2015
Eurobank Cyprus Ltd - Cyprus	630,282	174,221
Repayments are due within 1 month	630,282	174,221

### 13 OTHER PAYABLES

	31/12/2016	31/12/2015
Payables to Bancpost S.A.	3,319,907	2,081,640
Litigation provisions *	2,500,000	-
Payables to Eurolife ERB Asigurari de Viata S.A.	311,552	190,779
Payables to sundry lawyers	2,135	22
Accrued expenses (PWC)	50,000	50,000
Other payables	619,251	848,808
	6,802,845	3,171,250

\*Litigation provisions relate to provisions for "abusive clauses" issue (potential litigation from Romanian customers for loans initially granted in the period 2000-2010). The amount has been calculated as the present value of estimated future cash outflows. In assessing these future cash flows, assumptions are made in respect of uncertain matters like timing and amount in projecting cash flows and discount rates. In more detail, most relevant factors are: number of litigation cases expected to be initiated, probability of loss, and average payout per litigation case, for which historical data has been used as a basis for forecasts. It is noted that any litigation provisions are covered by the limited recourse guarantee (please refer to Note 8).

### 14 INTEREST INCOME

	1/1/16-31/12/16	1/1/15-31/12/15
Interest income on loans and advances	18,316,607	20,404,777
Interest related income	2,157,412	3,401,911
Interest related fees	-1,312,354	-1,430,170
	19,161,665	22,376,518

### 15 INTEREST EXPENSE

	1/1/16-31/12/16	1/1/15-31/12/15
Interest expense borrowings from group Company	18,607,469	21,920,058
Bank interest expenses	32,325	15,788
	18,639,795	21,935,846

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

Notes to the Financial Statements as at December 31, 2016  
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**16 OPERATING COSTS**

	<u>1/1/16-31/12/16</u>	<u>1/1/15-31/12/15</u>
Management, domiciliary and accounting fees	70,000	72,917
Occasional consultancy fees	43,639	109,177
Non-deductible VAT	71,768	62,712
Legal services	191,787	76,204
Forced execution expenses	167,731	108,766
Litigations expenses	275,582	71,806
Other services (audit, valuation, banking fee, postage and travelling)	72,111	70,547
	<u>892,618</u>	<u>572,128</u>

**17 TAXATION**

In 2016 and 2015, this item can be detailed as follows:

	<u>1/1/16-31/12/16</u>	<u>1/1/15-31/12/15</u>
Result before taxation	10,802,389	439,829
Less: Foreign exchange gain/(loss)	495,106	1,458,837
Less: non-taxable operating income	<u>-11,093,094</u>	<u>-1,712,197</u>
Taxable profit	204,400	186,470
Statutory tax rate 20% over 200 000	40,000	37,294
Statutory tax rate 25% over remaining amount	<u>1,100</u>	<u></u>
	<u>41,100</u>	<u>261,058</u>
Corporate Income tax current year	<u>41,100</u>	<u>55,299</u>
Effective tax rate	0.38%	8.48%

The movements in the taxation are as follows:

	<u>31/12/2016</u>	<u>31/12/2015</u>
Opening balance	458,213	478,219
Estimate tax charge for the year	-41,100	(37,294)
Payments made	142,603	77,500
Amounts refunded by the Tax Authorities	<u>(141,478)</u>	<u>(60,212)</u>
Closing balance	<u>418,238</u>	<u>458,213</u>

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



## ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2016  
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### 18 RELATED PARTIES

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

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

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

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

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

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

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

	<u>1/1/16-31/12/16</u>	<u>1/1/15-31/12/15</u>
Interest expense borrowings Eurobank Cyprus	-18,639,795	-21,935,846
Bank fees Bancpost SA	-29,938	-24,437
Expenses relating to interest income on loans & advances Bancpost SA	-1,058,593	-1,197,935
Expenses relating to interest income on loans & advances Eurolife ERB Insurance	-253,762	-232,235
Interest income Eurobank Cyprus Ltd	-	69
Interest income Bancpost SA	1,353	3,105
Operating expenses Eurobank Property Services SA Romania	-5,333	-
	<u>(19,986,067)</u>	<u>(23,387,279)</u>

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

	<u>1/1/16-31/12/16</u>	<u>1/1/15-31/12/15</u>
Current accounts with banks Bancpost SA	2,007,648	2,317,317
Current accounts with banks Eurobank Cyprus	93,716	73,391
Term deposits with other banks Bancpost SA	2,457,085	1,704,712
Term deposits with other banks Eurobank Cyprus	2,076,726	2,076,726
Loans & advances to customers (prepaid origination fees) Bancpost SA	-65,524	220,250
Other receivables Bancpost SA	97,248	97,605
Other receivables Eurobank Cyprus	56,166	56,166
Term loans from banks Eurobank Cyprus Ltd	-282,225,754	-322,478,580
Other payables to Group Company	-3,314,833	-2,076,546
Impairments not yet charged under the limited recourse guarantee with Eurobank Cyprus Ltd	17,733,038	-
	<u>(261,084,485)</u>	<u>(318,608,966)</u>

## ERB NEW EUROPE FUNDING II B.V.

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

### 19 COMMITMENTS AND CONTINGENCIES

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

### 20 OTHER INFORMATION ON GENERAL AND ADMINISTRATIVE EXPENSES

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

The audit fees of EUR 30 000 (2015: EUR 30 000) comprises the fees of independent external auditor PricewaterhouseCoopers Accountants N.V. for the statutory audit of the financial statements

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

### 21 DIRECTORS

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

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

### 22 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 export-led 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

## ERB NEW EUROPE FUNDING II B.V.

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

### Solvency risk

The Group monitors closely the developments in the Greek macroeconomic environment taking into account its direct and indirect exposure to sovereign risk. A 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

#### Legislation on the conversion of CHF denominated loans to Romanian Lei

On 18 October 2016, the Romanian parliament unanimously passed a bill that allows borrowers to convert Swiss franc-denominated loans into local currency 'Lei' using the exchange rate prevailing on the date they were originated. On 7 February 2017, the Romanian Constitutional Court (RCC) ruled that the above legislation is unconstitutional. The Court decision was grounded mainly on the breach of the principle of 'bicameralism' (i.e. the bill, in the form adopted by the Chamber of Deputies, is significantly different to the one adopted by the Senate) and the introduction of an 'automatic hardship' mechanism which is unfair to creditors.

#### Romanian Legislation on the discharge of debt obligations ('Datio in Solutum')

In May 2016, Law 77/2016 on the discharge of debt obligations ('Datio in Solutum') came into force in Romania. In particular, the said law provides for the discharge in full and under certain preconditions of the loans contracted by individuals and secured by mortgage arrangements by 'payment in kind' through the transfer of the mortgaged property.

According to the decision of the Romanian Constitutional Court (RCC) dated 25 October 2016 which was published in the Romanian Official Gazette on 18 January 2017, the specific law is partially unconstitutional and the Romanian courts of law shall verify the existence of hardship conditions when called to decide upon a 'Datio in Solutum' case based on this law.

Above mentioned post balance sheet events do not affect the financial position of the Company as at 31 12 2016.

### The Board of Managing Directors

S. Psychogios

E. Zois

L.P. Elstershamis

R. Wemmi

Amsterdam, January 31, 2018

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

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

**Other information**

**Statutory provision regarding appropriation of Result**

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

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

**Appropriation of result**

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

**Independent auditor's report**

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



## *Independent auditor's report*

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

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### *Report on the financial statements 2016*

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#### *Our opinion*

In our opinion ERB New Europe Funding II 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 II 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.

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#### *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.

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### *Independence*

We are independent of ERB New Europe Funding II B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance opdrachten' (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).

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### *Report on the other information included in the annual report*

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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.

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### *Responsibilities for the financial statements and the audit*

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#### *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.



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### *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, 31 January 2018  
PricewaterhouseCoopers Accountants N.V.



M.P.A. Corver RA



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

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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.