ERB NEW EUROPE FUNDING B.V.

Amsterdam, The Netherlands

ANNUAL REPORT 2017

ERB NEW EUROPE FUNDING B.V.

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Amsterdam

Report of the board of Managing Directors

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

Key Activities

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

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

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

Overview of activities

During the financial year 2017 the Company decreased its loan portfolio for a total amount of EUR 4.810.868 (2016: 11.322.585).
The loan portfolio was decreased by repayments from customers.

Position of Eurobank Group

Macroeconomic environment

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

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

Position of Eurobank Group (continued)

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

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

Liquidity risk

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

Solvency risk

The Group monitors closely the developments in the Greek macroeconomic environment taking into account its direct and indirect exposure to sovereign risk. A key priority is the active management of NPEs, with the aim to substantially reduce their stock in accordance with the Bank's operational targets and taking advantage of the Group's internal infrastructure, the important legislative changes and the external partnerships that have taken or are expected to take place.

In parallel, the Group recorded a net profit attributable to shareholders of € 104 million for 2017. In the context of its strategic plan, the Bank has undertaken significant initiatives towards the fulfillment of the remaining commitments of the restructuring plan and it proceeded with the redemption of the preference shares by issuing Tier 2 bonds at early 2018, which count in its total capital adequacy ratio. The Group's Common Equity Tier 1 (CET1) ratio stood at 17.9 % at 31 December 2017, while the respective pro-forma ratio with the redemption of preference shares/issue of Tier 2 bonds and the completion of the sale transaction in Romania would be 15.8%. The impact of the adoption of IFRS 9 on Group's CET1 as at the end of 2018, according to the transitional arrangements for the 5-year phase in period, will be 16 bps.

Eurobank, along with the other three Greek systemic banks directly supervised by the European Central Bank (ECB), undergoes the 2018 EU-wide stress test launched by the European Banking Authority (EBA) on 31 January 2018. The results for the Greek systemic banks are expected to be published in May 2018. Within an environment of positive growth, the Group is well on track to achieve the 2018 NPE reduction targets, maintain profitability, continue the creation of organic capital and strengthen its position in the Greek market and abroad.

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Amsterdam

Report of the board of Managing Directors

Credit Rating of Eurobank Group

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

Result

During the year under review, the Company recorded a profit of EUR 18.569 (2016: a loss after tax of EUR 111.278) which is set out in detail in the attached Income Statement.

Risk Management

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

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

Credit risk

Credit risk - is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers. For credit risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor risk, sector risk, repayment risk, ect.).

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

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

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

Market risk

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

Interest rate risk

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

Foreign currency risk

The risk that assets or liabilities in foreign currencies will fluctuate in value due to exchange rate fluctuations. Loan assets and loan liabilities are undertaken back to back in the identical currencies. Thus this risk is fully compensated by this balance. Hence there is only immaterial foreign currency risk, which is on the difference between interest receivable and interest payable stated in a foreign currency. At this time, the only foreign currency exposure is CHF (Swiss Francs).

Liquidity risk

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

Capital management

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

For further analysis we refer to note 6 of the financial statements in which the different risks identified for the Company have been further addressed.

Outlook

There were no changes in the nature of the activities of the Company in 2017 and no changes are expected in 2018. The Company will continue operating in the same manner and maintaining existing portfolio of clients. No significant new business and relationships are planned for 2017. Funding of the Company will remain the same and under the same terms. Capital base of the Company is adequate and no increase are needed. No investments are planned either in human resources or in any other area.

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Amsterdam

Report of the board of Managing Directors

Post balance sheet events

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

Future Developments

The Company's business strategy and activities are linked to these of Eurobank Ergasias S.A.,which is the direct shareholder of the Company. The assessment by the directors of the Company's on going business model is closely associated with the business decisions and operations of the Parent Company and its subsidiaries. On the basis of the analysis of the Company's profitability, capitalization and funding structure, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future.

Composition of the Board of Managing Directors

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

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

Amsterdam, December 19, 2018

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

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

ERB NEW EUROPE FUNDING B.V.

Statement of Financial Position as at December 31, 2017

(In EUR, after appropriation of results)

	Notes	31/12/2017	31/12/2016
ASSETS			
Non-current assets			
Loans & advances to customers	7	34,139,652	39,823,192
		34,139,652	39,823,192
Current assets			
Loans & advances to customers	7	24,824,355	23,925,396
Interest receivable	8	64,024	58,700
Other receivables	9	2,059	2,537
Taxation	15	49,692	2,253
Cash and cash equivalents	10	795,911	1,890,575
		25,736,042	25,879,461
TOTAL ASSETS		59,875,693	65,702,653
EQUITY	11		
Capital and reserves attributable to equity holders of the company			
Issued and paid-up capital		18,000	18,000
Share premium		1,982,000	1,982,000
Other reserve		2,114,574	2,096,005
TOTAL EQUITY		4,114,574	4,096,005
LIABILITIES			
Non-current liabilities			
Borrowings from group company	12	34,157,643	37,571,315
		34,157,643	37,571,315
Current liabilities			
Borrowings from group company	12	21,473,842	23,904,894
Interest payable to group company	13	54,868	59,625
Other payables	14	74,767	70,814
		21,603,477	24,035,333
TOTAL EQUITY AND LIABILITIES		59,875,694	65,702,653

The notes to the Financial Statements on pages 10 to 36 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

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

	Note	1/1 - 31/12/2017	1/1 - 31/12/2016
Financial income and expenses			
Interest income on loans & advances		1,393,386	1,575,533
Interest expense on borrowings		-1,240,598	-1,375,723
		152,788	199,810
Impairment loss on loans and interest receivable	6.1	26,288	-23,278
Commission expenses	16	-40,340	-42,792
Financial income and expenses		138,736	133,740
Other net (expenses) / income	17	-5,052	4,579
General and administrative expenses	18	-95,801	-230,283
PROFIT/(LOSS) BEFORE TAXATION		37,883	-91,964
Corporate income tax	15	-19,314	-19,314
PROFIT/(LOSS) AFTER TAXATION		18,569	-111,278

The notes to the Financial Statements on pages 10 to 36 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

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

	Notes	1/1 - 31/12/2017	1/1 - 31/12/2016
Profit/(loss) after taxation		18,569	-111,278
Other comprehensive income:		--	--
Other comprehensive income for the year, net of tax		--	--
Total comprehensive income/(exepense) for the year		18,569	-111,278

The notes to the Financial Statements on pages 10 to 36 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

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

	Notes	1/1-31/12/2017		1/1-31/12/2016	
Cash flow from operating Activities:					
Profit/(loss) before taxation		37,883		-91,964	
Adjustments for:					
Impairment loss on loans and advances	6.1	26,288		23,278	
Interest income		-1,393,386		-1,575,533	
Interest expense		1,240,598		1,375,723	
		-88,617		-268,496	
Decrease in other receivables	6.1	-478		0	
(Increase) / Decrease in other payables	14	-3,954		-65,987	
Decrease in loans & advances to customers	7	4,784,580		11,366,863	
Cash generated from operations		4,691,531		11,032,380	
Income Tax received	15	-6,387		-23,435	
Income Tax paid	15	62,196		35,398	
Interest received		1,398,710		1,820,520	
Interest paid		-1,245,355		-1,365,231	
Net cash generated from operation activities			4,900,695		11,499,632
Cash flow from financing activities:					
Proceeds from borrowings from group company	12	-150,630		48,864	
Repayments of borrowings from group company	12	-5,844,724		-11,631,790	
Net cash used in financing activities			-5,995,354		-11,582,926
Net decrease in cash and cash equivalents			-1,094,659		-83,294
Cash and cash equivalents at the beginning of the year			1,890,571		1,973,865
Cash and cash equivalents at the end of the year	10		**795,912**		**1,890,571**

Cash flow from investing activities:
During the financial year 2017 & 2016 there were no investing activities in the Company.

The notes to the Financial Statements on pages 10 to 36 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

Statement of Changes in Equity
for the financial year ended December 31, 2017
(in EUR)

EQUITY

As at December 31, 2017, 18.000 shares were issued and fully paid-up. The movements in EUR in the year under review can be summarized as follows:

	Attributable to owner's parent			
	Issued and paid-up capital	Share premium	Other reserve	Total equity
Balance as at January 1, 2016	**18,000**	**1,982,000**	**2,207,283**	**4,207,283**
Additions	--	--	--	--
(Loss) for the year	--	--	(111,278)	(111,278)
Other Comprehensive Income for the year	--	--	--	--
Balance as at December 31, 2016	**18,000**	**1,982,000**	**2,096,005**	**4,096,005**
Profit for the year	--	--	18,569	18,569
Other Comprehensive Income for the year	--	--	--	--
Balance as at December 31, 2017	**18,000**	**1,982,000**	**2,114,574**	**4,114,574**

The notes to the Financial Statements on pages 10 to 36 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

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

1 GENERAL

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

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

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

These financial statements were approved and authorized for issue by the Board of Managing Directors on October 31, 2018.

2 PRINCIPAL ACCOUNTING POLICIES

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as endorsed by the European Union (EU), and in particular with those IFRSs and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements. These financial statements have been prepared under the historical cost convention and on ongoing concern basis.
The policies set out below have been consistently applied to the years 2017, 2016, 2015, 2014 and 2013. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Amendments to standards adopted by the Company

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

IAS 7, Amendment-Disclosure Initiative

The amendment requires disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The disclosure requirements also apply to changes in financial assets, such as assets that hedge liabilities arising from financing activities, if cash flows from those financial assets were or future cash flows will be, included in cash flows from financing activities. The Group has implemented the disclosure requirement in note 6.1.

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

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

Annual Improvements to IFRSs 2014-2016 Cycle

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

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

A number of new standards, amendments to existing standards and interpretations are effective after 2017, as they have not yet been endorsed by the European Union or have not been early applied by the Group. Those that may be relevant to the Group are set out below:

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

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

Transition to IFRS 9 'Financial Instruments' and impact assessment

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

Classification and measurement

IFRS 9 establishes a new classification and measurement approach for all types of financial assets that reflects the entity's business model for managing the assets and their contractual cash flow characteristics. IFRS 9 requires financial assets to be classified into one of the following measurement categories: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available for sale.
Financial assets will be measured at amortized cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest (SPPI). Financial assets will be measured at FVOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. All other financial assets will be classified at FVTPL.
An entity may at initial recognition, designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. Furthermore, on initial recognition of an equity instrument that is not held for trading, an entity may irrevocably elect to present subsequent changes in fair value through OCI. This election is made on an investment-by-investment basis.
Under IFRS 9, embedded derivatives in contracts where the host is a financial asset in the scope of the standard, are no longer bifurcated. Instead, the hybrid financial instrument is assessed for classification as a whole.
IFRS 9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at FVTPL, gains or losses attributable to changes in own credit risk shall be presented in OCI and shall not be subsequently transferred to profit or loss, unless such a presentation would create or enlarge an accounting mismatch. Under IAS 39, all fair value changes of liabilities designated at FVTPL are recognized in profit or loss, unless this would create or enlarge an accounting mismatch.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Business model assessment

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect contractual cash flows from the asset, to realize cash flows from the sale of assets, or both to collect contractual cash flows and cash flows from the sale of assets. Financial assets that are held for trading or managed on a fair value basis will be measured at FVTPL.
The Group'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 Group 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;
- past experience on how the cash flows from those portfolios were collected and how the Group's stated objective for managing the financial assets is achieved; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. Irrespective of their frequency and value, sales due to an increase in the financial assets' credit risk and sales made due to liquidity needs in case of an unexpected stress case scenario, are consistent with a hold-to-collect business model.

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

Assessment of changes to the classification and measurement on transition

For the purpose of the transition to IFRS 9, the Group is carrying out a business model assessment across various portfolios and a detailed review of the contractual terms (SPPI review) for its debt instruments portfolios to determine any potential changes to the classification and measurement. The assessment is being performed based on the facts and circumstances that exist at the date of initial application i.e. 01/01/2018. Furthermore, it is performed on a sample basis for the retail and part of the wholesale portfolio where contracts are of standardized form, whereas for the remaining wholesale portfolio is being performed on an individual basis. The business model assessment and the SPPI review are not expected to result in any significant changes compared to how financial assets are measured under IAS 39, except where noted below. In particular:

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

Impairment of financial assets
IFRS 9 introduces an expected credit loss (ECL) model that replaces the incurred loss model in IAS 39. The new requirements eliminate the threshold in IAS 39 that required a credit event to have occurred before credit losses were recognized and will apply to a broader population of financial instruments compared to IAS 39. The measurement of ECL will require the use of complex models and significant judgment about future economic conditions and credit behavior.
The new impairment model, which introduces a "three stage approach" that will reflect changes in credit quality since initial recognition, will apply to financial assets that are not measured at FVTPL, including loans, lease receivables, debt securities, financial guarantee contracts and loan commitments issued. Accordingly, no impairment loss will be recognized on equity investments.
Upon initial recognition of instruments in scope of the new impairment principles, the Group will record a loss allowance equal to 12-month ECL, being the ECL that result from default events that are possible within the next twelve months. Subsequently, for those financial instruments that have experienced a significant increase in credit risk since initial recognition, a loss allowance equal to lifetime ECL will be recognized, arising from default events that are possible over the expected life of the instrument. Financial assets for which 12-month ECL are recognized will be considered to be in 'stage1'; financial assets which are considered to have experienced a significant increase in credit risk will be allocated in 'stage2', while financial assets that are considered to be credit impaired will be in 'stage3'. The loss allowance for purchased or originated credit impaired (POCI) financial assets will always be measured at an amount equal to lifetime ECL, as explained below.

SPV	o/b	IFRS 9 Effect	o/b			IFRS 9 Effect		
			S1	S2	S3	S1	S2	S3
Corporate Large	29,801,636	62,817	26,222,430	-	3,579,206	56,532	-	6,285
Corporate SME	29,244,387	1,746	10,940,643	18,292,747	10,997	196	1,324	226
Total:	59,046,023	64,564	37,163,073	18,292,747	3,590,203	56,728	1,324	6,511
Out of which Referals								
Corporate Large	-	-	-	-	-	-	-	-
Corporate SME	14,893,660	1,089	-	14,893,660	-	-	1,089	-
Out of which Intercompany								
Corporate Large	21,042,300	55,564	21,042,300	-	-	55,564	-	-
Corporate SME	-	-	-	-	-	-	-	-
Without Intercompany								
Corporate Large	8,759,336	7,253	5,180,130	-	3,579,206	968	-	6,285
Corporate SME	29,244,387	1,746	10,940,643	18,292,747	10,997	196	1,324	226
Total:	38,003,723	8,999	16,120,773	18,292,747	3,590,203	1,164	1,324	6,511

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

IFRS 15, Revenue from Contracts with Customers and IFRS 15 Amendments (effective 1 January 2018).
Standard establishes a single, comprehensive revenue recognition model for determining when and how much revenue to recognize and replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programs'.

IFRS 15 applies to all contracts with customers, except those in the scope of other standards such as:
• Financial instruments and other contractual rights or obligations within the scope of IFRS 9 'Financial Instruments' or IAS 39 'Financial Instruments: Recognition ar Measurement', IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures';
•Lease contracts within the scope of IAS 17 'Leases' (or IFRS 16 'Leases'); and
•Insurance contracts within the scope of IFRS 4 'Insurance Contracts'.

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

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

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

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

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

Annual Improvements to IFRSs 2015-2017 Cycle (effective 1 January 2019, not yet endorsed by EU)
The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2015-17 cycle of the annual improvements project. The topics addressed by these amendments are set out below:
IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements': It is clarified how an entity accounts for increasing its interest in a joint operation that meets the definition of a business.
- If a party obtains control of a business that is a joint operation, then the transaction constitutes a business combination achieved in stages and the acquiring party remeasures the entire previously held interest in the assets and liabilities of the joint operation at fair value.
- If a party obtains joint control, then the previously held interest is not remeasured.
IAS 12 'Income Taxes': It is clarified that all income tax consequences of dividends, including payments on financial instruments classified as equity, should be recognized in profit or loss, other comprehensive income or equity, depending on where the originating transaction or event that generated distributable profits giving rise to the dividend, was recognized.
IAS 23 'Borrowing costs': It is clarified that any borrowing originally made to develop a qualifying asset should be treated as part of general borrowings when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.
The adoption of the amendments is not expected to impact the Group's consolidated 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 Group's consolidated financial statements.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

The consolidated 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 Group's presentation currency is the Euro (€) being the functional currency of the parent company. Except as indicated, financial information presented in Euro has been rounded to the nearest million.

Allocation of Exposures to Stages

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

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

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

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

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

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

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

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

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

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

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

Going concern

The accompanying financial statements have been prepared based on the going concern principle, which assumes that the Company will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, the management reviews the forecasts of the future cash inflows.
The Board of Directors, taking into consideration the factors mentioned in the Report of the board of Managing Directors, have been satisfied that the financial statements of the Company can be prepared on a going concern basis.

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

Foreign currency

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

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

Income tax

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

The tax effects of income tax losses available for carry forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

Financial instruments
Financial assets and financial liabilities are recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of the investment. A financial asset is derecognized when the contractual cash flows of the loan expire or the Company transfers its rights to receive those cashflows in an outright sale in which substantially all the risk and rewards of ownership have been transferred. The Company classifies its financial assets and financial liabilities in the categories: loans and advances to customers and borrowings from group Company.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

Impairment
The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets should be impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;

c) the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

3 CASH FLOW STATEMENT

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

4 PRINCIPLES OF DETERMINATION OF RESULT

(a) General

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

(b) Interest income and expenses

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

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

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

(c) Exchange rate differences

Exchange rate differences arising upon the settlement of monetary items are recognized in the Income Statement in the period that they arise. Exchange rate differences on non-current assets and non-current liabilities are recognized in the Income Statement in the period they arise.

(d) Taxation

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and judgements

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

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

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

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

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

6 FINANCIAL RISK MANAGEMENT

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

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

6.1 Credit risk

Credit risk - is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers. For credit risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor risk, sector risk, repayment risk, ect.).

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

Risk grading system for wholesale clients

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

-Financials
-Sector
-Management
-Operations

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

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

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

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

Each grade carries a defined impairment requirement.

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

Collateral

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

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

Guarantees

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

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

Impairment policy

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

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

Credit monitoring

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

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

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

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

	31/12/2017	31/12/2016
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to customers (net)	58,964,007	63,748,587
Allowance for impairment	17,991	44,279
	58,981,998	63,792,866
Interest receivable	64,024	58,700
Other receivables	2,059	2,536
Cash and cash equivalents	795,912	1,890,575
Total	59,826,002	65,700,397

Loans and advances are summarized as follows:		
Neither past due nor impaired	55,392,692	60,049,734
Individually impaired	3,589,306	3,743,132
Gross	58,981,998	63,792,866
Less: allowance for impairment	-17,991	-44,279
Net	58,964,007	63,748,587

Included in the gross loans and advances are:
Past due more than 90 days - EUR 0 (2016: EUR 787)
Of which non-performing loans - EUR 0 (2016: EUR 787)

Loans and advances neither past due nor impaired

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

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

	31/12/2017	31/12/2016
	Loans and advances to customers	Loans and advances to customers
Grades:		
Satisfactory risk (wholesale grades 1 to 6)	55,392,692	59,685,571
Watch list and special mention (wholesale grade 7)	-	364,164
Total	55,392,692	60,049,735

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

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

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

II Qualitative data :

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

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

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

Loans and advances past due but not impaired

	31/12/2017	31/12/2016
	Loans and advances to customers	Loans and advances to customers
Past due up to 29 days	10,100	-
Total	10,100	--

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

Impaired loans and advances individually assessed

As at 31 December 2017 and 2016 the Company did have loans and advances that were individually impaired.

	31/12/2017 Loans and advances to customers	31/12/2016 Loans and advances to customers
Individually impaired loans - gross	3,589,306	3,743,132
Total	3,589,306	3,743,132

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

	2017	2016
Opening balance	19,993	45,287
Impairment charge	-17,991	-1,008
Released provisions	-	-24,286
Closing balance	2,002	19,993

Concentration of risks of financial assets with credit risk exposure

Geographical sectors

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

Loans and advances to customers:	31/12/2017	31/12/2016
Serbia and Montenegro	58,981,998	63,792,866
Total	58,981,998	63,792,866

Industry sectors

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

Loans and advances to customers:	31/12/2017	31/12/2016
Commerce and services	49,581,998	53,202,208
Manufacturing	-	14,871
Construction	9,400,000	10,575,787
Total	58,981,998	63,792,866

Included in the gross loans and advances are:
Past due more than 90 days - EUR 0 (2016: EUR 787)
Of which non-performing loans - EUR 0 (2016: EUR 787)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk

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

6.3 Interest rate risk

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

6.4 Foreign currency risk

The risk that assets or liabilities in foreign currencies will fluctuate in value due to exchange rate fluctuations. Loan assets and loan liabilities are undertaken back to back in the identical currencies. Thus this risk is fully compensated by this balance. Hence there is only immaterial foreign currency risk, which is on the difference between interest receivable and interest payable stated in a foreign currency. At this time, the only foreign currency exposure is CHF (Swiss Francs).

Sensitivity analysis

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

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

	Sensitivity of income statement	
	2017	2016
Foreign exchange sensitivity		
10% change of EUR/CHF and USD exchange rate	7,282	8,492
	7,282	8,492

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

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Liquidity risk

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

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

ERBNEF SER Assets maturity

31/12/2017	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Loans & advances to customers	631,378	101,094	24,073,892	15,887,474	18,270,169	**58,964,007**
Interest receivable	64,024	-	-	-	-	**64,024**
Other receivables	2,059	-	-	-	-	**2,059**
Taxation	-	-	49,692	-	-	**49,692**
Cash and cash equivalents	795,912	-	-	-	-	**795,912**
Total Assets held for managing liquidity risk	**1,493,373**	**101,094**	**24,123,585**	**15,887,474**	**18,270,169**	**59,875,694**

ERBNEF SER Liabilities maturity

31/12/2017	Up to 1 month	1-3 months	4-12 months	1-5 years	Over 5 years	Total
Borrowings from group companies	-	101,094	21,372,748	15,887,474	18,270,169	**55,631,485**
Interest payable to Group companies	54,868					**54,868**
Other payables	74,773	-	-	-	-	**74,773**
Total Liabilities held for managing liquidity risk	**129,641**	**101,094**	**21,372,748**	**15,887,474**	**18,270,169**	**55,761,126**

31/12/2016	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Loans & advances to customers	717,016	104,807	23,103,573	21,418,147	18,405,045	**63,748,588**
Interest receivable	**58,700**	-	-	-	-	**58,700**
Other receivables	-	-	2,536	-	-	**2,536**
Taxation	-	-	2,253	-	-	**2,253**
Cash and cash equivalents	1,890,575	-	-	-	-	**1,890,575**
Total Assets held for managing liquidity risk	**2,666,291**	**104,807**	**23,108,362**	**21,418,147**	**18,405,045**	**65,702,652**

ERBNEF SER Liabilities maturity

31/12/2016	Up to 1 month	1-3 months	4-12 months	1-5 years	Over 5 years	Total
Borrowings from group companies	716,268	84,871	23,103,755	19,156,007	18,415,309	**61,476,210**
Interest payable to Group companies	59,625	-	-	-	-	**59,625**
Other payables	70,818	-	-	-	-	**70,818**
Total Liabilities held for managing liquidity risk	**846,711**	**84,871**	**23,103,755**	**19,156,007**	**18,415,309**	**61,606,653**

6.6 Fair values of financial assets and liabilities

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

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

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

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

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Fair values of financial assets and liabilities (continued)

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

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

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

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

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

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

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

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

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

	31/12/2017		31/12/2016	
In EUR	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial (monetary) assets				
Cash and cash equivalents	795,912	795,912	1,890,575	1,890,575
Loans and advances from customers	58,964,007	58,192,065	63,748,588	63,007,690
Other assets	-	-	61,236	61,236
Total	**59,759,919**	**58,987,977**	**65,700,399**	**64,959,501**
Financial (monetary) liabilities				
Borrowings	55,631,485	55,631,485	61,476,209	61,476,209
Other liabilities	147,633	147,633	174,721	174,721
Total	**55,779,117**	**55,779,117**	**61,650,930**	**61,650,930**

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

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Fair values of financial assets and liabilities (continued)

In EUR	Fair value			
31/12/2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Loans and advances from customers	-	58,192,065	-	58,192,065
Total	**-**	**58,192,065**	**-**	**58,192,065**
Liabilities				
Borrowings	-	55,631,485	-	55,631,485
Total	**-**	**55,631,485**	**-**	**55,631,485**

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

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

Table below presents Company classification for each class of financial assets and liabilities and their fair value as at 31 December 2017:

In EUR

31/12/2017	Kept at fair value	Held to maturity	Loans and receivables	AFS	Amortized cost	Total book value	Fair value
Cash and cash equivalents	-	-	795,912	-	-	795,912	795,912
Assets held to maturity	-	-	-	-	-	-	-
Loans and advances from customers	-	-	58,964,007	-	-	58,964,007	58,192,065
Other assets	-	-	-	-	-	66,083	66,083
Total assets	**-**	**-**	**59,759,919**	**-**	**-**	**59,826,002**	**59,054,060**
Borrowings	-	-	-	-	55,631,485	55,631,485	55,631,485
Other liabilities	-	-	-	-	147,633	147,633	147,633
Total liabilities	**-**	**-**	**-**	**-**	**55,779,118**	**55,779,118**	**55,779,118**

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Fair values of financial assets and liabilities (continued)

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

In EUR

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

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

Assets whose fair value approximates their bookkeeping value.

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

Financial instruments with fixed rate.

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

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

6.7 Capital management

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

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

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

The capital of the Company is presented below:

	31/12/2017	31/12/2016
Issued and paid-up capital	18,000	18,000
Share premium	1,982,000	1,982,000
Other reserve	2,114,574	2,096,005
Total equity	**4,114,574**	**4,096,005**

7 LOANS & ADVANCES TO CUSTOMERS

	31/12/2017	31/12/2016
Loans to Serbian corporate clients	58,981,998	63,792,866
(Less) / Added: allowance for impairment	-17,991	-18,474
(Less) / Added: buffer SME	-	-25,805
	58,964,007	63,748,587
Loan repayments due:		
Up to 1 month	631,473	717,016
1-3 months	101,094	104,807
4-12 months	24,091,788	23,103,573
	24,824,355	23,925,396
1-5 years	15,887,474	21,418,147
Over 5 years	18,270,169	18,405,045
	34,157,643	39,823,192

Loans bear variable interest ranging from 1 month to 3 month Euribor/Libor plus a spread ranging from a minimum 2.20% to a maximum of 5.7% and according to the client specific Credit Facility Agreements. 99% of the loan value is secured by a guarantee from either Eurobank A.D. Beograd, in Serbia, (under Master and Guarantee Agreement dated December 4, 2006) or by the Company's shareholder, Eurobank Ergasias S.A.

Interest receivable amounting to EUR 1.575.533 has been included in the current loans and advances to customers on the balance sheet.

8 INTEREST RECEIVABLE

	31/12/2017	31/12/2016
Interest on loans to Serbian corporate clients	63,120	57,593
Default interest receivable	904	1,108
	64,024	58,701

9 OTHER RECEIVABLES

	31/12/2017	31/12/2016
Other receivables	2,059	2,536
	2,059	2,536

10 CASH AND CASH EQUIVALENTS

Description			31/12/2017	31/12/2016
Eurobank Privatebank Luxembourg S.A.	EUR	1.00000	466,695	1,348,732
Eurobank Privatebank Luxembourg S.A.	CHF	1.16970	56,599	71,275
			523,294	*1,420,007*
ING Bank	EUR	1.00000	-	5,000
Eurobank Private Bank Luxembourg S.A.	EUR	1.00000	228,440	422,333
Eurobank Ergasias S.A.	EUR	1.00000	43,235	43,235
Eurobank Serbia	RSD	118.473	942	-
			795,911	1,890,575

The total balance of cash and cash equivalents consists of a total balance in euro of EUR 739.313 (2016: EUR 1.819.300) and in Swiss Franc of CHF 66.204 (2016: CHF 76.628).
The outlook of the credit ratings of the Eurobank Privatebank Luxembourg S.A. and Eurobank Ergasias S.A. can be classified as 'Stable'.
There are no restrictions on the availability of cash and cash equivalents. These are readily available.

11 EQUITY

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

As at December 31, 2017, 18.000 shares were issued and fully paid-up. For the movements in the Equity we refer to the Statement of Equity on page 10 of this report.
ERB New Europe Funding B.V. is a subsidiary of Eurobank Ergasias S.A., a Bank incorporated in Greece and listed on the Athens Stock Exchange.

LIABILITIES

12 BORROWINGS FROM GROUP COMPANY

	31/12/2017	31/12/2016
Financing borrowings from group Company:		
Eurobank Private Bank Luxembourg S.A.	55,631,485	61,476,209
	55,631,485	61,476,209
Repayment due:		
Up to 1 month	-	716,268
1-3 months	101,094	14,871
4-12 months	21,372,748	23,173,755
	21,473,842	23,904,894
1-5 years	15,887,474	19,156,007
Over 5 years	18,270,169	18,415,309
	34,157,643	37,571,316

Borrowings bear variable interest ranging from 1 month to 3 month Euribor/Libor plus 2.25% until 30 September 2017. From October 2017 the G-ALCO rate is amended to 2%.
They are fully secured by virtue of the Request for the Issuance of a Letter of Guarantee, dated December 14, 2006, however amended, in which the Eurobank Ergasias S.A. undertakes to repay the Eurobank Private Bank Luxembourg S.A. in case of default by the Company after being called to repay. The current loans are repayable on a basis mirroring that in the Loans in note 7 above.

13 INTEREST PAYABLE TO GROUP COMPANY

	31/12/2017	31/12/2016
Default interest payable	54,868	59,625
	54,868	59,625

Repayments are due within 3 months.

14 OTHER PAYABLES

	2017	2016
Trade payables	40,911	39,996
Accrued audit fees	33,250	27,300
Several services and fees due to Eurobank Ergasias S.A.	511	506
Other payables	97	3,012
	74,768	70,814

15 Corporate Income Tax

For the year ended as at December 31, 2017, this item can be detailed as follows:

	2017	2016
Profit/(Loss) before income tax	31,495	-91,964
Less: Tax free or non-taxable income:		
- Exemptions	65,075	188,535
Taxable profit	96,570	96,571
Statutory tax rate 20% over 200,000	19,314	19,314
Statutory tax rate 25% over remaining amount	-	-
Corporate Income tax current year	19,314	19,314
	19,314	19,314
Effective tax rate	61%	-21%

The movements in the Taxation are as follows:

	2017	2016
Opening balance as at 1 January	2,254	12,009
Payments made via final assessment 2015	26,848	-
Receipt of preliminary assessment 2014	-	-23,435
Payments made via preliminary assessment 2016	-	35,398
Payments made via preliminary assessment 2017	35,348	-
Paybale CIT 2016	-	-19,314
Paybale CIT 2017	-19,314	-
The movement in the Value Added Taks reclaimable	4,557	-2,404
Balance as at December 31, 2017	49,692	2,254

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

16 COMMISSION EXPENSES

	2017	2016
Interest expense banks	344	1,189
Introduction fee to Eurobank A.D. Beograd	39,996	39,996
Finance expense breakage Eurobank Private Bank Luxembourg S.A.	-	1,607
	40,340	42,792

17 OTHER NET (EXPENSES)/INCOME

	2017	2016
Other income	2,059	4,139
Foreign exchange (loss)/gain	-7,111	440
	-5,052	4,579

18 GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
Management and domiciliation fee	70,000	93,854
Tax advisory fee	6,907	14,450
CIT (income) / expenses	-6,387	--
Notary fees	745	--
Other	24,536	23,600
Other impairments	--	98,380
	95,801	230,284

The audit fees of EUR 16.000 (2016: EUR 15.000) included under "Other" solely comprises the fees of external independent auditor PricewaterhouseCoopers Accountants N.V. for the statutory audit of the financial statements. The external independent auditor has not charged any fees relating to other assurance related services, tax, consulting or any other consulting services.

19 RELATED PARTIES

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

Despite the aforementioned significant decrease of its percentage, the HFSF is still considered to have significant influence over the Bank. In particular, in the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in the Bank's General Assembly only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets (including the sale of subsidiaries), or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014, which regulates, among others, (a) the Bank's corporate governance, (b) the restructuring plan and its monitoring, (c) the monitoring of the implementation of the Bank's Non-Performing Loans (NPLs) management framework and of the Bank's performance on NPLs resolution, (d) the Material Obligations and the switch to full voting rights, (e) the monitoring of the Bank's actual risk profile against the approved Risk and Capital Strategy, (f) the HFSF's prior written consent for the Bank's Group Risk and Capital Strategy and for the Bank's Group Strategy, Policy and Governance regarding the management of its arrears and non-performing loans and any amendment, extension, revision or deviation thereof, and (g) the duties, rights and obligations of HFSF's Representative in the Bank's Board.

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arm's length basis. These include loans, deposits and guarantees. In addition, as part of its normal course of business in investment banking activities, the Group at times may hold positions in debt and equity instruments of related parties.

19 RELATED PARTIES (CONTINUED)

Transactions with related parties for the year ended on 31 December 2017 are presented in the table below:

	2017	2016
Interest income on loans & advances ERB Leasing A.D. Beograd	11,375	26,616
Interest income on loans & advances IMO Property Investments AD Beograd	416,424	407,875
Interest income on loans & advances Reco Real Property AD Beograd	43,790	49,672
Interest expense on borrowings	-1,240,598	-1,375,723
Commission expenses	-40,340	-42,792
	-809,349	-934,352

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

	31/12/2017	31/12/2016
Loans & advances to customers ERB Leasing A.D. Beograd	621,373	716,268
Loans & advances to customers IMO Property Investments AD Beograd	20,400,000	20,400,000
Loans & advances to customers Reco Real Property AD Beograd	70,000	2,440,000
Current account with Eurobank Private Bank Luxembourg S.A.	523,294	1,420,007
Current account with Eurobank Ergasias S.A.	43,235	43,235
Borrowings from group Company	-55,631,485	-61,476,209
Interest payable to group Company	-54,868	-59,625
Other payables	-607	-3,518
	-34,029,058	-36,519,842

20 COMMITMENTS AND CONTINGENCIES

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

21 OTHER INFORMATION ON GENERAL AND ADMINISTRATIVE EXPENSES

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

22 DIRECTORS

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

23 OTHER INFORMATION

POSITION OF EUROBANK GROUP
Macroeconomic environment

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

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

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

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

Liquidity risk

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

Solvency risk

The Group monitors closely the developments in the Greek macroeconomic environment taking into account its direct and indirect exposure to sovereign risk. A key priority is the active management of NPEs, with the aim to substantially reduce their stock in accordance with the Bank's operational targets and taking advantage of the Group's internal infrastructure, the important legislative changes and the external partnerships that have taken or are expected to take place.

In parallel, the Group recorded a net profit attributable to shareholders of € 104 million for 2017. In the context of its strategic plan, the Bank has undertaken significant initiatives towards the fulfillment of the remaining commitments of the restructuring plan and it proceeded with the redemption of the preference shares by issuing Tier 2 bonds at early 2018, which count in its total capital adequacy ratio. The Group's Common Equity Tier 1 (CET1) ratio stood at 17.9 % at 31 December 2017, while the respective pro-forma ratio with the redemption of preference shares/issue of Tier 2 bonds and the completion of the sale transaction in Romania would be 15.8%. The impact of the adoption of IFRS 9 on Group's CET1 as at the end of 2018, according to the transitional arrangements for the 5-year phase in period, will be 16 bps.

Eurobank, along with the other three Greek systemic banks directly supervised by the European Central Bank (ECB), undergoes the 2018 EU-wide stress test launched by the European Banking Authority (EBA) on 31 January 2018. The results for the Greek systemic banks are expected to be published in May 2018.
Within an environment of positive growth, the Group is well on track to achieve the 2018 NPE reduction targets, maintain profitability, continue the creation of organic capital and strengthen its position in the Greek market and abroad

Post balance sheet events

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

The Board of Managing Directors,

S. Psychogyios

L.P. Elstershamis

E. Zois

R. Wemmi

Amsterdam, December 19, 2018

ERB NEW EUROPE FUNDING B.V.

Amsterdam

Other Information

Statutory provision regarding appropriation of Result

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been cleared, the other reserves are at the disposal of the shareholder in accordance with Article 13 of the Company's Articles of Association.

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

Appropriation of result

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

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

Independent auditor's report

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

Independent auditor's report

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

Report on the financial statements 2017

Our opinion

In our opinion, ERB New Europe Funding B.V.'s financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its result 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 2017 of ERB New Europe Funding B.V., Amsterdam ('the Company').

The financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the following statements for 2017: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

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

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards 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.

Independence

We are independent of ERB New Europe Funding B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands.

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Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- the directors' report;
- 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 the 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 directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors

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

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to 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, 20 December 2018
PricewaterhouseCoopers Accountants N.V.

M.P.A. Corver RA

Appendix to our auditor's report on the financial statements 2017 of ERB New Europe Funding B.V.

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of 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 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.