

ERB NEW EUROPE FUNDING II B.V.

Amsterdam, The Netherlands

ANNUAL REPORT 2015

ERB NEW EUROPE FUNDING II B.V.

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ERB NEW EUROPE FUNDING II B.V.

Amsterdam

Report of the board of Managing Directors

In accordance with the Articles of Association of ERB New Europe Funding II B.V., the management herewith submits the Annual Report of ERB New Europe Funding II B.V. (the Company) for the year ended 31 December 2015.

Key Activities

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

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

Position of Eurobank Group

Macroeconomic environment

In 2015, the macroeconomic environment in Greece has been very challenging for the Greek banking system. In the first half of the year, the prolonged uncertainty relating to an agreement with the Eurozone partners over the implementation of the required reforms for the conclusion of the Second Economic Adjustment Program, the unsuccessful expiration of the former, the tightened liquidity conditions due to the financing problems of the Greek State and the significant deposit outflows – already observed from late 2014 – led to the imposition of restrictions in banking transactions (capital controls) together with a temporary bank holiday on 28 June 2015. In mid - August the Greek Government reached a final agreement with its European partners on a new 3-year European Stability Mechanism (ESM) program – the Third Economic Adjustment Program (TEAP) - with a ca € 86 bn financing envelope and a series of reforms aiming to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration. The Greek Government managed to complete two sets of prior actions from the program at the end of November and December 2015. By mid - December 2015, the systemic banks' recapitalization was completed with only ca € 5.4 bn used from the initial buffer of up to € 25 bn. The unused funds were subtracted from the ESM loan, reducing it to ca € 64.5 bn as of the end of January 2016.

In the first months of 2016, the macroeconomic environment in Greece has remained challenging for the Greek banking system. Following the ongoing negotiations with its European partners during the last months, Greece has successfully concluded the 1st review of the Third Economic Adjustment Program (TEAP), which permitted the disbursement of the first sub-tranche of € 7.5 bn from the second installment of the European Stability Mechanism (ESM) loan on 21 June 2016, allowing the country to cover its debt servicing needs and clear a part of the State's arrears to the private sector. Accordingly, the European Central Bank (ECB) decided the reinstatement of the waiver for the instruments issued by the Hellenic Republic and the improvement of the advance rates for providing Eurosystem financing with Pillar II guarantees as collateral, while the participation of Greek Government Bonds in ECB's Quantitative Easing (QE) program will be examined at a later stage conditional on the implementation of the 2nd review and the results of the Debt Sustainability Analysis that the ECB is expected to conduct after the implementation of the short term debt relief measures for Greece. The latter are in accordance with the roadmap of debt relief agreed in the 25 May 2016 Eurogroup. The completion of the 1st review helped in reducing the short term uncertainty surrounding the economic outlook and contributed to further relaxation of capital controls, as of 22 July 2016. This, along with the mobilization of European Union (EU) funding to support domestic investment and job creation and the decisive implementation of the reforms agreed in the context of the ESM program, would facilitate the restoration of confidence in the prospects of the Greek economy and the further stabilization of the domestic environment, which are necessary conditions for the resumption of positive economic growth.

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Position of Eurobank Group (continued)

Currently, the main risks and uncertainties are associated with a) the impact on the level of economic activity from additional fiscal measures included in the key prior actions of the 1st review of the TEAP, b) possible delays in the implementation of the reforms' agenda in order to meet the next targets and milestones of the TEAP including the timely completion of the 2nd review scheduled for early December 2016, c) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity, d) a possible deterioration of the refugee crisis and the impact on the internal economy and e) the geopolitical conditions in the broader region and the external shocks from a slowdown in the global economy.

Liquidity risk

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the ESM program. The decisive implementation of the measures agreed in the context of the new ESM program permitted ECB to reinstate the waiver for the instruments issued by the Hellenic Republic and decrease the haircuts applied for Pillar II guarantees. These developments have enabled Greek banks to reduce their dependence on the expensive Emergency Liquidity Assistance (ELA) mechanism and increase their liquidity buffers. The stabilization of the macroeconomic environment and a recovery of the domestic economic sentiment will facilitate a faster return of deposits in the banking system and the further re-access to the markets for liquidity.

In the first nine months of 2016, Eurobank Ergasias S.A. (the "Bank") has managed to reduce its dependence on Eurosystem funding mainly through the increase in repo transactions in the interbank market, the selective assets deleveraging, the utilization of a part of foreign subsidiaries' surplus liquidity and to some extent by deposit inflows.

Solvency risk

On 31 October 2015, the ECB announced the results of the comprehensive assessment (CA) based on which, a shortfall of € 0.3 bn in baseline scenario against 9.5% Common Equity Tier 1 (CET1) threshold and € 2.1 bn in adverse scenario against 8% CET1 threshold, the lowest shortfall across Greek banks, was identified for the Bank. Following the CA results and in line with the new recapitalization framework introduced by Law 4340/2015, the Bank proceeded to a capital increase of € 2.039 million, which was covered exclusively from the markets. As a result, the Group strengthened further its capital base and its CET1 ratio stood at 17% at the end of December 2015.

Notwithstanding the direct and indirect exposure of the banking system to sovereign risk, the successful completion of the Bank's and other Greek systemic banks' recapitalization process constituted a key milestone for rebuilding trust in the banking system and in the economy in general.

The Group continues implementing its medium term internal capital generating plan, which includes initiatives generating or releasing CET1 capital and/or reducing risk weighted assets. One of the key areas of focus remains the active management of non-performing loans, taking advantage of the Group's internal infrastructure and the important legislative changes that have taken or are expected to take place, aiming to substantially reduce their stock in due course. The Group's Common Equity Tier 1 (CET1) ratio stood at 17% at the end of June 2016 and the net profit attributable to shareholders amounted to € 106 million for the period ended 30 June 2016.

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

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Report of the board of Managing Directors

Credit Rating of Eurobank Group

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

Result

In the current financial year the Company recorded a profit of EUR 402,535 (2014: profit of EUR 1,755,162) which is set out in detail in the attached Income Statement.

Risk Management

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

Credit risk

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

Market risk

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

Interest rate risk

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

Foreign exchange risk

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

Outlook

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

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Report of the board of Managing Directors

Post balance sheet events

Legislation on the conversion of CHF denominated loans to Romanian Leu

On 18 October 2016, the Romanian parliament unanimously passed a bill that allows borrowers to convert Swiss franc-denominated loans into local currency 'Leu' using the exchange rate prevailing on the date they were originated. The above law provision has not come into force yet. The Romanian Constitutional Court (RCC) is currently reviewing its constitutionality, following the relevant request by the government and the date for issuing the decision had been established for 23 November 2016 and subsequently postponed to 18 January 2017. Eurobank Group awaits the decisions and the reasoning of the RCC and reserves its right to assess the legal possibility to seek recourse to the supranational European Court of Justice.

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

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

According to the press releases issued by the Romanian Constitutional Court (RCC), on 25 October 2016 the RCC decided that certain provisions of the law are against the Constitution. The decisions of RCC (including the reasoning) are expected to be published in the Official Gazette of Romania, and Eurobank Group awaits the decisions and the reasoning of the RCC and reserves its right to assess the legal possibility to seek recourse to the supranational European Court of Justice.

Sub-participation agreement between Bancpost S.A. and ERB New Europe Funding II B.V.

On 08.02.2016 and 26.04.2016, two Sub-participation agreements were signed between Bancpost S.A. and ERB New Europe Funding II B.V. for loans' portfolio originated by Bancpost S.A. totally amounting to EUR 55 mil.

Above mentioned post balance sheet events do not affect the financial position of the Company as at 31.12.2015.

Future Developments

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

Composition of the board

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

As per August 17, 2015, Mr. S. van der Meer and Mr. M.A.H. Martis have resigned as managing directors of the Company, and as per same date Mr. E.R. Janssens and Mr. R. Wemmi have been appointed as managing directors of the Company.

Amsterdam, January 31, 2017

The Board of Managing Directors,

S. Psychogyios

E. Zois

E.R. Janssens

R. Wemmi

ERB NEW EUROPE FUNDING II B.V.

Balance Sheet as at December 31, 2015
(amounts in EUR, after appropriation of results)

ASSETS	<u>Notes</u>	<u>31/12/2015</u>	<u>31/12/2014</u>
Non-Current Assets			
Loans & advances to customers	7	285,295,502	327,345,483
Current Assets			
Loans & advances to customers	7	50,563,490	41,455,896
Other receivables	8	1,371,482	54,167,208
Income tax receivable	17	458,213	478,219
Cash and cash equivalents	9	6,244,566	7,862,730
TOTAL ASSETS		<u><u>343,933,253</u></u>	<u><u>431,309,536</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves attributable to equity holders of the company			
Issued and paid-up capital	10	20,000	20,000
Share premium	10	11,980,000	11,980,000
Accumulated profits	10	6,283,424	5,880,889
		<u>18,283,424</u>	<u>17,880,889</u>
Current Liabilities			
Borrowings from group company	11	322,304,358	409,646,838
Interest payable to group company	12	174,221	1,565,558
Other payables	13	3,171,250	2,216,251
		<u>325,649,829</u>	<u>413,428,647</u>
TOTAL EQUITY AND LIABILITIES		<u><u>343,933,253</u></u>	<u><u>431,309,536</u></u>

The notes to the accounts on pages 10 to 32 form an integral part of these financial statements

ERB NEW EUROPE FUNDING II B.V.

Income Statement for the financial year ended December 31, 2015 (amounts in EUR)

	<u>Notes</u>	<u>01/01-31/12/2015</u>	<u>01/01-31/12/2014</u>
Financial income and expenses			
Interest income	14	22,376,518	26,862,396
Interest expense	15	(21,935,846)	(26,199,849)
		<u>440,672</u>	<u>662,547</u>
Provision charge for impairment of loans	7	-	-
Other operating income		2,030,123	1,757,841
Operating income/(loss)		<u>2,470,794</u>	<u>2,420,388</u>
Foreign exchange (loss)/gain		(1,458,837)	(185,999)
Operating costs	16	(572,128)	(414,823)
Profit / (loss) before taxation		<u>439,829</u>	<u>1,819,566</u>
Corporate income tax	17	(37,294)	(64,404)
Profit / (loss) after taxation		<u><u>402,535</u></u>	<u><u>1,755,162</u></u>

The notes to the accounts on pages 10 to 32 form an integral part of these financial statements

ERB NEW EUROPE FUNDING II B.V.

**Statement of comprehensive income
for the financial year ended December 31, 2015
(amounts in EUR)**

	<u>Notes</u>	<u>01/01-31/12/2015</u>	<u>01/01-31/12/2014</u>
Net result after taxation		402,535	1,755,162
Other comprehensive income:		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u><u>402,535</u></u>	<u><u>1,755,162</u></u>

The notes to the accounts on pages 10 to 32 form an integral part of these financial statements

ERB NEW EUROPE FUNDING II B.V.

Cash Flow Statement for the financial year ended December 31, 2015 (amounts in EUR)

	Notes	2015	2014
Cash flows from operating activities:			
Profit / (Loss) before taxation		439,829	1,819,566
Adjustments for:			
Interest income	14	(22,376,518)	(26,862,396)
Interest expenses	15	21,935,846	26,199,849
		(843)	1,157,019
Net decrease/ (increase) in loans & advances		29,924,207	89,968,958
Net decrease/ (increase) in other receivables		52,795,725	(54,012,573)
Net decrease/ (increase) in other payables		954,999	(265,813)
Cash generated from operations		83,674,088	36,847,591
Income taxes paid	17	(17,288)	(207,708)
Interest received		25,394,698	33,342,756
Interest paid		(23,327,183)	(25,717,321)
		85,724,315	44,265,318
<i>Net cash from operation activities:</i>		85,724,315	44,265,318
Cash flows from financing activities:			
Increase in borrowings from group company		-	1,671,041
Repayment of borrowings from group company	11	(87,342,480)	(50,527,892)
<i>Net cash used in financing activities</i>		(87,342,480)	(48,856,851)
Net (Decrease) / Increase in cash and cash equivalents	9	(1,618,165)	(4,591,533)
Cash and cash equivalents at the beginning of the year	9	7,862,730	12,454,263
Cash and cash equivalents at the end of the year	9	6,244,566	7,862,730

Cash flow from investing activities:

During the financial year 2015 there were no investing activities in the Company.

The notes to the accounts on pages 10 to 32 form an integral part of these financial statements

ERB NEW EUROPE FUNDING II B.V.

Statement of changes in equity for the financial year ended December 31, 2015 (amounts in EUR)

EQUITY

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

	Attributable to owners of the parent			Total
	Issued and paid-up capital	Share premium	Accumulated profits	
Balance as at January 1, 2014	20,000	11,980,000	4,125,727	16,125,727
Profit for the year	-	-	1,755,162	1,755,162
Other Comprehensive Income for the year	-	-	-	-
Total Comprehensive Income for the year	-	-	1,755,162	1,755,162
Balance as at December 31, 2014	20,000	11,980,000	5,880,889	17,880,889
Balance as at January 1, 2015	20,000	11,980,000	5,880,889	17,880,889
Profit for the year	-	-	402,535	402,535
Other Comprehensive Income for the year	-	-	-	-
Total Comprehensive Income for the year	-	-	402,535	402,535
Balance as at December 31, 2015	20,000	11,980,000	6,283,424	18,283,424

The notes to the accounts on pages 10 to 32 form an integral part of these financial statements

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2015

(amounts in EUR)

1 GENERAL

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

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES

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

Basis of preparation

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

The policies set out below have been consistently applied to the years 2015 and 2014. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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

(a) The following amendments to standards and new interpretations, as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IC) and endorsed by the European Union (EU), apply from 1 January 2015:

Annual Improvements to IFRSs 2011-2013 Cycle

The amendments introduce key changes to three IFRSs, following the publication of the results of the IASB's 2011-13 cycle of the annual improvements project, as follows:

- Clarify that IFRS 3 'Business Combinations' does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;
 - Clarify that the exception in IFRS 13 'Fair Value Measurement' for measuring the fair value of a group of financial assets and financial liabilities on a net basis applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 'Financial Instruments: Recognition and Measurement' or IFRS 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities under IAS 32 'Financial Instruments: Presentation';
 - Address the interrelationship between IFRS 3 'Business Combinations' and IAS 40 'Investment Property', clarifying in the latter that an entity should assess whether: (a) the acquired property is investment property under IAS 40 and (b) the acquisition of investment property constitutes a business combination as defined in IFRS 3.
- The adoption of the amendments had no impact on the Company's financial statements.

IFRIC 21, Levies

IFRIC 21 Levies clarifies that an entity recognizes a liability for a levy that is not income tax when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, for example a specified level of revenue, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

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

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2015
(amounts in EUR)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(b) A number of new standards and amendments to existing standards are effective after 2015, 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 Company are set out below:

IAS 1, Amendment - Disclosure initiative (effective 1 January 2016)

The amendment clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

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

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

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

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

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

The amendment clarifies that (a) unrealized losses on debt instruments measured at fair value in the financial statements and at cost for tax purposes may give rise to a deductible temporary difference irrespective of whether the entity expects to recover the carrying amount of the debt instrument by sale or use (b) estimates for future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences (c) the estimate of probable future taxable profits may include the recovery of an asset for more than its carrying amount, if there is sufficient evidence that it is probable that this will be realized by the entity, and (d) a deferred tax asset is assessed in combination with all of the other deferred tax assets where the tax law does not restrict the sources of taxable profits against which the entity may make deductions on the reversal of that deductible temporary differences may be reversed. Where restrictions apply, deferred tax assets are assessed in combination only with other deferred tax assets of the same type.

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

IAS 27, Amendment - Equity Method in Separate Financial Statements (effective 1 January 2016)

This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements. In particular, separate financial statements are those presented in addition to consolidated financial statements or in addition to the financial statements of an investor that does not have investments in subsidiaries but has investments in associates or joint ventures which are required by IAS 28 Investments in Associates and Joint Ventures to be accounted for using the equity method.

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

IFRS 9, Financial Instruments (effective 1 January 2018, not yet endorsed by EU)

In July 2014, the IASB published the final version of IFRS 9 which replaces IAS 39 'Financial Instruments'. IFRS 9 sets out revised requirements on the classification and measurements of financial assets, addresses the reporting of fair value changes in own debt when designated at fair value, replaces the existing incurred loss model used for the impairment of financial assets with an expected credit loss model and incorporates changes to hedge accounting.

Classification and measurement

IFRS 9 applies one classification approach for all types of financial assets, according to which the classification and measurement of financial assets is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. A business model refers to how an entity manages its financial assets so as to generate cash flows, by collecting contractual cash flows, or selling financial assets or both. Upon assessment, each financial asset will be classified in one of the three categories: amortized cost, fair value through profit or loss and fair value through other comprehensive income.

With regard to financial liabilities, the treatment followed in IAS 39 is carried forward to IFRS 9 essentially unchanged. However, IFRS 9 requires fair value changes of liabilities designated at fair value under the fair value option which are attributable to the change in the entity's own credit risk to be presented in other comprehensive income rather than in profit or loss, unless this would result in an accounting mismatch. The adoption of the amendment is not expected to impact the Company's financial statements.

Impairment of financial assets

IFRS 9 introduces an expected credit loss model that will apply to all financial instruments that are subject to impairment accounting and 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. Under IFRS 9, a loss allowance will be recognized for all financial assets, therefore the new requirements will result in the earlier recognition of credit losses.

The new standard uses a 'three stage approach' that will reflect changes in credit quality since initial recognition. At each reporting date, a loss allowance equal to 12-month expected credit losses will be recognized for all financial assets for which there is no significant increase in credit risk since initial recognition. For financial assets that have experienced a significant increase in credit risk since initial recognition as well as purchased or originated credit impaired financial assets, a loss allowance equal to lifetime expected credit losses will be recognized. The measurement of expected credit losses will be a probability-weighted average amount that will reflect the time value of money. In measuring expected credit losses, information about past events, current conditions and forecasts of future conditions should be considered.

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Notes to the Financial Statements as at December 31, 2015
(amounts in EUR)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Hedge accounting

IFRS 9 introduces a reformed model for hedge accounting, seeking to more closely align hedge accounting with risk management activities so as to better reflect these activities in the entities' financial statements. Under the new model, new hedge effectiveness requirements apply, discontinuation of hedge accounting is allowed only under specific circumstances, and a number of items that were not eligible under IAS 39 as hedging instruments or hedged items are now eligible. The Company is currently assessing the impact of the revised model for hedge accounting.

IFRS 10, IFRS 12 and IAS 28, Amendments - Investment Entities: Applying the Consolidation Exception (effective 1 January 2016, not yet endorsed by EU)

These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The adoption of the amendments is not expected to impact the Company's financial statements.

IFRS 10 and IAS 28, Amendments - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by IASB, not yet endorsed by EU)

These amendments address an inconsistency between the requirements in IFRS 10 and IAS 28 dealing with the sale or contribution of assets between an investor and its associates or joint ventures. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are in a subsidiary. The adoption of the amendments is not expected to impact the Company's financial statements.

IFRS 11, Amendment – Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)

This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The adoption of the amendment is not expected to impact the Company's financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2016)

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

- Definition of vesting condition in IFRS 2 'Share – based Payment';
- Accounting for contingent consideration in a business combination in IFRS 3 'Business Combinations';
- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets in IFRS 8 'Operating Segment';
- Short-term receivables and payables in IFRS 13 'Fair Value Measurement';
- Revaluation method—proportionate restatement of accumulated depreciation in IAS 16 'Property, Plant and Equipment';
- Key management personnel in IAS 24 'Related Party Disclosures'; and
- Revaluation method—proportionate restatement of accumulated amortization in IAS 38 'Intangible Assets'

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

Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)

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

- Clarifying in IFRS 5 'Non-current assets held for sale and discontinued operations' that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.
- Adding in IFRS 7 'Financial instruments: Disclosures' specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. It also clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.
- Clarifying in IAS 19 'Employee benefits' that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.
- Clarifying in IAS 34 'Interim financial reporting' what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

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

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2015
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2 PRINCIPAL ACCOUNTING POLICIES (continued)

Going concern

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

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

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

Functional and presentation currency

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

Foreign currency

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

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

Income tax

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

Deferred tax

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

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

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

Financial instruments

Financial assets and financial liabilities are recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of the investment. As at December 31, 2015, the Company did not conclude any derivative contracts. A financial asset is derecognized when the contractual cash flows of the loan expire, or the Company transfers its rights to receive those cash flows in an outright sale in which substantially all the risk and rewards of ownership have been transferred.

Loans and receivables

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

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

Share capital

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

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2015
(amounts in EUR)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Impairment

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

Impairment indicators

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

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

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

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

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Notes to the Financial Statements as at December 31, 2015
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2 PRINCIPAL ACCOUNTING POLICIES (continued)

Assets carried at amortized cost

Impairment assessment

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

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

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

Interest-bearing borrowings

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

De-recognition of financial liabilities

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

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

Other payables

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

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Notes to the Financial Statements as at December 31, 2015
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3 CASH FLOW STATEMENT

The Cash Flow statement has been prepared in accordance with the indirect method. The presentation for the year 2015 has not changed in comparison for the year 2014.

4 PRINCIPLES OF DETERMINATION OF RESULT

(a) General

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

(b) Interest income and expenses

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

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

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

(c) Exchange rate differences

Exchange rate differences arising upon the settlement of monetary items are recognized in the Profit&Loss Account in the period that they arise.

Exchange rate differences on non-current and non-liabilities loans are recognized in the Profit & Loss Account in the period they arise.

(d) Taxation

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

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Notes to the Financial Statements as at December 31, 2015
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5 FINANCIAL RISK MANAGEMENT

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

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

5.1. Credit risk

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

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

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

Loans and advances

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

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

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

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

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

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

Credit monitoring

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

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Notes to the Financial Statements as at December 31, 2015
(amounts in EUR)

5.1. Credit risk (continued)

Cash and cash equivalents

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

Collateral

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

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

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

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

	31-12-2015
Loans & advances to customers - principal outstanding*	314,038,630
Interest receivable	20,587,386
Other receivables related to loans-monthly administration fees	3,232,976
Less: allowance for impairment	(2,000,000)
Net Loans and advances to customers	335,858,992
Other receivables (Note 8)	1,371,482
Cash and cash equivalents	6,244,566
Total	343,475,040
<hr/>	
	31/12/2014
Loans & advances to customers - principal outstanding*	345,389,831
Interest receivable	22,013,204
Other receivables related to loans-monthly administration fees	3,398,344
Less: allowance for impairment	(2,000,000)
Net Loans and advances to customers	368,801,379
Other receivables (Note 8)	54,167,208
Cash and cash equivalents	7,862,730
Total	430,831,317

(*) Loans and advances to customers are after any write downs performed due to limited recourse against borrowings, which for 2015 is Euro 15,266,904 and for 2014 is Euro 58,015,509.

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

5.1.2. Loans and advances

As at December 31, 2015 and 2014, loans and advances are summarized as follows:

	31-12-2015	31/12/14
Neither past due nor impaired	133,583,380	143,278,172
Past due but not impaired	46,687,881	53,062,642
Impaired - individually assessed	38,904,766	80,871,626
Impaired - collectively assessed	118,682,965	93,588,939
Gross Loans and advances to Customers	337,858,992	370,801,379
Less: Allowance for impairment	(2,000,000)	(2,000,000)
Net Loans and advances to customers	335,858,992	368,801,379
Impairments not yet charged under the limited recourse guarantee with Eurobank Cyprus Ltd*	-26,521,945	-19,535,747
Net loans and advances after impairments	309,337,047	349,265,632

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

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Notes to the Financial Statements as at December 31, 2015
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5.1. Credit risk (continued)

5.1.2. Loans and advances (continued)

The wholesale and small business loans as at 31 December 2015 are covered by collaterals at 100% and 87%, respectively (2014: 90% and 78%, respectively). Consumer loans are not collateralized. Mortgage loans are collateralized at 95% (2014: 96%).

Credit quality of loans and advances to customers

Loans and advances to customers are classified as "neither past due nor impaired", "past due but not impaired" and "impaired". Loans are reported as "neither past due nor impaired" when no contractual payments are in arrears and there are no other indications of impairment.

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

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

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

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

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at 31 December 2015 and 2014 was assessed by reference to the entity's own standard grading system. The following information is based on that system:

	2015	2014
Acceptable- low risk	133,583,380	143,278,172
Watch list	-	-
Total	133,583,380	143,278,172

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Notes to the Financial Statements as at December 31, 2015
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5.1. Credit risk (continued)

5.1.2. Loans and advances (continued)

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

	Consumer	Mortgage	Small business	Wholesale	2015
Current					
Past due up to 29 days	7,491,364	27,069,550	395,526	-	34,956,440
Past due 30 - 89 days	1,879,962	9,429,666	421,813	-	11,731,441
Past due 90 - 180 days	-	-	-	-	0
Past due more than 180 days	-	-	-	-	0
Total	9,371,326	36,499,216	817,339	-	46,687,881
Fair value of collateral	-	28,267,241	771,691	-	29,038,932
	Consumer	Mortgage	Small business	Wholesale	2014
Current					
Past due up to 29 days	11,741,950	26,426,664	236,063	-	38,404,677
Past due 30 - 89 days	2,506,520	7,752,028	465,223	-	10,723,771
Past due 90 - 180 days	-	1,497,933	-	-	1,497,933
Past due more than 180 days	-	-	-	2,436,261	2,436,261
Total	14,248,470	35,676,625	701,286	2,436,261	53,062,642
Fair value of collateral	-	29,264,622	549,637	2,218,301	32,032,560

(c) Impaired loans and advances

(c 1) Impaired loans and advances collectively assessed

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

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

	2014			
	Consumer	Mortgage	Small Business	Total
Collectively assessed loans	38,587,927	54,969,713	31,299	93,588,939
Fair value of collateral	-	41,757,653	-	41,757,653

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Notes to the Financial Statements as at December 31, 2015
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5.1. Credit risk (continued)

5.1.2. Loans and advances (continued)

(c 2) Impaired loans and advances individually assessed

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

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

During 2015 the impairment triggers and classification of exposures has been revised following integration of EBA concepts and categories regarding non-performing and forborne loans which had an effect on the assessment of the small business loans.

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

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

2014				
	Mortgage	Small business	Wholesale	Total
Individually assessed loans	35,949	36,529,075	44,306,602	80,871,626
Fair value of collateral	23,673	33,435,622	40,587,590	74,046,885

(d) Repossessed collaterals

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

During 2010-2015 there were no repossessed collateral.

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Notes to the Financial Statements as at December 31, 2015
(amounts in EUR)

5.1. Credit risk (continued)

5.1.2. Loans and advances (continued)

(e) Concentration of credit risk exposure

Geographical Sector

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

	2015
Loans and advances to customers:	
Consumer	64,518,278
Mortgage	197,483,461
Small businesses	36,952,487
Wholesale	38,904,766
Cash and cash equivalents	6,244,566
Other Assets	1,371,483
Total	345,475,041
Loans and advances to customers:	2014
Consumer	80,886,233
Mortgage	198,045,566
Small businesses	45,043,459
Wholesale	46,826,121
Cash and cash equivalents	7,862,730
Other Assets	54,167,208
Total	432,831,317

Industry sector

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

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

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2015
(amounts in EUR)

5.1. Credit risk (continued)

5.1.2. Loans and advances (continued)

	Commerce and services	Private individuals	Manufacturing	Construction	Other industries	2014
Loans and advances to customers:						
- Consumer	-	80,886,233	-	-	-	80,886,233
- Mortgage	-	198,045,566	-	-	-	198,045,566
- Small businesses	28,571,061		8,456,333	6,524,931	1,491,134	45,043,459
- Wholesale	13,471,280	-	6,413,424	22,820,625	4,120,792	46,826,121
Cash and cash equivalents	7,862,730	-	-	-	-	7,862,730
Other Assets	16,266,131	17,120,623	6,205,628	11,323,584	3,251,242	54,167,208
Total	66,171,202	296,052,422	21,075,385	40,669,140	8,863,168	432,831,317

(f) Fair value of financial assets and liabilities

The three levels of the fair value hierarchy as at 31 December 2015 based on whether the inputs to the fair values are observable or unobservable, are as follows:

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

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

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

(g) Fair value of financial assets and liabilities

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

	31/12/15				Net carrying amount
	Level 1	Level 2	Level 3	Total fair value	
Financial assets					
Loans and advances to customers	-	-	291,780,553	291,780,553	335,858,992
Total financial assets					

	31/12/14				Net carrying amount
	Level 1	Level 2	Level 3	Total fair value	
Financial assets					
Loans and advances to customers	-	-	377,169,427	377,169,427	368,801,379
Total financial assets					

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2015
(amounts in EUR)

5.1. Credit risk (continued)

5.1.2. Loans and advances (continued)

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

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

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

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

	31/12/2015		31/12/2014	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial liabilities				
Borrowings	322,304,358	322,304,358	409,646,838	409,646,838
Other Liabilities	3,345,471	3,345,471	3,781,809	3,781,809
Total financial liabilities	325,649,829	325,649,829	413,428,647	413,428,647

5.2 Market risk

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

5.2.1. Interest rate risk

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

5.2.2. Foreign exchange risk

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

5.2.3. Sensitivity analysis

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

Sensitivity of Income Statement

	31/12/15	31/12/14
Foreign exchange	gain/(loss)	gain/(loss)
10% depreciation of functional currency (EUR) over foreign currencies	6,377,389	1,243,852

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Notes to the Financial Statements as at December 31, 2015
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5.3. Liquidity risk

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

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

Contractual undiscounted cash flows

	31/12/15	31/12/14
<i>Up to 1 month:</i>		
Borrowings from group companies	322,304,358	409,646,838
Interest payable to group companies	174,221	1,565,558
Other payables	3,171,250	2,216,251
	<u>325,649,829</u>	<u>413,428,647</u>
<i>1-3 month:</i>		
Borrowings from group companies	-	-
Interest payable to group companies	-	-
Other payables	-	-
	<u>-</u>	<u>-</u>
<i>3-12 month:</i>		
Borrowings from group companies	-	-
Interest payable to group companies	-	-
Other payables	-	-
	<u>-</u>	<u>-</u>
<i>Total:</i>		
Borrowings from group companies	322,304,358	409,646,838
Interest payable to group companies	174,221	1,565,558
Other payables	3,171,250	2,216,251
	<u>325,649,829</u>	<u>413,428,647</u>

5.4. Capital management

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

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

The capital of the Company is presented below:

	2015	2014
Issued and paid-up capital	20,000	20,000
Share premium	11,980,000	11,980,000
Other reserve	6,283,424	5,880,889
Total equity	<u>18,283,424</u>	<u>17,880,889</u>

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Notes to the Financial Statements as at December 31, 2015
(amounts in EUR)

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

a) Impairment losses on loans and advances

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

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

b) Uncertain tax position

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

c) Deferred income tax asset recognition

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

d) Fair value of financial assets and liabilities

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

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Notes to the Financial Statements as at December 31, 2015
(amounts in EUR)

7 LOANS & ADVANCES TO CUSTOMERS

	31/12/15	31/12/14
Consumer loans*	64,518,278	80,886,233
Mortgage loans*	197,483,461	198,045,566
Small Business Borrowings/ Corporate loans*	75,857,253	91,869,580
Total loans to clients - gross*	337,858,992	370,801,379
Less: allowance for impairment (own risk)	(2,000,000)	(2,000,000)
	335,858,992	368,801,379
Impairments not yet charged under the limited recourse guarantee with Eurobank Cyprus Ltd**	(26,521,945)	(19,535,747)
	309,337,047	349,265,632

*) Loans and advances to customers are after any write downs performed due to limited recourse against borrowings, which for 2015 is Euro 15,266,904 and for 2014 is Euro 58,015,509. This write down is counterbalanced by the write down of financing borrowings from Group Company for the same amount (refer to note 11).

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

	31/12/15	31/12/14
Movement in write downs limited recourse:		
Opening balance	152,937,592	94,922,083
Write downs performed during the year	15,266,904	58,015,509
Closing balance as at year end	168,204,496	152,937,592
<i>Current Assets:</i>		
Loan repayments due:	31/12/15	31/12/14
Up to 1 month	3,120,521	3,316,239
1-3 months	6,258,372	6,854,174
4-12 months	41,184,597	31,285,483
	50,563,490	41,455,896
<i>Non-Current Assets:</i>		
1-5 years	100,831,643	129,937,201
Over 5 years	184,463,859	197,408,282
	285,295,502	327,345,483

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

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Notes to the Financial Statements as at December 31, 2015
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7 LOANS & ADVANCES TO CUSTOMERS (continued)

Movements in provisions in 2015 and 2014 for impairment of loans and interest receivable are:

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

Type of loan:	Consumer loans	Mortgage loans	Small business loans	Corporate loans	Total
Opening balance as at January 1, 2014	1,763,742	170,907	65,351	-	2,000,000
Provision charge / release for the year (including collection fees)	(116,753)	143,626	(26,873)	-	-
Disposal of loan portfolio	-	-	-	-	-
Other movements	-	-	-	-	-
Foreign exchange loss (gain)	-	-	-	-	-
Closing balance as at December 31, 2014	1,646,989	314,533	38,478	-	2,000,000

8 OTHER RECEIVABLES

Description	31/12/15	31/12/14
Receivable from repossessed collaterals	97,605	98,528
Other receivables	9,857	4,606
Receivable from Eurobank Cyprus Ltd.	1,264,020	54,064,074
	1,371,482	54,167,208

The total w/d EUR 58.015.509 as of YE14 are consisting of w/d performed in 2014 of amount EUR 4.007.602 counterbalanced by w/d of financing borrowings from Group company (Cyprus) as disclosed in Note 11, plus w/d booked in 2014 of amount EUR 54.007.907 against receivables from Cyprus as disclosed in Note 8.

9 CASH AND CASH EQUIVALENTS

Description	31/12/15	31/12/14
Due from banks/current accounts	2,463,129	3,077,239
Due from banks/deposits placed with banks	3,781,438	4,785,491
	6,244,566	7,862,730

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

10 EQUITY

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

As at December 31, 2015, 20,000 shares were issued and fully paid-up. The movements in the Equity we refer to the Statement of Equity on page 9 of this report.

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

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Notes to the Financial Statements as at December 31, 2015
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11 BORROWINGS FROM GROUP COMPANY

	31/12/15	31/12/14
Financing borrowings from Eurobank Cyprus Ltd.	391,579,170	413,654,440
Write-downs due to limited recourse against loans and advances to customers	(69,274,812)	(4,007,602)
	322,304,358	409,646,838

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

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

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

12 INTEREST PAYABLE TO GROUP COMPANY

	31/12/15	31/12/14
Eurobank Cyprus Ltd., Cyprus	174,221	1,565,558
	174,221	1,565,558

Repayments are due within 1 month.

13 OTHER PAYABLES

	31/12/15	31/12/14
Payables to Bancpost S.A.	2,081,640	1,006,024
Payables to Eurolife ERB Asigurari de Viata S.A.	190,779	74,634
Payables to sundry lawyers	22	409
VAT payable	-	-
Accrued expenses	50,000	35,000
Other payables	848,808	1,100,184
	3,171,250	2,216,251

14 INTEREST INCOME

	1/1/15-31/12/15	1/1/14-31/12/14
Interest income on loans and advances	20,404,777	24,351,517
Interest related income	3,401,911	4,023,463
Interest related fees	(1,430,170)	(1,512,584)
	22,376,518	26,862,396

15 INTEREST EXPENSE

	1/1/15-31/12/15	1/1/14-31/12/14
Interest expense borrowings from group Company	21,920,058	26,191,211
Bank interest expenses	15,788	8,638
	21,935,846	26,199,849

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Notes to the Financial Statements as at December 31, 2015
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16 OPERATING COSTS

	1/1/15-31/12/15	1/1/14-31/12/14
Management, domiciliary and accounting fees	72,917	75,000
Occasional consultancy fees	109,177	18,350
Non-deductible VAT	62,712	46,976
Other	327,322	274,497
	572,128	414,823

17 TAXATION

In 2015 and 2014, this item can be detailed as follows:

	1/1/15-31/12/15	1/1/14-31/12/14
Result before taxation	439,829	1,819,566
Less: Foreign exchange gain/(loss)	1,458,837	185,999
Less: non- taxable operating income	(1,712,197)	(1,707,951)
Taxable profit	186,470	297,614
Corporate income tax expense for the year	37,294	64,404
<i>Effective corporate income tax rate</i>	8.48%	3.54%

The movements in the taxation are as follows:

	2015	2014
Opening balance	478,219	334,915
Estimate tax charge for the year	-37,294	-64,404
Tax charge previous years	-	-
Payments made	77,500	207,708
Amounts refunded by the Tax Authorities	-60,212	-
Interest expense related to CIT	-	-
Closing balance	458,213	478,219

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

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Notes to the Financial Statements as at December 31, 2015

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18 RELATED PARTIES

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

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

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

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

The related parties considered for reporting purposes comprise of Bancpost S.A., Eurolife ERB Asigurari Generale S.A., Eurolife ERB Asigurari de Viata S.A., Eurobank Private Bank Luxembourg S.A., Eurobank Cyprus Ltd. and ERB New Europe Funding III B.V. which are entities controlled by Eurobank Ergasias S.A.

The related party transactions the Company is involved in are included in the Balance Sheet and Income Statement and further disclosed in this note.

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

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

	2015	2014
Interest expense borrowings Eurobank Cyprus	(21,935,846)	(26,199,849)
Interest expense borrowings Private Bank Luxembourg	-	-
Bank fees Bancpost SA	(24,437)	(12,669)
Bank fees Private Bank Luxembourg	-	(9,876)
Expenses relating to interest income on loans & advances Bancpost SA	(1,197,935)	(1,246,861)
Expenses relating to interest income on loans & advances Eurolife ERB Insurance	(232,235)	(105,279)
Interest income Eurobank Cyprus Ltd	69	11,504
Interest income Bancpost SA	3,105	10,909
Operating expenses Eurobank Property Services SA Romania	-	(1,700)
Operating expenses Eurobank Property Services SA Athens	-	(4,600)
	(23,387,279)	(27,558,421)

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

	2015	2014
Current accounts with banks Bancpost SA	2,317,317	2,908,750
Current accounts with banks Eurobank Cyprus	73,391	62,606
Current accounts with banks Private Bank Luxembourg	-	92,870
Term deposits with other banks Bancpost SA	1,704,712	2,708,835
Term deposits with other banks Eurobank Cyprus	2,076,726	2,076,656
Loans & advances to customers (prepaid origination fees) Bancpost SA	220,250	470,647
Other receivables Bancpost SA	97,605	98,528
Other receivables Eurobank Cyprus	56,166	54,064,074
Term loans from banks Eurobank Cyprus Ltd	(322,478,580)	(411,212,396)
Other payables to Group Company	(2,076,546)	(1,186,044)
	(318,008,960)	(349,915,474)

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Notes to the Financial Statements as at December 31, 2015
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19 COMMITMENTS AND CONTINGENCIES

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

20 OTHER INFORMATION ON GENERAL AND ADMINISTRATIVE EXPENSES

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

The audit fees of EUR 30,000 (2014: EUR 35,000) comprizes the fees of independent external auditor PricewaterhouseCoopers Accountants N.V. for the statutory audit of the financial statements.

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

21 DIRECTORS

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

As per August 17, 2015, Mr. S. van der Meer and Mr. M. A. H. Martis have resigned as managing directors of the Company, and as per same date Mr. E. R. Janssens and Mr. R. Wemmi have been appointed as managing directors of the Company.

The Board of Managing Directors,

S. Psychogyios

E. Zois

E. R. Janssens

R. Wemmi

Amsterdam, January 31, 2017

ERB NEW EUROPE FUNDING II B.V.

Other information

Statutory provision regarding appropriation of Result

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

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

Appropriation of result

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

Position of Eurobank Group

Macroeconomic environment

In 2015, the macroeconomic environment in Greece has been very challenging for the Greek banking system. In the first half of the year, the prolonged uncertainty relating to an agreement with the Eurozone partners over the implementation of the required reforms for the conclusion of the Second Economic Adjustment Program, the unsuccessful expiration of the former, the tightened liquidity conditions due to the financing problems of the Greek State and the significant deposit outflows – already observed from late 2014 – led to the imposition of restrictions in banking transactions (capital controls) together with a temporary bank holiday on 28 June 2015. In mid - August the Greek Government reached a final agreement with its European partners on a new 3-year European Stability Mechanism (ESM) program – the Third Economic Adjustment Program (TEAP) - with a ca € 86 bn financing envelope and a series of reforms aiming to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration. The Greek Government managed to complete two sets of prior actions from the program at the end of November and December 2015. By mid - December 2015, the systemic banks' recapitalization was completed with only ca € 5.4 bn used from the initial buffer of up to € 25 bn. The unused funds were subtracted from the ESM loan, reducing it to ca € 64.5 bn as of the end of January 2016.

In the first months of 2016, the macroeconomic environment in Greece has remained challenging for the Greek banking system. Following the ongoing negotiations with its European partners during the last months, Greece has successfully concluded the 1st review of the Third Economic Adjustment Program (TEAP), which permitted the disbursement of the first sub-tranche of € 7.5 bn from the second installment of the European Stability Mechanism (ESM) loan on 21 June 2016, allowing the country to cover its debt servicing needs and clear a part of the State's arrears to the private sector. Accordingly, the European Central Bank (ECB) decided the reinstatement of the waiver for the instruments issued by the Hellenic Republic and the improvement of the advance rates for providing Eurosystem financing with Pillar II guarantees as collateral, while the participation of Greek Government Bonds in ECB's Quantitative Easing (QE) program will be examined at a later stage conditional on the implementation of the 2nd review and the results of the Debt Sustainability Analysis that the ECB is expected to conduct after the implementation of the short term debt relief measures for Greece. The latter are in accordance with the roadmap of debt relief agreed in the 25 May 2016 Eurogroup. The completion of the 1st review helped in reducing the short term uncertainty surrounding the economic outlook and contributed to further relaxation of capital controls, as of 22 July 2016. This, along with the mobilization of European Union (EU) funding to support domestic investment and job creation and the decisive implementation of the reforms agreed in the context of the ESM program, would facilitate the restoration of confidence in the prospects of the Greek economy and the further stabilization of the domestic environment, which are necessary conditions for the resumption of positive economic growth.

ERB NEW EUROPE FUNDING II B.V.

Other information

Position of Eurobank Group (continued)

Currently, the main risks and uncertainties are associated with a) the impact on the level of economic activity from additional fiscal measures included in the key prior actions of the 1st review of the TEAP, b) possible delays in the implementation of the reforms' agenda in order to meet the next targets and milestones of the TEAP including the timely completion of the 2nd review scheduled for early December 2016, c) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity, d) a possible deterioration of the refugee crisis and the impact on the internal economy and e) the geopolitical conditions in the broader region and the external shocks from a slowdown in the global economy.

Liquidity risk

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the ESM program. The decisive implementation of the measures agreed in the context of the new ESM program permitted ECB to reinstate the waiver for the instruments issued by the Hellenic Republic and decrease the haircuts applied for Pillar II guarantees. These developments have enabled Greek banks to reduce their dependence on the expensive Emergency Liquidity Assistance (ELA) mechanism and increase their liquidity buffers. The stabilization of the macroeconomic environment and a recovery of the domestic economic sentiment will facilitate a faster return of deposits in the banking system and the further re-access to the markets for liquidity.

In the first nine months of 2016, Eurobank Ergasias S.A. (the "Bank") has managed to reduce its dependence on Eurosystem funding mainly through the increase in repo transactions in the interbank market, the selective assets deleveraging, the utilization of a part of foreign subsidiaries' surplus liquidity and to some extent by deposit inflows.

Solvency risk

On 31 October 2015, the ECB announced the results of the comprehensive assessment (CA) based on which, a shortfall of € 0.3 bn in baseline scenario against 9.5% Common Equity Tier 1 (CET1) threshold and € 2.1 bn in adverse scenario against 8% CET1 threshold, the lowest shortfall across Greek banks, was identified for the Bank. Following the CA results and in line with the new recapitalization framework introduced by Law 4340/2015, the Bank proceeded to a capital increase of € 2,039 million, which was covered exclusively from the markets. As a result, the Group strengthened further its capital base and its CET1 ratio stood at 17% at the end of December 2015.

Notwithstanding the direct and indirect exposure of the banking system to sovereign risk, the successful completion of the Bank's and other Greek systemic banks' recapitalization process constituted a key milestone for rebuilding trust in the banking system and in the economy in general.

The Group continues implementing its medium term internal capital generating plan, which includes initiatives generating or releasing CET1 capital and/or reducing risk weighted assets. One of the key areas of focus remains the active management of non-performing loans, taking advantage of the Group's internal infrastructure and the important legislative changes that have taken or are expected to take place, aiming to substantially reduce their stock in due course. The Group's Common Equity Tier 1 (CET1) ratio stood at 17% at the end of June 2016 and the net profit attributable to shareholders amounted to € 106 million for the period ended 30 June 2016.

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

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Other information

Post balance sheet events

Legislation on the conversion of CHF denominated loans to Romanian Leu

On 18 October 2016, the Romanian parliament unanimously passed a bill that allows borrowers to convert Swiss franc-denominated loans into local currency 'Leu' using the exchange rate prevailing on the date they were originated. The above law provision has not come into force yet. The Romanian Constitutional Court (RCC) is currently reviewing its constitutionality, following the relevant request by the government and the date for issuing the decision had been established for 23 November 2016 and subsequently postponed to 18 January 2017. Eurobank Group awaits the decisions and the reasoning of the RCC and reserves its right to assess the legal possibility to seek recourse to the supranational European Court of Justice.

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

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

According to the press releases issued by the Romanian Constitutional Court (RCC), on 25 October 2016 the RCC decided that certain provisions of the law are against the Constitution. The decisions of RCC (including the reasoning) are expected to be published in the Official Gazette of Romania, and Eurobank Group awaits the decisions and the reasoning of the RCC and reserves its right to assess the legal possibility to seek recourse to the supranational European Court of Justice.

Sub-participation agreement between Bancpost S.A. and ERB New Europe Funding II B.V.

On 08.02.2016 and 26.04.2016, two Sub-participation agreements were signed between Bancpost S.A. and ERB New Europe Funding II B.V. for loans' portfolio originated by Bancpost S.A. totally amounting to EUR 55 mil.

Above mentioned post balance sheet events do not affect the financial position of the Company as at 31.12.2015.

Independent auditor's report

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



Independent auditor's report

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

Report on the financial statements 2015

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of ERB New Europe Funding II B.V. as at 31 December 2015, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2015 of ERB New Europe Funding II B.V., Amsterdam ('the company').

The financial statements comprise:

- the statement of financial position as at 31 December 2015;
- the following statements for 2015: the income statement, the statements of comprehensive income, changes in equity and cash flows;
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

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

The basis for our opinion

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

We are independent of ERB New Europe Funding II B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Ref.: e0392675

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Responsibilities of management

Management 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 the preparation of the report of the managing directors in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as management 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, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management 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 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.

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

Report on other legal and regulatory requirements

Our report on the report of the managing directors and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the report of the managing directors and the other information):

- we have no deficiencies to report as a result of our examination whether the report of the managing directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed;
- we report that the report of the managing directors, to the extent we can assess, is consistent with the financial statements.

Rotterdam, 31 January 2017
PricewaterhouseCoopers Accountants N.V.

Original has been signed by M.P.A. Corver RA

Appendix to our auditor's report on the financial statements 2015 of ERB New Europe Funding II 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 management.
- Concluding on the appropriateness of management's 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 management 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.