www.pwc.com.cy

ERB NEW EUROPE FUNDING III LIMITED

Office Copy (signed)

Report and financial statements

31 December 2015

pwc

ERB NEW EUROPE FUNDING III LIMITED

Report and Financial Statements for the year ended 31 December 2015

Report and financial statements
31 December 2015

Contents | Pages

Board of Directors and Other Officers	1
Report of the Board of Directors	2 – 5
Independent auditor's report	6 – 7
Statement of profit or loss	8
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	12 – 13
Notes to the financial statements	14 – 58

Board of Directors and Other Officers

Board of Directors

M. Louis
D. Shacallis
S. Psychogyios

Company Secretary

D. Shacallis

Independent auditors

PricewaterhouseCoopers Ltd
Julia House
3 Themistocles Dervis Street
1066 Nicosia
Cyprus

Registered office

41 Arch. Makariou III Avenue
1065 Nicosia
Cyprus

ERB NEW EUROPE FUNDING III LIMITED

Report of the Board of Directors

The Board of Directors presents its report together with the audited financial statements of ERB NEW EUROPE FUNDING III LIMITED (the "Company") for the year ended 31 December 2015.

Principal activities and nature of the operations of the Company

The principal activities of the Company are to invest into debt and equities securities and into portfolio of loans, both performing and non performing, granted to clients and originated by respective Eurobank Ergasias S.A. subsidiaries.

Review of developments, position and performance of the Company's business

The main financial highlights for the year are as follows:

	2015	2014
	€	€
Operating (loss)	**(5.243.970)**	(6.120.547)
Operating expenses including Impairment losses on loans and advances and other impairment losses	**(872.689)**	(49.188.359)
Loss from operations before taxation	**(6.116.659)**	(55.170.820)
Net loss for the year	**(6.116.659)**	(55.319.752)

	2015	2014
	€	€
Loans and advances to customers	**35.191.145**	54.889.222
Available-for-sale financial assets	**74.528.066**	96.480.429
Debt securities lending portfolio	**835.611.614**	890.497.644
Total assets	**949.781.179**	1.048.945.696

Business environment, strategy and future outlook

The Company's business strategy and activities are linked to those of Eurobank Ergasias S.A. (the "Bank" or "Parent entity").

The European Commission's 2018 Winter forecast for 2017 and 2018 Greece's real GDP growth was at 1.6% and 2.5% respectively. The 2018 Budget's real GDP forecasts for 2017 and 2018 were at 1.6% and 2.5% respectively conditional on the prompt Third Economic Adjustment Program (TEAP) implementation, the timely successful conclusion of the upcoming reviews of the program, ownership of reforms and a benign external environment. On the fiscal front, according to the 2018 Budget the 2016 Greece's primary surplus was at 3.77% of GDP against a TEAP target of 0.5% of GDP. In addition, the fiscal goal in primary balance terms under the 2018 Budget for 2017 and 2018 is at 2.44% and 3.82% respectively. The TEAP primary balance targets for 2017 and 2018 are at 1.75% and 3.50%., respectively. The achievement of sustainable primary surpluses, at the level of 3.5% of GDP up to the end of 2022 with a gradual decrease afterwards, constitutes a necessary condition for the implementation of the medium and long term measures enhancing the sustainability of public debt, as decided on the Eurogroup of 24 May 2016.

Business environment, strategy and future outlook (cont'd)

On 22 January 2018 the Eurogroup welcomed the implementation of almost all of the agreed prior actions for the third review of the TEAP, following the staff level agreement on the policy package that was presented to the 4 December 2017 Eurogroup. A small number (2 items) of prerequisite reforms from the third review is still pending and the Eurogroup called on the Greek authorities to complete them in the following period. The full completion of the remaining reforms will be verified by the Eurogroup Working Group on the basis of an assessment by the European institutions. A positive report on the full implementation of the outstanding prior actions will pave the way for the release of the fourth tranche under the ESM programme. The tranche will amount to €6.7 billion, of which €5.7 billion will be disbursed immediately upon implementation of all prior actions and cover debt servicing needs, allow for further clearance of arrears, and support the build-up of cash buffers. The remaining €1.0 billion will be used for arrears clearance and will be disbursed in spring 2018, subject to positive reporting by the European institutions on the clearance of net arrears using also own resources; and a confirmation from the European institutions that the unimpeded flow of e-auctions has continued. According to the ESM the total amount disbursed to Greece so far – not-including the aforementioned sub-tranche – amounts to €40.2 billion out of a total ESM loan of €86.5billion. From these a cash-buffer of ca €27.5 billion will remain at the TEAP in August 2018 mainly as a result lower bank recapitalization needs and the better than previously expected 2016 primary surplus realization. As of now, there is no agreement on the post-programme period relation between Greece and the European Institutions. The Greek government aims to continue its market access programme in the post programme period. Conditional on the continuation of the Third Economic Adjustment Programme funding until the end of the programme, the Greek government aims to create a cash buffer of ca €10.2 billion that would facilitate its market access for ten months after the end of the programme.

S&P on 19 January 2018, upgraded the Greek sovereign rating from B- to B with a positive credit outlook on the basis of the improved fiscal and growth outlook as well as the labour market recovery and amid a period of relative policy certainty. Fitch on 16 February 2018 upgraded the Greek sovereign rating from B- to B with a positive credit outlook on the basis of improved fiscal conditions on expectations of a prompt conclusion of the TEAP in August 2018 as well as on the expectation of an agreement on further debt relief measures by the end of the program. More recently, Moody's on 21 February 2018 upgraded the Greek sovereign rating from Caa3 to B3 Based on similar arguments. The sovereign's rating is still significantly below the investment grade rating but the recent upgrades and the progress on program implementation led to the improvement of the yield of the Greek 10-YR bonds by ca 33% between the end of November 2017, just before the staff level agreement achieved in the 4 December 2017 Eurogroup and 21 February 2018.

Report of the Board of Directors (cont'd)

Business environment, strategy and future outlook (cont'd)

The IMF conditional on its internal procedures is expected to participate in principle in the Third Economic Adjustment Programme but still considers the Greek public debt as unsustainable. According to the 22 January 2018 Eurogroup's decisions the further quantification of the medium term debt relief measures and their implementation, if necessary, is expected to take place after the successful conclusion of the current programme in August 2018. The clarification of the medium term debt relief measures constitutes a necessary precondition for the participation of the IMF on the current programme. In addition, the ECB requires a quantification of the medium term debt relief measures and sustainable debt for the participation of Greece in the PSPP (QE) programme. Note that, the conclusion of the first review of the Third Economic Adjustment Programme led to the implementation of the short-term debt relief measures from 20 January 2017 onwards.

Risks continue to surround the near-term domestic economic outlook. The unemployment rate remains very high and follows a slowly decreasing path. At the same time, the country was in a deflationary territory for 37 out of the last 50 consecutive months from late-2011 onwards.

Results

The Company's results for the year are set out on page 9. The net loss for the period is carried forward.

Share capital

There were no changes in the share capital of the Company during the year under review.

Board of Directors

The members of the Company's Board of Directors at 31 December 2015 and at the date of this report are presented on page 1.

Changes in Group structure

There were no changes in the group structure of the Company during the year under review and the Company does not intend to proceed with any acquisitions or mergers.

Branches

The Company did not operate through any branches during the accounting period.

Report of the Board of Directors (cont'd)

Principal risks and uncertainties

The Company considers risk management to be a major process and a factor contributing to the stability of Company's performance. The financial risks which are managed and monitored are credit risk, market risk (including currency and interest rate risk) and liquidity risk. The Company's overall risk management objective is to minimize potential adverse effects on the Company's financial performance, financial position and cash flows. Detail information relating to risk management is set out in Note 4 of the financial statements.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 21 to the financial statements.

Independent Auditors

The Independent Auditors, PricewaterhouseCoopers Ltd, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Demetris Shacallis
Director

Nicosia, 28 February 2018

Independent auditor's report
To the Members of ERB New Europe Funding III Limited

Report on the financial statements

We have audited the accompanying financial statements of ERB New Europe Funding III Limited (the "Company"), which are presented on pages 9 to 58 and comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

PricewaterhouseCoopers Ltd, PwC Central, 43 Demostheni Severi Avenue, CY-1080 Nicosia
P O Box 21612, CY-1591 Nicosia, Cyprus
T: +357 - 22 555 000, F: +357 - 22 555 001, www.pwc.com.cy

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ERB New Europe Funding III Limited as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of Matter

Without qualifying our opinion we draw attention to the disclosures made in note 2.2 to the financial statements, which refer to: (a) the Company's negative equity and (b) the fact that the Company's going concern is dependent on the Parent's ability and intention to provide capital and liquidity support, subject to compliance of restructuring commitments.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Report of the Board of Directors has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113, and the information given is consistent with the financial statements.
- In our opiniou and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board of Directors.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

George C. Kazamias

George C. Kazamias
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 28 February 2018

ERB NEW EUROPE FUNDING III LIMITED

Statement of profit or loss
for the year ended 31 December 2015

	Note	2015 €	2014 €
Interest income	5	**11.253.358**	24.885.594
Interest expense	6	**(12.375.735)**	(25.048.479)
Net interest income		**(1.122.377)**	(162.885)
Fee and commission income		**30.987**	104.125
Fee and commission expense	19	**(1.480)**	(1.355.007)
Net fee and commission expense		**29.507**	(1.250.882)
Gains less losses from investment securities		**(-)**	(4.394.501)
Net trading losses	7	**(4.039.520)**	(239.257)
Other operating income		**-**	65.064
Operating expenses	8	**(111.580)**	(138.085)
Operating (loss)		**(5.243.970)**	(6.120.547)
Impairment losses on loans and advances	11	**(872.689)**	(46.767.298)
Other impairment losses		**(-)**	(2.282.975)
Loss before income tax		**(6.116.659)**	(55.170.820)
Income tax	9	**(-)**	(148.932)
Loss for the year		**(6.116.659)**	(55.319.752)

Statement of Comprehensive Income
for the year ended 31 December 2015

	2015 €	2014 €
Loss for the year	**(6.116.659)**	**(55.319.752)**
Items that may be reclassified subsequently to profit and loss:		
Available-for-sale financial assets (Note 12)		
Net changes in fair values	**(387.422)**	**(2.288.657)**
Transfer to net loss	**-**	**4.394.501**
Other comprehensive (loss) / income:	**(387.422)**	**2.105.844**
Total comprehensive loss for the year	**(6.504.081)**	**(53.213.908)**

The notes on pages 14 to 58 form part of these financial statements.

ERB NEW EUROPE FUNDING III LIMITED

Statement of Financial Position
at 31 December 2015

	Note	2015	2014
Assets			
Cash at bank		**3.766.357**	4.858.334
Derivative financial instruments	10	-	1.523.428
Loans and advances to customers	11	**35.191.145**	54.889.222
Available-for-sale financial assets	12	**74.528.066**	96.480.429
Debt securities lending portfolio	13	**835.611.614**	890.497.644
Investments in subsidiaries	14	**670.000**	670.000
Other assets	15	**13.997**	26.639
Total assets		**949.781.179**	1.048.945.696
Equity and liabilities			
Equity			
Ordinary share capital	16	**1.100**	1.100
Share premium	16	**18.900**	18.900
Other reserves	12	**610.124**	997.546
Retained earnings		**(82.663.636)**	(76.546.977)
Total equity		**(82.033.512)**	(75.529.431)
Liabilities			
Loans payable	17	**1.031.761.500**	1.122.930.342
Derivative financial instruments	10	-	1.523.428
Other liabilities	18	**53.191**	21.357
Total liabilities		**1.031.814.691**	1.124.475.127
Total liabilities and equity		**949.781.179**	1.048.945.696

On 28 February 2018 the Board of Directors of ERB New Europe Funding III Limited authorized these financial statements for issue.

S. Psychogyios, Director

D. Shacallis, Director

The notes on pages 14 to 58 form part of these financial statements.

ERB NEW EUROPE FUNDING III LIMITED

Statement of Changes in Equity
for the year ended 31 December 2015

	Share capital	Share premium	Other Reserves	Retained earnings	Total
	€	€	€	€	€
Balance as at 1 January 2014	**1.100**	**18.900**	**(1.108.298)**	**(21.227.225)**	**(22.315.523)**
Loss for the year	-	-	-	**(55.319.752)**	**(55.319.752)**
Other comprehensive income for the year	-	-	**2.105.844**	-	**2.105.844**
Balance as at 31 December 2014	**1.100**	**18.900**	**997.546**	**(76.546.977)**	**(75.529.431)**
Loss for the year	-	-	-	**(6.116.659)**	**(6.116.659)**
Other comprehensive (loss) for the year	-	-	**(387.422)**	-	**(387.422)**
Balance as at 31 December 2015	**1.100**	**18.900**	**610.124**	**(82.663.636)**	**(82.033.512)**

The notes on pages 14 to 58 form part of these financial statements.

ERB NEW EUROPE FUNDING III LIMITED

Statement of Cash Flows
for the year ended 31 December 2015

	Note	2015	2014
Cash flows from operating activities			
Loss for the year before taxation		(6.116.659)	(55.170.820)
Adjustments for:			
Gain from investment securities		-	4.394.501
Impairment losses on loans and advances	11	872.689	46.767.298
Other impairment losses		-	2.282.975
Foreign exchange adjustments on Debt securities lending portfolio	13	(7.727.210)	(6.251.647)
Foreign exchange adjustments on AFS portfolio	12	(-)	(4.965.766)
Amortisation of premium/ discount on AFS portfolio	12	1.354.627	3.400.016
Amortisation of premium/ discount & Inflation linked bonds adjustment on Debt securities lending portfolio	13	649.440	(7.482.473)
Accrued interest on AFS portfolio	12	10.315	1.541.919
Accrued interest on Debt securities lending portfolio	13	165.101	277.685
Cash outflow from operations before working capital changes		(10.791.697)	(15.206.313)
Net (increase)/decrease in Loans and advances to customers		18.870.460	9.933.798
Net (increase)/decrease in Other assets		12.642	-
Net increase/(decrease) in Other liabilities		31.834	(1.331.818)
Net increase/(decrease) in accrued interest on Loans payable		-	(6.765.072)
Cash outflow from operations		8.123.239	(13.369.405)
Tax paid	9	(45.073)	(148.932)
Net cash outflow from operating activities		8.078.166	(13.518.337)
Cash flows from investing activities			
Purchases and redemptions of Available-for-sale financial assets	12	20.200.000	56.313.136
Purchases and redemptions of Debt securities lending portfolio	13	61.798.699	1.621.367.059
Net cash inflow from investing activities		81.998.699	1.677.680.195
Cash flows from financing activities			
Repayments of loans payable, net of proceeds	17	(91.168.842)	(1.665.564.420)
Net cash outflow from financing activities		(91.168.842)	(1.664.564.420)
Net increase in cash and cash equivalents		(1.091.977)	(1.402.562)
Effect of exchange rate fluctuations on cash held		-	1.343.265
Cash and cash equivalents at beginning of the financial year		4.858.334	4.917.631
Cash and cash equivalents at end of year		3.766.357	4.858.334

For the purposes of the cash flow statement, cash and cash equivalents comprise exclusively by Cash at bank, which has less than 90 days' maturity.

The notes on pages 14 to 58 form part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2015 (cont'd)

As at 31 December 2015, the Company holds deposits with the Bank and other Group's subsidiaries amounting to Euro 2.463.763 (2014: Euro 4.414.070) and Euro 1.302.594 (2014: Euro 444.264) respectively. The Bank's long term rating was CCC+ at August 2016 according to Standard & Poor's credit rating.

The notes on pages 14 to 58 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2015

1 General

ERB NEW EUROPE FUNDING III LIMITED (the "Company") was registered in Cyprus on 25 November 2010 as a private limited liability Company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 41 Arch. Makariou III Avenue, 1065, Nicosia, Cyprus. As at 31 December 2015 the Bank owns indirectly 100% of ERB New Europe Funding III through its 100% subsidiary NEU Property Holdings Ltd.

Principal activities and nature of the operations of the Company

The principal activities of the Company are to invest into debt and equities securities and into portfolio of loans, both performing and non performing, granted to clients and originated by respective Bank's subsidiaries.

2 Principal accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (''IFRS'') and IFRS Interpretations Committee (IFRS IC) issued by the IASB, as endorsed by the European Union (the 'EU') and the requirements of the Cyprus Companies Law, Cap.113.

The policies set out below have been consistently applied to the years presented unless otherwise stated.

2.2 Going concern basis

The financial statements have been prepared on a going concern basis. In making their assessment at the Company's ability to continue as a going concern, the directors have taken into consideration the impact of the following factors directly related to the Parent entity's operations. The Company has shown negative capital for the period however the directors of the Company have the support of the Parent entity. The Parent entity has confirmed the continuing support, which includes possibilities to refinance existing borrowing, receive additional borrowings and provide capital, subject to the Parent entity's restructuring commitments, so that to ensure that the Company will continue its operations in the foreseeable future.

Notes to the financial statements for the year ended 31 December 2015

2 Principal accounting policies (cont'd)

2.2 Going concern basis (cont'd)

Position of Eurobank Group

The European Commission's 2018 Winter forecast for 2017 and 2018 Greece's real GDP growth was at 1.6% and 2.5% respectively. The 2018 Budget's real GDP forecasts for 2017 and 2018 were at 1.6% and 2.5% respectively conditional on the prompt Third Economic Adjustment Program (TEAP) implementation, the timely successful conclusion of the upcoming reviews of the program, ownership of reforms and a benign external environment. On the fiscal front, according to the 2018 Budget the 2016 Greece's primary surplus was at 3.77% of GDP against a TEAP target of 0.5% of GDP. In addition, the fiscal goal in primary balance terms under the 2018 Budget for 2017 and 2018 is at 2.44% and 3.82% respectively. The TEAP primary balance targets for 2017 and 2018 are at 1.75% and 3.50%., respectively. The achievement of sustainable primary surpluses, at the level of 3.5% of GDP up to the end of 2022 with a gradual decrease afterwards, constitutes a necessary condition for the implementation of the medium and long term measures enhancing the sustainability of public debt, as decided on the Eurogroup of 24 May 2016.

On 22 January 2018 the Eurogroup welcomed the implementation of almost all of the agreed prior actions for the third review of the TEAP, following the staff level agreement on the policy package that was presented to the 4 December 2017 Eurogroup. A small number (2 items) of prerequisite reforms from the third review is still pending and the Eurogroup called on the Greek authorities to complete them in the following period. The full completion of the remaining reforms will be verified by the Eurogroup Working Group on the basis of an assessment by the European institutions. A positive report on the full implementation of the outstanding prior actions will pave the way for the release of the fourth tranche under the ESM programme. The tranche will amount to €6.7 billion, of which €5.7 billion will be disbursed immediately upon implementation of all prior actions and cover debt servicing needs, allow for further clearance of arrears, and support the build-up of cash buffers. The remaining €1.0 billion will be used for arrears clearance and will be disbursed in spring 2018, subject to positive reporting by the European institutions on the clearance of net arrears using also own resources; and a confirmation from the European institutions that the unimpeded flow of e-auctions has continued. According to the ESM the total amount disbursed to Greece so far – not-including the aforementioned sub-tranche – amounts to €40.2 billion out of a total ESM loan of €86.5billion. From these a cash-buffer of ca €27.5 billion will remain at the TEAP in August 2018 mainly as a result lower bank recapitalization needs and the better than previously expected 2016 primary surplus realization. As of now, there is no agreement on the post-programme period relation between Greece and the European Institutions. The Greek government aims to continue its market access programme in the post programme period. Conditional on the continuation of the Third Economic Adjustment Programme funding until the end of the programme, the Greek government aims to create a cash buffer of ca €10.2 billion that would facilitate its market access for ten months after the end of the programme.

Notes to the financial statements for the year ended 31 December 2015

2 Principal accounting policies (cont'd)

2.2 Going concern basis (cont'd)

S&P on 19 January 2018, upgraded the Greek sovereign rating from B- to B with a positive credit outlook on the basis of the improved fiscal and growth outlook as well as the labour market recovery and amid a period of relative policy certainty. Fitch on 16 February 2018 upgraded the Greek sovereign rating from B- to B with a positive credit outlook on the basis of improved fiscal conditions on expectations of a prompt conclusion of the TEAP in August 2018 as well as on the expectation of an agreement on further debt relief measures by the end of the program. More recently, Moody's on 21 February 2018 upgraded the Greek sovereign rating from Caa3 to B3 Based on similar arguments.. The sovereign's rating is still significantly below the investment grade rating but the recent upgrades and the progress on program implementation led to the improvement of the yield of the Greek 10-YR bonds by ca 33% between the end of November 2017, just before the staff level agreement achieved in the 4 December 2017 Eurogroup and 21 February 2018.

The IMF conditional on its internal procedures is expected to participate in principle in the Third Economic Adjustment Programme but still considers the Greek public debt as unsustainable. According to the 22 January 2018 Eurogroup's decisions the further quantification of the medium term debt relief measures and their implementation, if necessary, is expected to take place after the successful conclusion of the current programme in August 2018. The clarification of the medium term debt relief measures constitutes a necessary precondition for the participation of the IMF on the current programme. In addition, the ECB requires a quantification of the medium term debt relief measures and sustainable debt for the participation of Greece in the PSPP (QE) programme. Note that, the conclusion of the first review of the Third Economic Adjustment Programme led to the implementation of the short-term debt relief measures from 20 January 2017 onwards.

Risks continue to surround the near-term domestic economic outlook. The unemployment rate remains very high and follows a slowly decreasing path. At the same time, the country was in a deflationary territory for 37 out of the last 50 consecutive months from late-2011 onwards.

2 Principal accounting policies (cont'd)

2.3 Adoption of new and revised International Financial Reporting Standards

a) Amendments to standards and new interpretations adopted by the Company

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.

2 Principal accounting policies (cont'd)

2.3 Adoption of new and revised International Financial Reporting Standards (cont'd)

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

b) New standards and amendments to standards not yet adopted by the Company

A number of new standards and amendments to existing standards are effective after 2015, as they have not yet been endorsed for use in 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 amendments include illustrative examples to show how an entity can meet the objective of the disclosure requirements.
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 unrealized losses on debt instruments measured at fair value in the financial statements and at cost for tax purposes can result in deductible temporary differences. It also clarifies that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that when comparing deductible temporary differences with future taxable profits, the future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences.

IAS 16 and IAS 38, Amendments -Clarification of Acceptable Methods of Depreciation and Amortization (effective 1 January 2016)

The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
The adoption of the amendments is not expected to impact the Company's financial statements.

2 Principal accounting policies (cont'd)

2.3 Adoption of new and revised International Financial Reporting Standards (cont'd)

b) New standards and amendments to standards not yet adopted by the Company (cont'd)

IAS 19, Amendment- Defined Benefit Plans: Employee Contributions (effective 1 January 2016)

The amendment clarifies the accounting for post- employment benefit plans where employees or third parties are required to make contributions which do not vary with the length of employee service, for example, employee contributions calculated according to a fixed percentage of salary. The amendment allows these contributions to be deducted from pension expense in the year in which the related employee service is delivered, instead of attributing them to periods of employee service.
The adoption of the amendment is not expected to have a material impact on 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 in which the investments in associates or joint ventures 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.

2 Principal accounting policies (cont'd)

2.3 Adoption of new and revised International Financial Reporting Standards (cont'd)

b) New standards and amendments to standards not yet adopted by the Company (cont'd)

IAS 19, Amendment- Defined Benefit Plans: Employee Contributions (effective 1 January 2016)

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 Company is currently assessing the impact of the new classification and measurement requirements in its financial statements, which will be driven to a large extent by the Company's operations and the structure of its portfolios upon transition to IFRS 9.

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.

The new impairment model is expected to result in a higher loss allowance for the Company.

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.

2 Principal accounting policies (cont'd)

2.3 Adoption of new and revised International Financial Reporting Standards (cont'd)

b) New standards and amendments to standards not yet adopted by the Company (cont'd)

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 those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. 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.

IFRS 15, Revenue from Contracts with Customers (effective 1 January 2018, not yet endorsed by EU)

IFRS 15 establishes a single, comprehensive revenue recognition model to be applied consistently to all contracts with customers, determining when and how much revenue to recognize, but has no impact on income recognition related to financial instruments which is under the scope of IFRS 9 and IAS 39. In addition, IFRS 15 replaces the previous revenue standards IAS 18 Revenue and IAS 11 Construction contracts and the related Interpretations on revenue recognition.
The Group is currently assessing the impact of IFRS 15, however the adoption of the standard is not expected to have a material impact on the Company's financial statements.

Notes to the financial statements for the year ended 31 December 2015

2 Principal accounting policies (cont'd)

2.3 Adoption of new and revised International Financial Reporting Standards (cont'd)

b) New standards and amendments to standards not yet adopted by the Company (cont'd)

IFRS 16, Leases (effective 1 January 2019, not yet endorsed by EU)

Under IFRS 16, which replaces the current guidance in IAS 17, the classification of leases for a lessee, as either operating leases or finance leases, is eliminated and all leases are treated similarly to finance leases under IAS 17. Leases are capitalized by recognizing the present value of the lease payments and are shown either as lease assets (right of use assets) or together with property, plant and equipment. A financial liability is also recognized, if lease payments are made over time, representing the obligation to make future lease payments. In addition, lease expense treatment is aligned for all leases of lessees and the typical straight line operating lease expense for operating leases under IAS 17 is replaced with a depreciation charge for lease assets and an interest expense on lease liabilities. Recognition of assets and liabilities by lessees are not required for certain short term leases and leases of low value assets.
Under the new standard a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

The Company is currently assessing the impact of IFRS 16 on its 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.

2 Principal accounting policies (cont'd)

2.3 Adoption of new and revised International Financial Reporting Standards (cont'd)

b) New standards and amendments to standards not yet adopted by the Company (cont'd)

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.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and of financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements 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.

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

2 Principal accounting policies (cont'd)

2.4 Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less any impairment losses. The Company, which is a member of the Group controlled by the Bank, a listed entity in Greece, has used the exemption offered by IAS27 "Consolidated and Separate Financial Statements" paragraph 10 and did not prepare consolidated financial statements. Preparation of consolidated financial statements was not required due to the availability of the consolidated financial statements of the Bank into which the results and financial position of the Company and all other subsidiaries are consolidated. This is also in compliance with the Cyprus Companies Law Cap.113.

2.5 Foreign currency translation

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

(2) **Transactions and balances**
Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.6 Derivative financial instruments and hedging activities

Derivative financial instruments, including foreign exchange contracts, forward currency agreements and interest rate options (both written and purchased), currency and interest rate swaps and other derivative financial instruments are initially recognised in the balance sheet at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Certain derivatives, embedded in other financial instruments, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

2 Principal accounting policies (cont'd)

2.6 Derivative financial instruments and hedging activities (cont'd)

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as hedges of the exposure to changes in the fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity. The adjustment to the carrying amount of a hedged item for which the effective interest method is not used remains until the disposal of the equity security.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement. The fair values of derivative instruments held for trading and used for hedging purposes are disclosed in Note 10.

2.7 Interest income and expense

Interest income and expenses for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the income statement on an accruals basis, using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider 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.

2 Principal accounting policies (cont'd)

2.7 Interest income and expense (cont'd)

Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.8 Fee and commissions

Fees and commissions are generally recognised in the income statement on an accruals basis.

2.9 Financial assets and liabilities

2.9.1 Financial assets

The Company classifies its financial assets in the following IAS 39 categories: financial assets at fair-value-through-profit-or-loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company upon initial recognition designates as at fair-value-through-profit-or-loss and those that the Company upon initial recognition designates as available-for-sale. Securities classified in this category are presented in Investment Securities under Debt Securities Lending portfolio.

(ii) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

(iii) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(iv) Accounting treatment

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Loans originated by the Company are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

2 Principal accounting policies (cont'd)

2.9.1 Financial assets (cont'd)

(iv) Accounting treatment (cont'd)

Available-for-sale financial assets and financial assets at fair-value-through-profit-or-loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair-value-through profit-or-loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest rate method is recognised in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

2.9.2 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Company tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral (shares and bonds) furnished by the Company under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Company retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Company retains a portion of the risks.

2 Principal accounting policies (cont'd)

2.10 Impairment of financial assets

The Company assesses at each reporting 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. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

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

(i) Assets carried at amortised cost

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

If there is objective evidence that an impairment loss on loans and receivables or held to maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

Notes to the financial statements for the year ended 31 December 2015

2 Principal accounting policies (cont'd)

2.10 Impairment of financial assets (cont'd)

(i) Assets carried at amortised cost (cont'd)

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

Impairment charges relating to loans and advances to customers are classified in "impairment losses on loans and advances".

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

2 Principal accounting policies (cont'd)

2.10 Impairment of financial assets (cont'd)

(ii) Available-for-sale assets

In case of equity and debt investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity investments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

2.11 Financial liabilities

The Company measures its financial liabilities at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

2.12 Trade payables

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

2.13 Securities lending

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

2.14 Taxation

(i) Current income tax
Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense for the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

(ii) Deferred income 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 date of the balance sheet and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 Principal accounting policies (cont'd)

2.14 Taxation (cont'd)

(ii) Deferred income tax (cont'd)

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to items recognised in other comprehensive income, is also recognised in the other comprehensive income and subsequently in the income statement together with the deferred gain or loss.

2.15 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.17 Related party transactions

Related parties include associates, fellow subsidiaries, directors and key management personnel, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of similar nature are disclosed on an aggregate basis. All transactions entered into with related parties are in the normal course of business and on an arm's length basis.

2.18 Cash and cash equivalents

Cash and cash equivalents include cash at bank and bank overdrafts.

2.19 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the financial statements for the year ended 31 December 2015

2 Principal accounting policies (cont'd)

2.19 Share capital (cont'd)

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share Capital.

3 Critical accounting estimates and judgments

In the process of applying the Company's accounting policies, the Company's management makes various judgments, estimates and assumptions that affect the reported amounts of assets and liabilities recognized in the financial statements within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Company reviews its loan portfolios to assess impairment continuously. In determining whether an impairment loss should be recorded in the statement of income, the Company makes judgments as to whether there is any observable data indicating 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 Company. 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. (see also note 11)

(b) Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Notes to the financial statements for the year ended 31 December 2015

3 Critical accounting estimates and judgments (cont'd)

(c) Initial recognition of acquisition of debt securities lending, held to maturity and available-for-sale portfolio from group entities

The Company acquired a portfolio of debt securities lending, held to maturity investments and available-for-sale from Group companies and at the same time the Bank provided a credit enhancement to the Company in the form of a lien arrangement in relation to these debt securities.

The consideration paid by the Company to group entities for the acquisition of these debt securities consisted of the fair value of the securities acquired as well as a consideration for the fair value of the financial guarantee provided by the ultimate Parent company in relation to these securities.

As both transactions, the acquisition of the debt securities from group companies and the provision of the financial guarantee by the Bank were entered into at the same time and in contemplation of one another, the management has concluded that it would be more appropriate on initial recognition to recognise the fair value of the financial guarantee as a single asset together with the underlying debt securities it relates to and classified as debt securities lending, held to maturity investments and available-for-sale portfolio as this would reflect the commercial substance of the transactions. As a result, the subsequent measurement of the financial guarantee forming part of these securities has been amortised on the same basis as the underlying debt securities it relates to and has been reported as an adjustment to interest income.

Had the two transactions not been treated as a single transaction, the Company would have recognised the debt securities and the financial guarantee as two separate assets and would reported these separately. The debt securities would have been reported at their fair value on initial recognition and the financial guarantee would have been recognised as a prepayment asset which would be amortised over the life of the guarantee which is equivalent to the expected life of the guaranteed debt instruments. The financial guarantee asset would be tested for impairment under IAS36 and the amortisation and potential impairment charges would be accounted for as a reduction of interest income. However, no P&L impact would have been reported for the period due to the presentation of two separated assets.

(d) Tax

The Company is subject to income tax in Cyprus. In order to establish the current and deferred tax, as presented in the Statement of Financial Position, significant assumptions are required. For specific transactions and calculations, the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4 Financial risk management

4.1 Use of financial instruments

By their nature the Company's activities are principally related to the use of financial instruments including derivatives.

4.2 Financial risk factors

The Company is exposed to a variety of financial risks: credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Company's financial performance, financial position and cash flows.

4.2.1 Credit risk

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 recognised for losses that have been incurred at the balance sheet date. 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 losses that are different from those provided for at the balance sheet date. Therefore, exposure to credit risk is carefully managed. Risk is minimised by adoption of appropriate procedures and controls for the evaluation of the quality of the credit facilities held.

(a) Credit risk measurement and management - investment securities and derivatives

The Company holds lien agreements issued by the Bank for several investment securities held, whereby the latter guarantees to the Company, that in case of any default by the issuer of the investment securities, the Company can set off the receivable amounts with the equivalent funds placed by Eurobank Private Bank Luxembourg. As a result, the Company considers that it is not exposed to any credit risk exposure in relation to the investment in securities as these are guaranteed by the Bank with cash balances in place to cover the entire carrying amount of these investment securities. All derivative financial instruments held by the Company are with the Bank, and as such the Company considers that these carry the credit risk of the Bank. Therefore, the Company does not have any specific policies in place to monitor this credit risk.

(b) Credit risk measurement – Loans and advances

Various credit rating systems are applied for the assessment and measurement of credit risk. These systems assign a specific rating to every borrower/counterparty which reflects the creditworthiness of the particular borrower and consequently the ability to repay funds on a timely manner. Credit rating takes under consideration various quantitative and qualitative factors. Rating systems are periodically reviewed and adapted to particular market conditions, products or borrowers.

Notes to the financial statements for the year ended 31 December 2015

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.1 Credit risk (cont'd)

(b) Credit risk measurement – Loans and advances (cont'd)

Risk limit control and mitigation policies – Collateral

A range of policies and practices are employed to mitigate credit risk. The most traditional of these is the taking of security, which is common practice. The Company applies guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances to customers are:
• Cash deposits and other cash equivalents;
• Mortgages over residential properties;
• Charges over business assets such as accounts receivable;
• Charges over financial instruments such as debt securities and equities;
• Lien agreement from ultimate Parent company.

A specific part of the loan portfolio amounting to €47.4 million is guaranteed through Letters of Guarantee by the Bank. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

The size and concentration of the Company's exposure to credit risk can be obtained directly from the Statement of Financial Position and Notes of the financial statements which describe the analysis of the Company's loan portfolio and financial instruments.

4.2.1.1 Maximum exposure to credit risk before collateral held

	2015	2014
	€	€
Cash at Bank	**3.766.357**	4.858.334
Loans and advances to customers:		
Mortgage loans	**49.301.053**	45.639.367
Small business	**27.851.266**	26.277.263
Consumer Loans	**48.384**	44.544
Corporate portfolio	**37.525.996**	57.416.649
Less: Provision for impairment losses	**(79.535.554)**	(74.488.601)
Derivative financial instruments	**-**	1.523.428
Available-for-sale financial assets	**74.528.066**	96.480.429
Debt securities lending portfolio	**835.611.614**	890.497.644
Other assets	**13.997**	26.639
	949.111.179	1.048.275.696

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.1 Credit risk (cont'd)

4.2.1.1 Maximum exposure to credit risk before collateral held (cont'd)

The above table represents the maximum credit risk exposure to the entity at 31 December 2015 and 2014, without taking account of any collateral held or other credit enhancements that do not qualify for offset in the entity's financial statements. The exposures set out above are based on net carrying amounts as reported in the statement of financial position.

4.2.1.2 Loans and advances to customers

Loans and advances are summarized as follows:

	2015 €	2014 €
Neither past due nor impaired	-	147.339
Past due but not impaired	-	762.350
Impaired:	**176.297.520**	192.980.580
- collectively assessed	**84.713.602**	76.120.619
- individually assessed	**91.583.918**	116.859.961
Gross loans and advances	**176.297.520**	193.890.269
Less: Fair value adjustment and provision for impairment losses	**(141.106.375)**	(139.001.047)
Net loans and advances	**35.191.145**	54.889.222
Included in gross loans and advances are:		
Past due more than 90 days	**176.297.339**	193.036.742
Of which non-performing loans	**176.172.733**	192.845.943

Loans and advances to customers relate to a portfolio of loans to Ukrainian and Romanian clients originated by the Bank's subsidiaries in Ukraine and Romania respectively. The portfolio was sub-participated partly in December 2010 and partly in the third quarter of 2013 and it was recognized in Company's accounting records at the fair value, being the acquisition price, in accordance with the provisions of IAS 39. However, for purposes of monitoring credit risk and for IFRS7 disclosure purposes, loans and advances to customers are presented on a gross basis. The Gross amount of Ukrainian and Romanian Loans sub-participated at the date of transfer was €114.9 million and €66.6 million respectively. The resulting fair value adjustment, which essentially reflected credit risk, amounted to €45 million and €21.6 million for Ukrainian and Romanian loans respectively.

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 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 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 recognize a collective 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 and they are in arrears for more than 90 days for consumer and small business exposures and 180 days for mortgage exposures.

ERB NEW EUROPE FUNDING III LIMITED

Notes to the financial statements for the year ended 31 December 2015

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.1 Credit risk (cont'd)

4.2.1.2 Loans and advances to customers (cont'd)

(a) Loans and advances neither past due nor impaired

	2015	2014
	€	€
Grades:		
Strong	-	-
Satisfactory risk	-	-
Watch list and special mention	-	147.339
Total loans and advances neither past due nor impaired	-	147.339

Loans to wholesale clients are included into strong, satisfactory and watch list categories, while small business loans are generally segregated into satisfactory and watch list. Retail exposures not assessed individually, for which credit quality is not rated but is based on delinquency status are classified as satisfactory.

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

	31 December 2015				
	Mortgage	**Small Business**	**Consumer**	**Corporate Portfolio**	**Total**
	€	€	€	€	€
Past due up to 29 days	-	-	-	-	-
Past due 30 – 89 days	-	-	-	-	-
Past due 90 – 180 days	-	-	-	-	-
Greater than 180 days	-	-	-	-	-
Total loans and advances past due, but not impaired	-	-	-	-	-

	31 December 2014				
	Mortgage	**Small Business**	**Consumer**	**Corporate Portfolio**	**Total**
	€	€	€	€	€
Past due up to 29 days	**99.607**	**223.324**	-	-	**322.931**
Past due 30 – 89 days	-	**248.621**	-	-	**248.621**
Past due 90 – 180 days	**39.283**	**151.515**	-	-	**190.798**
Greater than 180 days	-	-	-	-	-
Total loans and advances past due, but not impaired	**138.890**	**623.460**	-	-	**762.350**

The Company applies guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The collateral types for loans and advances to customers primarily relate to residential and commercial properties.

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.1 Credit risk (cont'd)

4.2.1.2 Loans and advances to customers (cont'd)

(c) Impaired loans and advances collectively assessed

The breakdown of the gross amount of collectively assessed loans and advances by class is as follows:

	31 December 2015				
	Mortgage	Small Business	Consumer	Corporate Portfolio	Total
	€	€	€	€	€
Collectively assessed loans	77.654.735	6.957.735	101.132	-	84.713.602

	31 December 2014				
	Mortgage	Small Business	Consumer	Corporate Portfolio	Total
	€	€	€	€	€
Collectively assessed loans	70.103.316	5.925.094	92.290	-	76.120.619

(d) Impaired loans and advances individually assessed

The breakdown of the gross amount of individually assessed loans and advances by class are as follows:

	31 December 2015				
	Mortgage	Small Business	Consumer	Corporate Portfolio	Total
	€	€	€	€	€
Individually assessed loans	47.213	41.563.684	-	49.973.022	91.583.919

	31 December 2014				
	Mortgage	Small Business	Consumer	Corporate Portfolio	Total
	€	€	€	€	€
Individually assessed loans	-	38.816.525	-	78.043.436	116.859.961

(e) Non-performing loans

Non-performing loans are defined as the loans delinquent for a given period determined in accordance with the Group's policy. Mortgages and small business loans are considered as non-performing when they are delinquent for more than 180 days and consumer loans for more than 90 days. Loans to corporate entities are considered as non-performing when they are transferred to non-accrual status which occurs when the loans are delinquent for more than 180 days or earlier in the case of a material credit event.

Notes to the financial statements for the year ended 31 December 2015

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.1 Credit risk (cont'd)

4.2.1.2 Loans and advances to customers (cont'd)

	2015 €	2014 €
Mortgage lending	77.802.899	70.317.732
Small business lending	48.521.419	44.741.619
Corporate portfolio lending	49.848.416	77.786.592
Total non-performing loans	**176.172.734**	**192.845.943**

4.2.1.3 Debt securities

Below is an analysis of debt securities by rating agency designation:

	Available for sale €	Debt securities lending €	Total €
Aaa	54.508.388	-	54.508.388
Aa1 to Aa3	-	-	-
A1 to A3	12.003.154	-	12.003.154
Lower than A3	4.999.229	30.579.704	35.578.933
Unrated	3.017.295	805.031.910	808.049.205
Total debt securities	**74.528.066**	**835.611.614**	**910.139.680**

	Available for sale €	Debt securities lending €	Total €
Aaa	56.491.267	-	56.491.267
Aa1 to Aa3	-	52.347.574	52.347.574
A1 to A3	12.014.926	-	12.014.926
Lower than A3	27.974.236	31.321.595	59.295.831
Unrated	-	806.828.475	806.828.475
Total debt securities	**96.480.429**	**890.497.644**	**986.978.073**

Notes to the financial statements for the year ended 31 December 2015

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.1 Credit risk (cont'd)

4.2.1.4 Concentration of credit risk

(a) Geographical sectors

The following tables break down the Company's main credit exposure at their gross carrying amounts, as categorized by geographical region as at 31 December 2015. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties:

	31 December 2015				
	Greece	Ukraine	Romania	Other countries	Total
	€	€	€	€	€
Loans and advances to customers:					
Mortgage lending	-	65.934.602	11.767.346	-	77.701.948
Small business lending	-	41.985.781	6.535.638	-	48.521.419
Corporate portfolio lending	-	4.971.020	45.002.002	-	49.973.022
Consumer loans	-	101.132	-	-	101.132
Available-for-sale financial assets	-	-	-	74.528.066	74.528.066
Debt securities lending portfolio	106.825	-	-	835.504.789	835.611.614
Held-to-maturity investments	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-
Other assets	13.997	-	-	-	13.997
Total concentration of credit risk – geographical sectors	120.822	112.992.535	63.304.986	910.032.855	1.086.451.198

	31 December 2014				
	Greece	Ukraine	Romania	Other countries	Total
	€	€	€	€	€
Loans and advances to customers:					
Mortgage lending	-	59.482.339	10.981.662	-	70.464.000
Small business lending	-	38.159.004	7.253.824	-	45.412.828
Corporate portfolio lending	-	32.429.412	45.491.819	-	77.921.231
Consumer Loans	-	92.209	-	-	92.209
Available-for-sale financial assets	-	-	-	96.480.429	96.480.429
Debt securities lending portfolio	111.268	-	26.732.303	863.654.073	890.497.644
Held-to-maturity investments	-	-	-	-	-
Derivative financial instruments	1.523.428	-	-	-	1.523.428
Other assets	26.639	-	-	-	26.639
Total concentration of credit risk – geographical sectors	1.661.335	130.162.964	90.459.608	960.134.502	1.182.418.409

Notes to the financial statements for the year ended 31 December 2015

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.1 Credit risk (cont'd)

4.2.1.4 Concentration of credit risk (cont'd)

(b) Industry sectors

The following tables break down the Company's main credit exposure at their gross carrying amounts, as categorized by the industry sectors of its counterparties as of 31 December 2015.

	31 December 2015					
	Commerce and services €	**Private individuals €**	**Manu-facturing €**	**Construction €**	**Other €**	**Total €**
Loans and advances to customers:						
Mortgage lending	-	77.701.948	-	-	-	77.701.948
Small business lending	3.803.163	41.985.781	1.649.434	1.036.100	46.941	48.521.419
Corporate portfolio lending	7.515.902	-	6.416.174	35.545.172	495.774	49.973.022
Consumer loans	-	101.132	-	-	-	101.132
Available-for-sale financial assets	-	-	-	-	74.528.066	74.528.066
Debt securities lending portfolio	-	-	-	-	835.611.614	835.611.614
Held-to-maturity investments	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Other assets	-	-	-	-	13.997	13.997
Total concentration of credit risk – industry sectors	11.319.065	119.788.861	8.065.608	36.581.272	910.696.392	1.086.451.198

Notes to the financial statements for the year ended 31 December 2015

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.1 Credit risk (cont'd)

4.2.1.4 Concentration of credit risk (cont'd)

(b) Industry sectors (cont'd)

	31 December 2014					
	Commerce and services €	Private individuals €	Manu- facturing €	Construction €	Other €	Total €
Loans and advances to customers:						
Mortgage lending	-	70.464.000	-	-	-	70.464.000
Small business lending	6.354.122	36.086.128	1.192.023	1.594.177	186.378	45.412.828
Corporate portfolio lending	44.661.915	-	28.042.610	4.711.197	505.508	77.921.230
Consumer Loans	-	92.209	-	-	-	92.209
Available-for-sale financial assets	-	-	-	-	96.480.429	96.480.429
Debt securities lending portfolio	-	-	-	-	890.497.644	890.497.644
Held-to-maturity investments	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	1.523.428	1.523.428
Other assets	-	-	-	-	26.639	26.639
Total concentration of credit risk – industry sectors	51.016.037	106.642.337	29.234.633	6.305.374	989.220.026	1.182.418.407

4.2.2 Market risk

The Company takes on exposure to market risks. Market risks arise from exposure on interest rate and currency products or combination of them, all of which are exposed to general and specific market movements. Specifically, the market risks the Company is exposed to, are the following:

(a) Interest rate risk

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate reprising that may be undertaken and exposures are monitored daily.

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.2 Market risk (cont'd)

(b) Currency risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Limits are set on the level of exposures which are monitored daily. FX exposure is generally reduced by obtaining funding in the currency of the asset acquired.

(c) Fair values

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available, the fair value of financial assets and liabilities is estimated using present value or other estimation and valuation techniques where all significant inputs are observable. These inputs are mainly related to interest rate curves, fx rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers. The values derived using these techniques are significantly affected by underlying assumptions concerning both the amounts and timing of future cash flows and the discount rates used. In addition, the fair values reported, may be materially different from the values actually realised upon sale or settlement.

Financial instruments carried at fair value

All financial instruments that are measured at fair value are categorised in one of the three fair value hierarchy levels at year-end; based on whether the inputs to the fair values are observable or non-observable:
i) Level 1 - Quoted prices in active markets for identical assets and liabilities. Quoted prices must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis.
ii) Level 2 - Financial instruments measured using valuation techniques where all significant inputs are market observable.
iii) Level 3 - Financial instruments measured using valuation technique with significant non observable inputs.

Derivatives and available for sale securities are measured at fair value by reference to quoted market prices when available. If quoted prices are not available, then the fair values are estimated using valuation techniques.

ERB NEW EUROPE FUNDING III LIMITED

Notes to the financial statements
for the year ended 31 December 2015

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.2 Market risk (cont'd)

Financial instruments carried at fair value (cont'd)

The fair value hierarchy categorization of the entity's financial assets and liabilities carried at fair value is as follows:

	31 December 2015			
	Level 1	Level 2	Level 3	Total
	€	€	€	€
Available for sale	74.528.066	-	-	74.528.066
Derivatives assets	-	-	-	-
Derivatives liabilities	-	-	-	-

	31 December 2014			
	Level 1	Level 2	Level 3	Total
	€	€	€	€
Available for sale	96.480.429	-	-	96.480.429
Derivatives assets	-	1.523.428	-	1.523.428
Derivatives liabilities	-	(1.523.428)	-	(1.523.428)

Financial instruments not carried at fair value

In respect of loans and advances to customers, as of the reporting date, the Company expected to realize assets through collection over time. The following table presents the carrying amount and fair value of Debt Securities Lending and loans and advances to customers not carried at fair value analysed by the level in the fair value hierarchy categorization. For all of the other assets and liabilities, the fair value is substantially equivalent to their carrying value.

	31 December 2015				
	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
	€	€	€	€	€
Loans & Advances to Customers	-	-	34.151.014	34.151.014	35.191.145
Debt Securities Lending Portfolio	31.804.000	107.270	764.421.581	796.332.851	835.611.614

	31 December 2014				
	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
	€	€	€	€	€
Loans & Advances to Customers	-	-	51.435.867	51.435.867	54.889.220
Debt Securities Lending Portfolio	32.866.400	45.332.757	604.632.294	682.831.451	890.497.644

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.3 Liquidity risk

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for a company in the financial services industry to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Company.

Liquidity Risk Management Framework

In accordance with the agreement with the European partners the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the ESM program. The successful completion of the second review of the TEAP has enhanced Greece's credibility towards the international markets and improved the domestic economic sentiment, which along with the return to positive economic growth rate will facilitate in turn the deposits inflows in the banking system, the faster relaxation of capital controls and the further access to the markets for liquidity.

In the first six months of 2017, Eurobank (the Bank) has managed to reduce its dependence on Eurosystem funding mainly through the selective asset deleveraging, increased repo transactions and deposit inflows. In the same context, the Bank also reduced its participation in the second stream of the Hellenic Republic's liquidity support plan.

Maturity analysis of liabilities

The amounts disclosed in the table below are the contractual undiscounted cash flows for the period ended 31 December 2015. Liabilities without contractual maturities are presented in the "less than I month" time bucket.

It should be noted that this table represents the worst case scenario since it is based on the assumption that all liabilities will be paid earlier than expected. The recent experience shows that even in a period of a systemic financial crisis the likelihood of such an event is remote.

Notes to the financial statements for the year ended 31 December 2015

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.3 Liquidity risk (cont'd)

31 December 2015	Less than 1 month €	1-3 months €	3 months to 1 year €	Over 1 year €	Gross nominal (inflow)/ outflow €
Non-derivative liabilities:					
Loans payable	145.405.129	85.927.925	801.785.178	-	1.033.118.232
Other liabilities	53.191	-	-	-	53.191
Total non-derivative liabilities	145.458.319	85.927.925	801.785.178	-	1.033.171.423
Derivative financial instruments	-	-	-	-	-

31 December 2014	Less than 1 month €	1-3 months €	3 months to 1 year €	Over 1 year €	Gross nominal (inflow)/ outflow €
Non-derivative liabilities:					
Loans payable	246.565.321	73.563.438	4.921.327	1.115.655.172	1.440.705.258
Other liabilities	26.372	-	-	-	26.372
Total non-derivative liabilities	246.591.693	73.563.438	4.921.327	1.115.655.172	1.440.731.630
Derivative financial instruments	215.409	430.818	877.201	-	1.523.428

4.2.3 Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company's policy is to maintain a capital base so as to support operations and sustain future development of the business as necessary. Capital consists of share capital, share premium and retained earnings. The Company is not regulated and hence not required to comply with any capital requirements.

Notes to the financial statements for the year ended 31 December 2015

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.4 Solvency risk

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

The Group remains focused on the organic strengthening of its capital position by the further expansion of pre-provision income while maintaining its robust risk management practices, and by proceeding to additional initiatives associated with the restructuring, transformation or optimization of operations, in Greece and abroad, that will generate or release further capital and/or reduce risk weighted assets. The Group's Common Equity Tier 1 (CET1) ratio stood at 17.4 % at 30 June 2017 (31 December 2016: 17.6%) and the net profit attributable to shareholders amounted to € 76 million for the period ended 30 June 2017 (31 December 2016: € 230 million).

The Management, taking into consideration the above factors relating to the adequacy of the Group's capital position and its anticipated continued access to Eurosystem funding over the foreseeable future, as well as the completion of the second review of Greece's current economic adjustment program that reduced the level of uncertainty associated with the macroeconomic environment in Greece, has been satisfied that the financial statements of the Company can be prepared on a going concern basis.

5 Interest income

	2015	2014
	€	€
Interest from available-for-sale financial assets	**813.667**	2.327.448
Interest from debt securities lending	**7.320.347**	17.879.693
Interest from loans and advances to customers	**1.880.517**	3.281.245
Interest from derivatives	**1.238.827**	1.397.208
	11.253.358	24.885.594

6 Interest expense

	2015	2014
	€	€
Interest on loans payable	**(11.136.908)**	(23.651.271)
Interest on derivatives	**(1.238.827)**	(1.397.208)
	(12.375.735)	(25.048.479)

Notes to the financial statements for the year ended 31 December 2015

7 Net trading (loss)

	2015	2014
	€	€
Revaluation of foreign exchange positions	**(4.039.520)**	(239.257)
	(4.039.520)	(239.257)

8 Operating expenses

	2015	2014
	€	€
Accounting fees	**(655)**	(11.963)
Auditors' remuneration for the statutory audit of annual accounts	**(22.000)**	(25.000)
Other expenses	**(88.925)**	(101.122)
	(111.580)	(138.085)

9 Taxation

	2015	2014
	€	€
Corporation tax – current year	-	(97.229)
Corporation tax – prior year	-	(28.644)
Overseas tax	-	(23.059)
	-	(148.932)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2015	2014
	€	€
Loss before tax	**(6.116.659)**	(55.170.820)
Tax calculated at the applicable tax rates	**(764.582)**	(6.896.352)
Tax effect of expenses not deductible for tax purposes	**764.582**	6.993.581
Tax effect of allowances and income not subject to tax	-	-
Other	-	-
Tax charge	**0**	97.229

9 Taxation (cont'd)

The corporation tax rate is 12,5%.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and only subject to special defence contribution at the rate of 10%; increased to 15% as from 31 August 2011; increased to 30% as from 29 April 2013.

In certain cases, dividends received from abroad may be subject to special defence contribution at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 to 31 December 2013; reduced to 17% as from 1 January 2014.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

10 Derivative financial instruments

The Company utilizes currency and interest rate swaps.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). Except for certain currency swaps, no exchange of principal takes place. The Company's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk undertaken, the Company assesses counterparties using the same techniques as for its lending activities and/or marks to market with bilateral collateralization agreements over and above an agreed threshold.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following table:

Notes to the financial statements for the year ended 31 December 2015

10 Derivative financial instruments (cont'd)

	2015		
	Contract/ notional amount	**Fair Values**	
		Assets	**Liabilities**
	€	**€**	**€**
Derivatives			
Interest rate swaps	-	-	-
	-	-	-

	2014		
	Contract/ notional amount	Fair Values	
		Assets	Liabilities
	€	€	€
Derivatives			
Interest rate swaps	56.543.431	1.523.428	1.523.428
	56.543.431	1.523.428	1.523.428

Hedge accounting

The Company uses derivatives for hedging purposes in order to reduce its exposure to market risks. The hedging practices and accounting treatment are disclosed in note 2.6.

Notes to the financial statements for the year ended 31 December 2015

11 Loans and advances to customers

The entire portfolio of Loans and advances to customers have been originated from the Group Subsidiaries, in Ukraine and Romania.

	2015 €	2014 €
Repayable:		
Within one year	**114.726.699**	129.227.850
More than one year	-	149.972
	114.726.699	129.377.822
Less: allowance for losses of loans and advances	**(79.535.554)**	(74.488.600)
	35.191.145	54.889.222

	2015 €	2014 €
By category:		
Mortgage loans - USD	**32.890.192**	30.324.705
Mortgage loans - CHF	**15.744.179**	14.621.190
Mortgage loans – EUR	**607.841**	633.408
Mortgage loans – RON	**58.841**	60.063
Small Business – USD	**23.260.268**	21.414.410
Small Business – CHF	**1.688.144**	1.566.240
Small Business – EUR	**2.033.568**	2.245.968
Small Business – RON	**869.286**	1.050.645
Consumer loans - USD	**48.384**	44.544
Corporate Portfolio - USD	**6.198.371**	25.632.358
Corporate Portfolio – EUR	**27.339.334**	27.608.137
Corporate Portfolio – RON	**3.988.291**	4.176.154
Gross loans and advances to customers	**114.726.699**	129.377.822
Less: Provision for impairment losses	**(79.535.554)**	(74.488.600)
	35.191.145	54.889.222

The movement of the provision for impairment losses on loans and advances by asset class is as follows:

	2015				
	Mortgage €	**Small Business** €	**Consumer loans** €	**Corporate portfolio** €	**Total** €
Balance at 1 January	**42.649.333**	**24.161.976**	**92.029**	**7.585.263**	**74.488.601**
Impairment losses on loans and advances charged in the period	1.876.481	(1.882.047)	27.644	850.611	872.689
NPV Unwinding	(103.879)	(226.720)	-	(315.619)	(646.218)
Amounts written off	(6.347)	(235.659)	(35.969)	(7.197.702)	(7.475.677)
Amounts recovered during the period	-	15.888	6.990	-	22.878
Foreign exchange differences	6.626.010	4.376.233	10.620	1.260.418	12.273.281
Balance at 31 December	**51.041.598**	**26.209.671**	**101.314**	**2.182.971**	**79.535.554**

Notes to the financial statements for the year ended 31 December 2015

11 Loans and advances to customers (cont'd)

	Mortgage	Small Business	2014 Consumer loans	Corporate portfolio	Total
	€	€	€	€	€
Balance at 1 January	**11.132.910**	**5.855.686**	**47.485**	**3.582.321**	**20.618.402**
Impairment losses on loans and advances charged in the period	28.116.178	15.782.945	43.274	2.824.901	46.767.298
NPV Unwinding	(194.498)	(424.502)	-	(590.953)	(1.209.953)
Amounts written off	-	(61.820)	-	(36.550)	(98.370)
Amounts recovered during the period	-	-	-	-	-
Foreign exchange differences	3.594.743	3.009.667	1.270	1.805.544	8.411.224
Balance at 31 December	**42.649.333**	**24.161.976**	**92.029**	**7.585.263**	**74.488.601**

12 Available-for-sale financial assets

	2015	2014
	€	€
Issued by public organizations:		
-Germany	**54.508.388**	56.491.267
-Serbia	**3.017.295**	13.009.245
	57.525.683	69.500.512
Issued by other issuers:		
-Banks	**4.999.229**	14.964.992
-Other	**12.003.154**	12.014.926
	17.002.383	26.979.918
Total	**74.528.066**	96.480.430
Listed	**74.528.066**	96.480.430
Unlisted	-	-
	74.528.066	96.480.430
Equity	-	-
Debt	**74.528.066**	96.480.430
	74.528.066	96.480.430

Notes to the financial statements for the year ended 31 December 2015

12 Available-for-sale financial assets (cont'd)

The movement in the account is as follows:

	2015	2014
	€	€
Net book value at 1 January	**96.480.430**	150.663.890
Additions	-	-
Disposals	-	(41.013.635)
Redemptions/Maturities	**(20.200.000)**	(10.905.000)
Interest & amortisation of premium/ discount	**(1.354.627)**	(3.400.016)
Foreign exchange adjustments	-	4.965.766
Accrued interest	**(10.315)**	(1.541.919)
Net gains/(losses) from changes in fair values	**(387.422)**	(2.288.657)
Net book value at 31 December	**74.528.066**	96.480.430

Available-for-sale financial assets maturing after 1 year amounted to €54.508.388 (2014: €76.413.963).

Equity reserve: Revaluation of the available-for-sale investments

	2015	2014
	€	€
Balance at 1 January	**997.546**	(1.108.298)
Net gains/(losses) from changes in fair values	**(387.422)**	(2.288.657)
Net (gains)/losses transferred to net profit	-	4.394.501
Balance at 31 December	**610.124**	997.546

13 Debt securities lending portfolio

	2015	2014
	€	€
Issued by public organizations:		
-Greece	-	-
-Romania	**26.184.140**	26.732.303
	26.184.140	26.733.303
Issued by other issuers:		
-Banks	**106.825**	52.458.842
-Other	**809.320.649**	811.306.499
	809.427.474	863.765.341
Total	**835.611.614**	890.497.644
Listed	**30.479.667**	83.501.666
Unlisted	**805.131.947**	806.995.978
	835.611.614	890.497.644
Equity	-	-
Debt	**835.611.614**	890.497.644
	835.611.614	890.497.644

13 Debt securities lending portfolio (cont'd)

The movement in the account is as follows:

	2015	2014
	€	€
Net book value at 1 January	**890.497.644**	2.498.408.266
Additions	**303.942**	808.433
Disposals	**(60.232.133)**	(15.311.382)
Redemptions/Maturities	**(1.870.508)**	(1.606.864.110)
Foreign exchange adjustments	**7.727.210**	6.251.647
Interest, amortization of premium/ discount	**(649.440)**	7.482.473
Accrued interest	**(165.101)**	(277.685)
Net book value at 31 December	**835.611.614**	890.497.644

Debt securities lending financial assets maturing after 1 year: €835.611.614 (2014: €890.293.374)

The Company has acquired a portfolio of debt securities at amortized cost from Group entities. The above portfolio was guaranteed by the Bank. (see also Note 19 Lien agreement).

14 Investments in subsidiaries

	2015	2014
	€	€
Balance at 1 January	**670.000**	670.000
Additions	-	-
Balance at 31 December	**670.000**	670.000

The entity acquired in February 2012, in the context of a group reorganization, a 100% shareholding of ERB Hellas (Cayman Islands) Ltd, a group related company incorporated in the Cayman Islands.

15 Other assets

	2015	2014
	€	€
Receivable from related party - Universal Bank JSC	-	-
Receivable from related party – Eurobank Ergasias SA	**4.135**	20.197
Other receivables	**9.862**	6.442
	13.997	26.639

Receivable from Universal Bank has been fully impaired since Management assessed that it is non recoverable due to the continuing adverse conditions in Ukraine.

Notes to the financial statements for the year ended 31 December 2015

16 Share capital

	Number of shares	Share capital €	Share premium €	Total €
Authorized				
At 31 December 2015 & 2014	**90.000**	**90.000**	**-**	**90.000**
Issued and fully paid				
At 1 January 2015 & 2014	1.100	1.100	18.900	20.000
At 31 December 2015 & 2014	**1.100**	**1.100**	**18.900**	**20.000**

17 Loans payable

	2015 €	2014 €
Current borrowings		
Loans from related companies - Euro	**1.016.572.803**	986.318.133
Loans from related companies - USD	**3.661.467**	118.310.192
Loans from related companies - CHF	**6.015.419**	12.443.834
Loans from related companies – RON	**5.511.811**	5.858.183
	1.031.761.500	1.122.930.342

Borrowings are issued at variable rate. During the year 2015, the Company's interest rate on the loans payable was based on EURIBOR/ LIBOR plus a margin ranging from 0,57% to 2,25% (2014: from 0,57% to 2,25%).

18 Other liabilities

	2015 €	2014 €
Other creditors	-	7.001
Accrued commission expenses	-	-
Accrued operating expenses	**53.191**	14.356
	53.191	21.357

19 Related party transactions

The Bank's shareholding structure

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 is NEU Property Holdings Ltd. (100%), which is owned 100% by Eurobank Ergasias S.A. (Greece) ("Bank").

The management includes the members of the Board of Directors, Executive Committee, the management of the Legal department, Compliance and Internal Audit departments and their relatives. A number of banking transactions are entered into with related parties in the normal course of business. These include loans deposits and foreign currency transactions acquisition of other services and sale of loans. These transactions bear the normal market prices.

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

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

(i) The following transactions were carried out with related parties:

	With the Bank		With the Group (other than the Bank)	
	2015	**2014**	**2015**	**2014**
	€	**€**	**€**	**€**
Cash at bank	**2.463.763**	**4.414.070**	**1.302.594**	**444.264**
Derivative financial instruments - assets	-	**1.523.428**	-	-
Debt securities lending portfolio	**805.131.947**	**806.795.538**	-	**200.440**
Other assets	-	**26.639**	-	-
Derivative financial instruments-liabilities	-	**(1.523.428)**	-	-
Other liabilities	-	-	**(643)**	**(645)**
Loans payable	**(74.239.081)**	**(70.325.187)**	**(955.457.347)**	**(1.052.605.154)**
Interest income	**7.137.539**	**9.080.063**	**261.285**	**736.708**
Interest expense	**(703.162)**	**(2.703.809)**	**(9.923.876)**	**(22.283.403)**
Fee and commission income	-	**104.125**	-	-
Fee and commission expense	-	**(1.349.908)**	**(669)**	-
Net trading loss	**(1.509.586)**	-	**(1.509.676)**	-

19 Related party transactions (cont'd)

(ii) Key management personnel

Key management personnel includes directors of the Company and their close family members. No transactions have taken place between the Company and key management personnel.

(iii) Other related party transactions

Lien agreement

As of 31 December 2015, the Company has in place lien agreement from the Bank, which act as guarantee for the purposes of securing assets reported under Debt securities lending portfolio and Available-for-sale financial assets. Based on the lien agreement, in case of any default, the Company can set off the receivable amounts with the equivalent funds placed by Eurobank Private Bank Luxembourg. No related fee expense due to the Bank for 2015 (2014: €1.350 thousand).

Letter of Guarantees:

As of 31 December 2015, the Company has in place letter of guarantees issued by the Bank, for the purposes of securing specific corporate loan to Romania (Gross Book Value €25,9 million). Relevant impairment losses which due to the guarantees have not been booked by the Company amount to €13,9 million.

Management of the Company has performed an assessment of the recoverability of all loans and the ability (financial resources and liquidity) of the Bank and concluded that the Bank is able to fulfil their commitment regarding the guarantees given to the Company.

Securities lending

The Company has entered into an agreement with the Bank under which the two parties may enter into transactions in which one party will transfer to the other securities and financial instruments against the transfer of collateral with a simultaneous agreement by the borrower to transfer to the lender, securities equivalent to such securities on a fixed date or on demand against the transfer to borrower by the lender of assets equivalent to such collateral. As at 31 December 2015 the amount which corresponded to securities lent by the Company to the Bank was €103.577 thousand.

The ultimate parent entity which prepares the consolidated financial statements of the largest body of undertakings of which the Company forms part as a subsidiary undertaking, is the Bank, incorporated in Greece with registered office 8 Othonos Street, Athens 105 57, Greece. Its consolidated financial statements are available at the website www.eurobank.gr. The Bank, is also the parent entity which prepares the consolidated financial statement of the smallest body of undertakings of which the Company forms part as a subsidiary undertaking.

20 Contingent liabilities and commitments

The Company had no contingent liabilities or commitments as at 31 December 2015.

Notes to the financial statements for the year ended 31 December 2015

21 Events after the balance sheet date

In April 2016, the Company transferred DSL and AFS bond portfolios of €890 million book value to the Bank. The disposal had a positive impact in Company's capital position (gain of €2,7 million). Cash proceeds received by the Company were utilized to repay an equal amount of loans payable to Eurobank Private Bank Luxembourg.

In April 2016, the Company transferred the remaining Ukrainian loans portfolio of nil book value (fully impaired) to Public J.S.C. Universal Bank for an almost nil consideration.

In May 2017, the Company transferred DSL portfolios of €0,1 million book value to the Bank, with no significant impact in Company's capital position.

In June 2017, the Company transferred at its Net Book Value, all Romanian loans portfolio of amount €28,6 million to New Europe Funding II Ltd.

In July 2017, the Company sold to Eurobank Ergasias S.A. 100% shareholding of ERB Hellas (Cayman Islands) Ltd, a group related company incorporated in the Cayman Islands of €0,67 million Book Value. The disposal had a negative impact in Company's capital position (loss of €0,1 million).

Independent auditor's report on pages 6 to 7.