

ERB NEW EUROPE FUNDING B.V.

Amsterdam, The Netherlands

ANNUAL REPORT 2015



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

ERB NEW EUROPE FUNDING B.V.

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ERB NEW EUROPE FUNDING B.V.

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Report of the board of Managing Directors

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

Key Activities

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

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

All loans and advances to third party customers, except Telekom Srbija a.d., are 99% guaranteed for repayment by Eurobank A.D. Beograd. Eurobank Ergasias S.A. issued a guarantee for the loans and advances to Telekom Srbija a.d. All loans and advances to Eurobank Ergasias Group companies, except Reco Real Property AD Beograd, are 99% guaranteed by Eurobank Ergasias S.A. Eurobank A.D. Beograd issued a guarantee for the loans and advances to Reco Real Property AD Beograd. The total combined exposure for the Company will not exceed 1% of its total loans and advances with a maximum of 2 million.

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

Overview of activities

During the financial year 2015 the Company decreased its loan portfolio for a total amount of EUR 31,785,439. The loan portfolio was decreased by repayments from customers.

Position of Eurobank Group

Macroeconomic environment

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

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

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Report of the board of Managing Directors

Position of Eurobank Group (continued)

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

Liquidity risk

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

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

Solvency risk

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

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

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

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

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Report of the board of Managing Directors

Credit Rating of Eurobank Group

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

Result

During the year under review, the Company recorded a profit after tax of EUR 205,898 (2014: profit after tax of EUR 48,092) which is set out in detail in the attached Income Statement.

Risk Management

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

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

Credit risk

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

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

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

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

Market risk

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

Interest rate risk

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

Foreign currency risk

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

Liquidity risk

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

Capital management

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

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

Outlook

There were no changes in the nature of the activities of the Company in 2015 and no changes are expected in 2016. The Company will continue operating in the same manner and maintaining existing portfolio of clients. No significant new business and relationships are planned for 2016. Funding of the Company will remain the same and under the same terms. Capital base of the Company is adequate and no increase are needed. No investments are planned either in human resources or in any other area.

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Report of the board of Managing Directors

Post balance sheet events

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

Future Developments

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

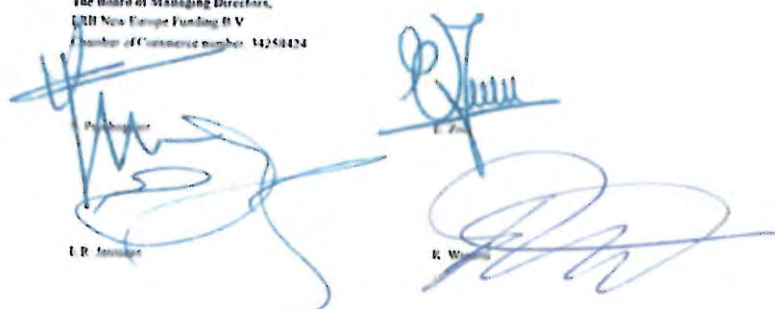
Composition of the Board of Managing Directors

The size and composition of the Board of Managing Directors and the combined experience and expertise should reflect the best fit for profile and strategy of the Company. Currently all four members of the Board are male. The Company is aware that the gender diversity is below the goals set out in article 7:146 section 2 of the Dutch Civil Code and the Company will pay close attention to gender diversity in the process of recruiting and appointing new Managing Directors.

As per August 1st, 2016, Mr. S. van der Meer and Mr. M.A.H. Maris have resigned as managing directors of the Company, and as per same date Mr. E.R. Janssen and Mr. R. Wiersma have been appointed as managing directors of the Company.

Amsterdam, November 30, 2016

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



I. P. Janssen

R. Wiersma

ERB NEW EUROPE FUNDING B.V.

Statement of Financial Position as at December 31, 2015

(In EUR, after appropriation of results)

ASSETS	Notes	31/12/2015	31/12/2014
Non-current assets			
Loans & advances to customers	7	43,319,233	75,084,685
		<u>43,319,233</u>	<u>75,084,685</u>
Current assets			
Loans & advances to customers	7	31,796,218	31,816,205
Interest receivable	8	303,687	349,144
Other receivables	9	98,380	98,380
Taxation	15	12,009	178,896
Cash and cash equivalents	10	1,973,866	2,945,192
		<u>34,184,160</u>	<u>35,387,817</u>
TOTAL ASSETS		<u>77,503,393</u>	<u>110,472,502</u>
EQUITY	11		
Capital and reserves attributable to equity holders of the company			
Issued and paid-up capital		18,000	18,000
Share premium		1,982,000	1,982,000
Other reserve		2,207,283	2,001,385
TOTAL EQUITY		<u>4,207,283</u>	<u>4,001,385</u>
LIABILITIES			
Non-current liabilities			
Borrowings from group company	12	43,154,489	74,886,851
		<u>43,154,489</u>	<u>74,886,851</u>
Current liabilities			
Borrowings from group company	12	29,953,511	31,331,213
Interest payable to group company	13	49,134	116,258
Other payables	14	138,976	136,795
		<u>30,141,621</u>	<u>31,584,266</u>
TOTAL EQUITY AND LIABILITIES		<u>77,503,393</u>	<u>110,472,502</u>

The notes to the accounts on pages 10 to 34 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

Statement of Profit & Loss for the financial year ended December 31, 2015 (in EUR)

	Notes	1/1 - 31/12/2015	1/1 - 31/12/2014
Financial income and expenses			
Interest income on loans & advances		2,468,284	3,910,758
Interest expense on borrowings		-2,026,608	-3,479,162
		<u>441,676</u>	<u>431,596</u>
Impairment loss on loans and interest receivable	6.1	-9,919	-176,940
Commission expenses	16	-74,259	-75,797
Financial income and expenses		<u>357,498</u>	<u>178,859</u>
Other net income	17	47,079	1,307
General and Administrative Expenses	18	-143,381	-120,051
RESULT BEFORE TAXATION		<u>261,197</u>	<u>60,115</u>
Corporate income tax	15	-55,299	-12,023
NET RESULT AFTER TAXATION		<u>205,898</u>	<u>48,092</u>

The notes to the accounts on pages 10 to 34 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

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

	<u>Notes</u>	<u>1/1 - 31/12/2015</u>	<u>1/1 - 31/12/2014</u>
Net result after taxation		205,898	48,092
Other comprehensive income:		--	--
Other comprehensive income for the year, net of tax		--	--
Total comprehensive income for the year		<u>205,898</u>	<u>48,092</u>

The notes to the accounts on pages 10 to 34 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

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

	<u>Notes</u>	<u>1/1-31/12/2015</u>	<u>1/1-31/12/2014</u>
Cash flow from operating Activities:			
Profit before taxation		261,197	60,115
Adjustments for:			
Impairment loss on loans and advances	6.1	9,919	176,940
Unrealized forex exchange gain			315
Interest income		-2,468,284	-3,910,758
Interest expense		<u>2,026,608</u>	<u>3,479,162</u>
		-170,561	-194,226
Decrease in other receivables	9	0	17,500
Increase / (Decrease) in other payables	14	2,175	-4,967
Decrease in loans & advances to customers	7	<u>31,785,439</u>	<u>34,234,016</u>
Cash generated from operations		<u>31,617,054</u>	<u>34,052,323</u>
Income Tax received	15	0	95,437
Interest received		2,513,741	4,113,317
Interest paid		<u>-2,093,732</u>	<u>-3,535,964</u>
<i>Net cash from operation activities</i>		32,037,063	34,725,113
Cash flow from financing activities:			
Proceeds from borrowings from group company	12	101,676	45,321,346
Repayments of borrowings from group company	12	<u>-33,110,065</u>	<u>-77,507,603</u>
<i>Net cash used in financing activities</i>		<u>-33,008,389</u>	<u>-32,186,257</u>
Net (decrease) / increase in cash and cash equivalents		-971,326	2,538,856
Cash and cash equivalents at the beginning of the year		2,945,191	406,650
Effect of exchange rate fluctuations on cash held		0	-315
Cash and cash equivalents at December 31	10	<u><u>1,973,865</u></u>	<u><u>2,945,191</u></u>

Cash flow from investing activities:

During the financial year 2015 & 2014 there were no investing activities in the Company.

The notes to the accounts on pages 10 to 34 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

Statement of Changes in Equity for the financial year ended December 31, 2015 (in EUR)

EQUITY

As at December 31, 2015, 18,000 shares were issued and fully paid-up. The movements in EUR in the year under review can be summarized as follows:

	Attributable to owner's parent			Total
	Issued and paid-up capital	Share premium	Other reserve	
Balance as at January 1, 2014	18,000	1,982,000	1,953,293	3,953,293
Profit for the year	--	--	48,092	48,092
Other Comprehensive Income for the year	--	--	--	--
Balance as at December 31, 2014	18,000	1,982,000	2,001,385	4,001,385
Profit for the year	--	--	205,898	205,898
Other Comprehensive Income for the year	--	--	--	--
Balance as at December 31, 2015	18,000	1,982,000	2,207,283	4,207,283

The notes to the accounts on pages 10 to 34 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

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

1 GENERAL

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

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

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

These financial statements were approved and authorized for issue by the Board of Managing Directors on October 31, 2016.

2 PRINCIPAL ACCOUNTING POLICIES

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

Basis of preparation

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

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

ERB NEW EUROPE FUNDING B.V.

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

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

Annual Improvements to IFRSs 2011-2013 Cycle

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

- Clarify that IFRS 3 'Business Combinations' does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;
- Clarify that the exception in IFRS 13 'Fair Value Measurement' for measuring the fair value of a group of financial assets and financial liabilities on a net basis applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 'Financial Instruments: Recognition and Measurement' or IFRS 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities under IAS 32 'Financial Instruments: Presentation';
- Address the interrelationship between IFRS 3 'Business Combinations' and IAS 40 'Investment Property', clarifying in the latter that an entity should assess whether: (a) the acquired property is investment property under IAS 40 and (b) the acquisition of investment property constitutes a business combination as defined in IFRS 3.

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

IFRIC 21, Levies

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

New standards and amendments to standards not yet adopted by the Group

A number of new standards and amendments to existing standards are effective after 2015, as they have not yet been endorsed by the European Union or have not been early applied by the Group. Those that may be relevant to the Company are set out below:

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

Classification and measurement

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

With regard to financial liabilities, the treatment followed in IAS 39 is carried forward to IFRS 9 essentially unchanged. However, IFRS 9 requires fair value changes of liabilities designated at fair value under the fair value option which are attributable to the change in the entity's own credit risk to be presented in other comprehensive income rather than in profit or loss, unless this would result in an accounting mismatch.

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

ERB NEW EUROPE FUNDING B.V.

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

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

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

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

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

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

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

This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.

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

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

Going concern

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

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

Functional and presentation currency

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

Foreign currency

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

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

Income tax

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

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

Financial instruments

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

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Loans and receivables

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

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

Cash and cash equivalents

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

Impairment

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

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

The Company assesses at each balance sheet date whether objective evidence of impairment exist for each financial asset individually.

We refer you to note 6, section 'Impairment policy'.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

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

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

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Interest-bearing borrowings

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

De-recognition of financial liabilities

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

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

Provisions

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

Trade payables

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

Other payables

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

Equity instruments

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

3 CASH FLOW STATEMENT

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

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4 PRINCIPLES OF DETERMINATION OF RESULT

(a) General

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

(b) Interest income and expenses

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

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

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

(c) Exchange rate differences

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

(d) Taxation

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

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Notes to the Financial Statements as at December 31, 2015
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5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and judgements

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

a) Impairment losses on loans and advances

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

b) Uncertain tax position

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

c) Deferred income tax asset recognition

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

d) Fair value of financial assets and liabilities

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

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6 FINANCIAL RISK MANAGEMENT

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

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

6.1 Credit risk

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

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

Risk grading system for wholesale clients

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

- Financials
- Sector
- Management
- Operations

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

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

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

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

Each grade carries a defined impairment requirement.

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

Collateral

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

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Notes to the Financial Statements as at December 31, 2015
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6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

Guarantees

All loans and advances to third party customers, except Telekom Srbija a.d., are 99% guaranteed for repayment by Eurobank A.D. Beograd. Eurobank Ergasias S.A. issued a guarantee for the loans and advances to Telekom Srbija a.d.. All loans and advances to Eurobank Ergasias Group companies, except Reco Real Property A.D. Beograd, are 99% guaranteed by Eurobank Ergasias S.A. Eurobank A.D. Beograd issued a guarantee for the loans and advances to Reco Real Property A.D. Beograd. The total combined exposure for the Company will not exceed 1% of its total loans and advances with a maximum of 2 million.

Maximum cumulative exposure of the Company cannot exceed EUR 2 million. The risk of exposures of EUR 2 million are covered with the share capital and share premium.

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

Impairment policy

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

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

Credit monitoring

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

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

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6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

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

	2015	2014
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to customers	75,160,738	106,936,258
Less: allowance for impairment	-45,287	-35,368
	<u>75,115,451</u>	<u>106,900,890</u>
Interest receivable	303,687	349,144
Other receivables	98,380	98,380
Cash and cash equivalents	1,973,866	2,945,192
Total	<u>77,491,384</u>	<u>110,293,606</u>
Loans and advances are summarized as follows:		
Neither past due nor impaired	68,740,980	78,811,663
Past due not impaired	301,688	22,006,117
Individually impaired	6,118,069	6,118,478
Gross	<u>75,160,738</u>	<u>106,936,258</u>
Less: allowance for impairment	<u>(45,287)</u>	<u>(35,368)</u>
Net	<u>75,115,451</u>	<u>106,900,890</u>

Included in the gross loans and advances are:

Past due more than 90 days - EUR 5,863,446 (2014: EUR 2,282,782)

Of which non-performing loans - EUR 5,863,446 (2014: EUR 2,282,782)

Loans and advances neither past due nor impaired

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

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

	2015	2014
Grades:		
Satisfactory risk (wholesale grades 1 to 6)	66,705,821	78,811,663
Watch list and special mention (wholesale grade 7)	2,035,159	-
Total	<u>68,740,980</u>	<u>78,811,663</u>

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6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

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

I Quantitative data :

Financial ratios deterioration.
Fluctuations in profitability.
High leverage.
Low financial expenses coverage.

II Qualitative data :

- A) Sector characteristic - position and conditions in the sector
 - Market share reduction.
 - The sector is influenced by cyclical factors - seasonality.
 - No new entrance barriers.
 - Production/ commerce of a single product.
- B) Management Skills - Market Knowledge / Experience
 - Management is performed actually by one person (one-man show).
 - Potential movements in the highest management executive levels.
- C) Ability to forecast / Access to funding
 - Difficulties in predicting future performance of Company
 - Limited or no access to other sources of financing
 - Loans serviced in line with forecasts

Loans and advances past due but not impaired

	2015	2014
	Loans and advances to customers	Loans and advances to customers
Past due up to 29 days	301,688	927,156
Past due 30 - 89 days*	-	21,078,961
Total	301,688	22,006,117

*During the year 2015 the amount of EUR 19.4 mln. has been restructured, EUR 0.5 mln. has been repaid.

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6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

Impaired loans and advances individually assessed

As at 31 December 2015 and 2014 the Company did have loans and advances that were individually impaired.

	2015	2014
	Loans and advances to customers	Loans and advances to customers
Individually impaired loans - gross	6,118,069	6,118,478
Total	6,118,069	6,118,478

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

	2015	2014
Opening balance	35,368	78,070
Impairment charge	9,919	176,940
Released provisions	0	-219,642
Total	45,287	35,368

Concentration of risks of financial assets with credit risk exposure

Geographical sectors

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

Loans and advances to customers:	2015	2014
Serbia	75,160,738	106,936,258
Total	75,160,738	106,936,258

Industry sectors

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

Loans and advances to customers:	2015	2014
Commerce and services	62,209,598	61,025,449
Manufacturing	1,198,707	2,192,279
Construction	11,752,433	43,718,530
Other industries	-	-
Total	75,160,738	106,936,258

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Notes to the Financial Statements as at December 31, 2015
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6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk

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

6.3 Interest rate risk

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

6.4 Foreign currency risk

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

Sensitivity analysis

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

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

	Sensitivity of income statement	
	2015	2014
Foreign exchange sensitivity		
10% change of EUR/CHF and USD exchange rate	7,869	6,256
	<u>7,869</u>	<u>6,256</u>

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

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Notes to the Financial Statements as at December 31, 2015
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6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Liquidity risk

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

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

Contractual undiscounted cash flows

In EUR						
2015	Up to 1 month	1-3 months	4-12 months	1-5 years	Over 5 years	Total
Borrowings from the Group companies	1,500,729	293,117	30,002,372	26,363,535	16,955,698	75,115,451
Interest payable to Group companies	49,134					49,134
Other payables	138,976					138,976
	<u>1,688,839</u>	<u>293,117</u>	<u>30,002,372</u>	<u>26,363,535</u>	<u>16,955,698</u>	<u>75,503,561</u>
Assets held for managing liquidity risk (contractual maturity dates)	6,726,295	2,173,529	32,364,500	25,249,605	10,989,464	<u>77,503,393</u>
2014	Up to 1 month	1-3 months	4-12 months	1-5 years	Over 5 years	Total
Borrowings from group companies	1,079,085	28,457,665	29,134,215	35,051,794	12,495,306	106,218,065
Interest payable to Group companies	134,021	1,285,261	1,540,319	2,940,807	2,392,680	8,293,088
Other payables	136,797					136,797
Total liabilities (contractual maturity days)	<u>1,349,903</u>	<u>29,742,926</u>	<u>30,674,534</u>	<u>37,992,601</u>	<u>14,887,986</u>	<u>114,647,950</u>
Assets held for managing liquidity risk (contractual maturity dates)	4,055,416	1,500,000	29,832,401	53,434,293	21,650,392	<u>110,472,502</u>

6.6 Fair values of financial assets and liabilities

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

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

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

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

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

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Fair values of financial assets and liabilities (continued)

Assessment of financial instruments

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

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

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

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

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

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

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

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

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

In EUR	31.12.2015		31.12.2014	
	Book value	Fair value	Book value	Fair value
Financial (monetary) assets				
Cash and cash equivalents	1,973,866	1,973,866	2,945,192	2,945,192
Loans and receivables from customers	75,115,451	73,094,867	106,900,890	106,130,703
Other assets	414,076	414,076	626,420	626,420
Total	77,503,393	75,482,809	110,472,502	109,702,315
Financial (monetary) liabilities				
Borrowings	73,107,999	73,108,000	106,218,064	106,218,064
Other liabilities	188,110	188,110	253,053	253,053
Total	73,296,110	73,296,110	106,471,117	106,471,117

ERB NEW EUROPE FUNDING B.V.

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

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Fair values of financial assets and liabilities (continued)

In EUR	Fair value			
31.12.2015	Level 1	Level 2	Level 3	Total
Assets				
Loans and receivables from clients	-	73,094,867	-	73,094,867
Total	-	73,094,867	-	73,094,867
Liabilities				
Borrowings	-	73,108,000	-	73,108,000
Total	-	73,108,000	-	73,108,000
31.12.2014	Level 1	Level 2	Level 3	Total
Assets				
Loans and receivables from clients	-	106,130,703	-	106,130,703
Total	-	106,130,703	-	106,130,703
Liabilities				
Borrowings	-	106,218,064	-	106,218,064
Total	-	106,218,064	-	106,218,064

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

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

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

ERB NEW EUROPE FUNDING B.V.

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

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Fair values of financial assets and liabilities (continued)

Table below presents Company classification for each class of financial assets and liabilities and their fair value as at 31 December 2014:

	Kept at fair value	Held to maturity	Loans and receivables	AFS	Amortized cost	Total book value	In EUR Fair value
2014							
Cash and cash equivalents	-	-	2,945,192	-	-	2,945,192	2,945,192
Assets held to maturity	-	-	-	-	-	-	-
Loans and receivables from clients	-	-	106,900,890	-	-	106,900,890	106,130,703
Other assets	-	-	-	-	626,420	626,420	626,420
Total assets	-	-	109,846,082	-	626,420	110,472,502	109,702,315
Borrowings	-	-	-	-	106,218,064	106,218,064	106,218,064
Other liabilities	-	-	-	-	253,053	253,053	253,053
Total liabilities	-	-	-	-	106,471,117	106,471,117	106,471,117

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

Assets whose fair value approximates their bookkeeping value

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

Financial instruments with fixed rate

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

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

6.7 Capital management

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

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

Capital consists of issued and paid up capital, share premium and other reserves. The Company is not required to comply with any capital requirements set by the regulators.

There have been no material changes in the Company's management of capital during the year.

The capital of the Company is presented below:

	31/12/2015	31/12/2014
Issued and paid-up capital	18,000	18,000
Share premium	1,982,000	1,982,000
Other reserve	2,207,283	2,001,385
Total equity	4,207,283	4,001,385

ERB NEW EUROPE FUNDING B.V.

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

7 LOANS & ADVANCES TO CUSTOMERS

	31/12/2015	31/12/2014
Loans to Serbian corporate clients - gross	75,160,738	106,936,258
Less: allowance for impairment	-19,482	-35,368
Less: buffer SME	-25,805	
	<u>75,115,451</u>	<u>106,900,890</u>
Loan repayments due:		
Up to 1 month	1,500,729	483,804
1-3 months	293,117	1,500,000
4-12 months	30,002,371	29,832,401
	<u>31,796,218</u>	<u>31,816,205</u>
1-5 years	26,363,535	53,434,293
Over 5 years	16,955,699	21,650,392
	<u>43,319,233</u>	<u>75,084,685</u>

Loans bear variable interest ranging from 1 month to 3 month Euribor/Libor plus a spread ranging from a minimum 0.95% to a maximum of 5.7% and according to the client specific Credit Facility Agreements. 99% of the loan value is secured by a guarantee from either Eurobank A.D. Beograd, in Serbia, (under Master and Guarantee Agreement dated December 4, 2006) or by the Company's shareholder, Eurobank Ergasias S.A.

Interest receivable amounting to EUR 1,540,669 has been included in the current loans and advances to customers on the balance sheet.

During 2014 and 2013 there was an impairment charge on loans and advances to customers and not on the interest receivable.

8 INTEREST RECEIVABLE

	31/12/2015	31/12/2014
Interest on loans to Serbian corporate clients	275,202	333,987
Default interest receivable	28,485	15,157
	<u>303,687</u>	<u>349,144</u>

9 OTHER RECEIVABLES

	31/12/2015	31/12/2014
Prepaid management fees	-	-
Other receivables	98,380	98,380
	<u>98,380</u>	<u>98,380</u>

10 CASH AND CASH EQUIVALENTS

Description			31/12/2015	31/12/2014
Eurobank Privatebank Luxembourg S.A.	EUR	1.00000	1,425,973	2,625,979
Eurobank Privatebank Luxembourg S.A.	CHF	1.08090	61,190	17,158
			<u>1,487,163</u>	<u>2,643,137</u>
ING Bank	EUR	- 1.00000	439,781	298,369
ERB current account 126094.131.0	EUR	1.00000	3,686	3,686
Eurobank Ergasias S.A.	EUR	- 1.00000	43,235	
Cash at banks			<u>1,973,866</u>	<u>2,945,192</u>
			<u>1,973,866</u>	<u>2,945,192</u>

The total balance of cash and cash equivalents consists of a total balance in euro of EUR 1.912.675,72 and in Swiss Franc of CHF 66.140,41

The outlook of the credit ratings of the Eurobank Privatebank Luxembourg S.A. and ING Bank N.V. can be classified as 'Stable'.

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

ERB NEW EUROPE FUNDING B.V.

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

11 EQUITY

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

As at December 31, 2015, 18,000 shares were issued and fully paid-up. For the movements in the Equity we refer to the Statement of Equity on page 10 of this report.

ERB New Europe Funding B.V. is a subsidiary of Eurobank Ergasias S.A., a Bank incorporated in Greece and listed on the Athens Stock Exchange.

LIABILITIES

12 BORROWINGS FROM GROUP COMPANY

	<u>31/12/2015</u>	<u>31/12/2014</u>
Financing borrowings from group Company: Eurobank Private Bank Luxembourg S.A.	73,107,999	106,218,064
	<u>73,107,999</u>	<u>106,218,064</u>
Repayment due:		
Up to 1 month	1,500,000	-
1-3 months	268,226	1,500,000
4-12 months	28,185,285	29,831,213
	<u>29,953,511</u>	<u>31,331,213</u>
1-5 years	26,214,190	53,203,803
Over 5 years	16,940,299	21,683,048
	<u>43,154,489</u>	<u>74,886,851</u>

Borrowings bear variable interest ranging from 1 month to 3 month Euribor/Libor plus 2.75% until 31 July. From 1 August until December plus 2.25%.

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

13 INTEREST PAYABLE TO GROUP COMPANY

	<u>31/12/2015</u>	<u>31/12/2014</u>
Eurobank Private Bank Luxembourg S.A. Default interest payable	49,134	116,258
	<u>49,134</u>	<u>116,258</u>
Repayments are due within 3 months.		

14 OTHER PAYABLES

	<u>31/12/2015</u>	<u>31/12/2014</u>
Introduction fee to Eurobank A.D. Beograd	-	72,000
Trade payables	115,890	40,339
Accrued audit fees	22,110	21,475
Service due to Eurobank A.D. Beograd	-	2,471
Several services and fees due to Eurobank Ergasias S.A.	506	512
Accrued tax advisory fees	-	(2)
Other payables	470	-
	<u>138,976</u>	<u>136,795</u>

ERB NEW EUROPE FUNDING B.V.

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

15 Corporate Income Tax

As at December 31, 2015, this item can be detailed as follows:

	31/12/2015	31/12/2014
Profit before income tax	261,197	60,115
Less: Tax free or non-taxable income:		
- Non-deductible costs	-	-
- Exemptions	-	-
Taxable profit	261,197	60,115
Statutory tax rate 20% over 200,000	40,000	12,023
Statutory tax rate 25% over remaining amount	15,299	-
Corporate Income tax current year	55,299	12,023
Corporate Income tax previous years	-	-
	<u>55,299</u>	<u>12,023</u>
Effective tax rate	21%	20%

The movements in the Taxation are as follows:

	31/12/2015	31/12/2014
Opening balance	(178,896)	(288,981)
Estimate tax charge for the year		12,023
Receipt of preliminary assessment 2012	-	130,896
Receipt of preliminary assessment 2013	151,466	
Payments made via preliminary assessment 2014	-	(35,459)
Value added tax reclaimed	(7,920)	24,687
Value added tax reclaimable	23,342	(22,062)
Balance as at December 31, 2015	<u>(12,009)</u>	<u>(178,896)</u>

The nominal Corporate income tax rate in the Netherlands is 20% for the first EUR 200,000 and 25% for the remaining taxable result. Based upon the taxable result of the Company during the year under review, the effective Corporate income tax is 21,17%.

16 COMMISSION EXPENSES

	31/12/2015	31/12/2014
Commission to Eurobank Ergasias S.A.	-	102
Service fee to Eurobank Ergasias S.A.	-	102
Introduction fee to Eurobank A.D. Beograd	72,000	72,000
Finance expense breakage Eurobank Private Bank Luxembourg S.A.	168	1,312
Guarantee fee to Eurobank Ergasias S.A.	2,091	2,281
	<u>74,259</u>	<u>75,797</u>

ERB NEW EUROPE FUNDING B.V.

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

17 OTHER NET INCOME

	31/12/2015	31/12/2014
Interest income on bank deposits	--	27
Other income	40,000	200
Foreign exchange gain/(loss)	7,079	1,080
	<u>47,079</u>	<u>1,307</u>

18 GENERAL AND ADMINISTRATIVE EXPENSES

	31/12/2015	31/12/2014
Management and domiciliation fee	86,444	71,450
Tax advisory fee	26,114	6,620
Other	30,823	41,981
	<u>143,381</u>	<u>120,051</u>

The audit fees of EUR 15,000 (2014: EUR 17,496) included under "Other" solely comprises the fees of external independent auditor PricewaterhouseCoopers Accountants N.V. for the statutory audit of the financial statements. The external independent auditor has not charged any fees relating to other assurance related services, tax, consulting or any other consulting services.

19 RELATED PARTIES

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 is wholly owned by Eurobank Ergasias S.A. (the Bank), which is listed in the Athens Stock Exchange.

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

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

ERB NEW EUROPE FUNDING B.V.

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

19 RELATED PARTIES (CONTINUED)

Transactions with related parties for the year ended on 31 December 2015 are presented in the table below:

	31/12/2015	31/12/2014
Interest income on loans & advances ERB Leasing A.D. Beograd	177,679	437,308
Interest income on loans & advances IMO Property Investments AD Beograd	546,234	656,048
Interest income on loans & advances Reco Real Property AD Beograd	57,227	64,487
Interest income on loans & advances ERB Asset Fin. d.o.o. Beograd	2,576	18,248
Interest expense on borrowings	-2,026,608	-3,479,162
Commission expenses	-74,259	-75,797
Interest income on bank deposits	0	27
	<u>-1,317,151</u>	<u>-2,378,841</u>

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

	31/12/2015	31/12/2014
Loans & advances to customers ERB Leasing A.D. Beograd	2,044,731	12,909,077
Loans & advances to customers IMO Property Investments AD Beograd	23,900,000	23,900,000
Loans & advances to customers Reco Real Property AD Beograd	2,510,000	2,580,000
Loans & advances to customers ERB Asset Fin. d.o.o. Beograd	0	499,002
Current account with Eurobank Private Bank Luxembourg S.A.	1,487,163	2,643,137
Borrowings from group Company	-73,107,999	-106,218,064
Interest payable to group Company	-49,134	-116,258
Other payables	-506	-74,983

20 COMMITMENTS AND CONTINGENCIES

The EUR 5 mln. relates to the guarantee provided by Eurobank Ergasias S.A. for an overdraft provided by Eurobank Private Bank Luxembourg (overdraft is not utilised).

The EUR 0.2 mln. relates to the guarantee provided by Eurobank Ergasias S.A. based on the Advance Pricing Agreement for credit risk coverage (1% of company's capital which is EUR 2 mln.)

21 OTHER INFORMATION ON GENERAL AND ADMINISTRATIVE EXPENSES

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

ERB NEW EUROPE FUNDING B.V.

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

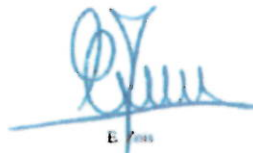
22 DIRECTORS

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

The Board of Managing Directors,



S. Psychogios



E. Ziss



E.R. Janssen



R. Vermeij

Amsterdam, November 30, 2016

ERB NEW EUROPE FUNDING B.V.

Amsterdam
Other Information

Statutory provision regarding appropriation of Result

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

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

Appropriation of result

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

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

Position of Eurobank Group

Macroeconomic environment

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

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

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

ERB NEW EUROPE FUNDING B.V.

Amsterdam
Other Information

Position of Eurobank Group (continued)

Liquidity risk

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

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

Solvency risk

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

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

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

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

Post balance sheet events

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

Independent auditor's report

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



Independent auditor's report

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

Report on the financial statements 2015

Our opinion

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

What we have audited

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

The financial statements comprise:

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

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

The basis for our opinion

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

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

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

Ref.: e0391766

PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 AV Rotterdam, The Netherlands

T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, www.pwc.nl

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Responsibilities of management

Management is responsible for:

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

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

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement.

Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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


Report on other legal and regulatory requirements

Our report on the directors' report and the other information

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

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

Rotterdam, 1 December 2016
PricewaterhouseCoopers Accountants N.V.



M.P.A. Corver RA

Appendix to our auditor's report on the financial statements 2015 of ERB New Europe Funding B.V.

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

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

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

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

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