

ERB NEW EUROPE FUNDING II B.V.

Amsterdam, The Netherlands

ANNUAL REPORT 2018

ERB NEW EUROPE FUNDING II B.V.

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ERB NEW EUROPE FUNDING II B.V.

Amsterdam

Report of the board of Managing Directors

In accordance with the Articles of Association of ERB New Europe Funding II B.V., the Board of Managing Directors herewith submits the Annual Report of ERB New Europe Funding II B.V. (the Company) for the year ended 31 December 2018.

Key Activities

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

As of 1 January 2023 the Company changed its address to Strawinskylaan 569, 1077 XX, Amsterdam, The Netherlands.

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

Position of Eurobank Group

Macroeconomic environment

The major macroeconomic risks and uncertainties in Greece and the region for the next 12 months, including (a) the elevated geopolitical and economic uncertainty stemming from the fragile situation in the Middle East, especially due to the war between Iran and USA/Israel, for which the assessment of any impact is premature, as well as the United States foreign and trade policy decisions and the ongoing war in Ukraine, (b) the persistent above target inflation in Greece and Bulgaria, and (c) the challenges in fully absorbing European Union (EU) funds and implementing structural reforms as the relevant deadlines approach. These factors may have adverse effects on financial volatility, economic growth, inflation, employment, competitiveness, international trade, and monetary policy outlook. In 2025, amid a challenging international environment, the macroeconomic conditions remained supportive across the Group's three core markets. The economies of Greece, Bulgaria and Cyprus exhibited remarkable resilience, sustaining their expansionary momentum and are expected to remain in positive growth territory in 2026, overperforming most of their EU peers. Growth in the Group's three core markets is also supported by the mobilisation of the EU investment funds, mainly through the Recovery and Resilience Facility (RRF), with the deadline for completing the associated investments and reforms in August 2026.

Liquidity risk

The Group's liquidity position, with the Liquidity Coverage ratio (LCR) reaching 172.2% as at 31 December 2025 (31 December 2024: 188.2%). The Group's (net) loans to deposits (L/D) ratio stood at 66.1% (31 December 2024: 64.8%). In the context of the 2025 ILAAP (Internal Liquidity Adequacy Assessment Process), the liquidity stress tests results indicate that the Bank has adequate liquidity buffer to cover the potential outflows that could occur in all scenarios regarding the short term (1 month), the 3 -month and the medium-term horizon (1 year).

Solvency risk

The Group's asset quality with the Group's NPE ratio standing at 2.6% as at 31 December 2025, (31 December 2024: 2.9%, excluding the NPE covered by the Asset Protection Scheme in Cyprus (APS)). The respective NPE coverage ratio improved to 95.2% (31 December 2024: 88.4%).

The Group's profit generation capacity and capital adequacy; specifically in the year ended 31 December 2025, the net profit attributable to equity holders of the parent company amounted to € 1,362 million (2024: € 1,448 million).

At 31 December 2025, the Group's Total Capital Adequacy (total CAD) and Common Equity Tier 1 (CET1) ratios amounted to 19.5% (31 December 2024: 18.2%) and 15.2% (31 December 2024: 15.4%) respectively. At 31 December 2025, the Bank's MREL ratio at consolidated level, including the impact of the accrual for profit payout, stands at 29.39% of RWAs (31 December 2024: 27.36%).

The Management, taking into consideration the above factors relating to the liquidity, solvency and capital adequacy of the Group, as well as the improving macroeconomic conditions in Greece, has been satisfied that the financial statements of the Company can be prepared on a going concern basis.

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Report of the board of Managing Directors

Credit Rating of Eurobank Group

On 24/10/2025, Fitch Ratings has upgraded Eurobank S.A.'s and Eurobank Ergasias Services and Holdings S.A.'s Long-Term Issuer Default Ratings (IDRs) to Positive , and affirmed the Long-Term IDRs at 'BBB-' and Viability Ratings (VRs) at 'bbb-'.

Result

During the year under review, the Company recorded a loss after tax of EUR 223.870 (2017: a profit after tax of EUR 7.001.372) which is set out in detail in the attached Income Statement.

Risk Management

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

Credit risk

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

Market risk

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

Interest rate risk

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

Foreign exchange risk

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

Outlook

The Company will continue as a going concern, even though from the year 2019 all loans and advances to customers have been fully transferred internally (with no haircut applied) within Eurobank Group. Up to now no official plan/resolution exists by the Board of Directors regarding company's liquidation

ERB NEW EUROPE FUNDING II B.V.

Amsterdam

Report of the board of Managing Directors

Post balance sheet events

Disposal of the Romanian portfolio of Bancpost SA

On 15 September 2017, the Eurobank Ergasias S.A. announced that it has entered into negotiations with Banca Transilvania with regards to the potential sale of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. in Romania (Romanian disposal group). The sale was considered highly probable, therefore, as of 30 September 2017 Romanian disposal group was classified as held for sale in its financial statements.

On 24 November 2017, the Eurobank Ergasias S.A. announced that it has reached an agreement with Banca Transilvania with regards to the above sale. Following the said agreement, on 3 April 2018, Eurobank and BT concluded all the remaining actions and fulfilled all the conditions precedent for the completion of the transfer of the shares held by the Group in the above companies to BT.

In 2019 all loans and advances which were granted to third parties customers have been fully transferred internally to Eurobank S.A for a cash consideration amounting to a euro equivalent of 287 mil (with no haircut applied). More specifically, with effective date 01/04/2019 the entity terminated all relevant participation agreements held with Eurobank Ergasias S.A and the proceeds received from the aforementioned transaction were used to fully repay entity's borrowing towards Eurobank Cyprus. Hence, the entity year end 2019 had nil balance in loans and advances to customers and financing borrowings to Eurobank Cyprus.

In 2021 the Company made a dividend distribution in the amount of EUR 8mil from the respective retained earnings to the shareholder of the Company - ERB New Europe Holding B.V.

In 2023, ERB New Europe Holding B.V. sold all its shares (wholly-owned subsidiary) of ERB New Europe Funding II B.V. to Eurobank S.A. The transaction was carried out according to the agreement for the sale and purchase agreement of the share capital of ERB New Europe Funding II.

In 2024, the Company replaced the Managing Director E. Zois with A.Atsali (registration date: 05-12-2024)

Above mentioned post balance sheet events do not affect the financial position of the Company as at 31.12.2018.

Future Developments

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

Directors

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

Amsterdam, September 28, 2026

The Board of Managing Directors,

S. Psychogyios

A. Atsali

L.P. Elstershamis

R. Wemmi

Balance Sheet as at december 31, 2018
(amounts in EUR, after appropriation of results)

ASSETS			
	Notes	31-12-2018	31-12-2017
Non Current Assets			
Loans & advances to customers	7	237.207.049	241.415.320
Current Assets			
Loans & advances to customers	7	57.091.130	86.898.224
Other receivables	8	2.158.450	2.775.269
Income tax receivable	17	59.761	339.093
Cash and cash equivalents	9	19.687.196	19.760.369
TOTAL ASSETS		316.203.586	351.188.275
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the company			
Issued and paid-up capital	10	20.000	20.000
Share premium	10	11.980.000	11.980.000
Accumulated profits/(losses)	10	13.822.216	24.046.086
		25.822.216	36.046.086
Current Liabilities			
Borrowings from group company	11	287.844.175	306.964.704
Interest payable to group company	12	141.331	346.167
Other payables	13	1.032.898	7.831.319
Due to customers	5.3	1.362.965	-
		290.381.369	315.142.190
TOTAL EQUITY AND LIABILITIES		316.203.586	351.188.275

Income Statement
for the financial period ended december 31, 2018
(amounts in EUR)

	Notes	01/01 - 31/12/2018	01/01 - 31/12/2017
Financial income and expenses			
Interest income	14	11.733.294	11.622.584
Interest expense	15	(6.995.006)	(12.598.908)
		<u>4.738.288</u>	<u>(976.324)</u>
Provision charge for impairment of loans	7	-	-
Other operating income		283.527	7.927.711
		<u>5.021.815</u>	<u>6.951.387</u>
Operating income/loss			
Foreign exchange (Loss)/Gain		(798.308)	1.080.751
Operating costs	16	(4.363.740)	(989.666)
		<u>(140.233)</u>	<u>7.042.472</u>
PROFIT / (LOSS) BEFORE TAXATION			
Corporate income tax	17	(83.637)	(41.100)
PROFIT / (LOSS) AFTER TAXATION		<u><u>(223.870)</u></u>	<u><u>7.001.372</u></u>

Statement of comprehensive income
for the financial period ended december 31, 2018
(amounts in EUR)

	<u>Notes</u>	<u>01/01 - 31/12/2018</u>	<u>01/01 - 31/12/2017</u>
Net result after taxation		(223.870)	7.001.372
Other comprehensive income:			
 Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		<u><u>(223.870)</u></u>	<u><u>7.001.372</u></u>

Cash Flow Statement
for the financial period ended December 31, 2018

(amounts in EUR)

	Notes	1/1 - 31/12/2018	1/1 - 31/12/2017
Cash flow from operating activities:			
Profit/(Loss) before taxation		(140.233)	7.042.472
Adjustments for:			
Interest income	14	(11.733.294)	(11.622.584)
Interest expenses	15	6.995.006	12.598.908
		(4.878.521)	8.018.796
Net decrease/(increase) in loans & advances		33.091.160	(20.534.857)
<i>Write down of borrowings from Group Companies</i>		(8.891.208)	(27.567.121)
Net decrease/(increase) in other receivables		616.819	(1.155.723)
Net increase in Due to customers		1.362.965	-
Net increase in other payables		(6.798.421)	3.528.474
Cash generated from operations		23.394.002	(10.143.310)
Income taxes paid	17	195.695	38.046
Interest received		12.657.499	10.739.248
Interest paid		(7.199.841)	(12.883.023)
		29.047.355	(12.249.039)
<i>Net cash flows from operation activities</i>		29.047.355	(12.249.039)
Cash flows from financing activities:			
Increase in borrowings from group company	11	8.000.000	134.403.455
Repayment of borrowings from group company	12	(20.792.270)	(84.168.392)
Writedown of borrowings from group company		(8.891.208)	(27.567.121)
Unrealised currency translation (gains)/losses		2.562.949	2.701.291
Dividends paid		(10.000.000)	-
<i>Net cash flow used in financing activities</i>		(29.120.529)	25.369.233
Net (decrease)/increase in cash and cash equivalents		(73.174)	13.120.194
Cash and cash equivalents at the beginning of the year	9	19.760.369	6.640.175
Cash and cash equivalents at the end of the year	9	19.687.195	19.760.369

**Statement of changes in equity
for the financial period ended december 31, 2018**
(amounts in EUR)

EQUITY

The Company's authorised 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, 2010, 20,000 shares were issued and fully paid-up.

On December 23, 2011, the Equity of the Company was increased by EUR 10,000,000 by a contribution to the Company's share premium.

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

	Issued and paid-up capital	Share premium	Accumulated profits/(losses)	Total
Balance as at January 1, 2017	20.000	11.980.000	17.044.713	29.044.713
Profit for the year	-	-	7.001.373	7.001.372
Other Comprehensive Income for the year	-	-	-	-
Total Comprehensive Income for the year	-	-	7.001.373	7.001.372
Balance as at December 31, 2017	20.000	11.980.000	24.046.086	36.046.086
Balance as at January 1, 2018	20.000	11.980.000	24.046.086	36.046.086
Loss for the year	-	-	(223.870)	(223.870)
Equity dividends	-	-	(10.000.000)	(10.000.000)
Other Comprehensive Income for the year	-	-	-	-
Total Comprehensive Income for the year	-	-	(10.223.870)	(10.223.870)
Balance as at December 31, 2018	20.000	11.980.000	13.822.216	25.822.216

ERB New Europe Funding II B.V. is fully controlled and owned by ERB New Europe Holding B.V., a wholly owned subsidiary of Eurobank S.A., a bank incorporated in Greece and listed on the Athens Stock Exchange and the Cyprus Stock Exchange. From 2023 the entity is fully controlled and owned by Eurobank S.A (refer to "post balance sheet events").

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2018 (amounts in EUR)

1 GENERAL

ERB New Europe Funding II B.V. (the Company) was incorporated on April 24, 2008 and has its registered and office address at Herengracht 500, 1017 CB, Amsterdam, the Netherlands. The Company is incorporated in The Netherlands and is wholly owned by ERB New Europe Holding B.V., a wholly owned subsidiary of Eurobank Ergasias S.A. in Greece which is the ultimate parent of the Company as at year end 2018. The Company's Chamber of Commerce number is 34300657.

As of 1 January 2023 the Company changed its address to Strawinskylaan 569, 1077 XX, Amsterdam, The Netherlands.

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

These financial statements were approved and authorized for issue by the Board of Managing Directors on March 18, 2026.

2 PRINCIPAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of the Company 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 IFRS Interpretation Committee's (IC) interpretations, issued and effective or issued and early adopted as at the time of preparing these statements.

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

The Company's presentation currency is the Euro (€) being the functional currency of the parent company. Except as indicated, financial information presented in Euro.

Going concern

The financial statements have been prepared on the basis that the Company will continue as a going concern.

2.1.1 New and amended standards and interpretations

The policies set out below have been consistently applied to the years 2018 and 2017. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Annual Improvements to IFRSs 2014-2016 Cycle

IAS 28 'Investments in Associates and Joint Ventures': It is clarified that venture capital organizations, mutual funds, unit trusts and similar entities are allowed to elect measuring their investments in associates or joint ventures at fair value through profit or loss.

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

IFRS 9 Financial Instruments

On 1 January 2018, the Group adopted IFRS 9 'Financial Instruments', which replaces IAS 39, 'Financial Instruments: Recognition and Measurement'. The adoption of IFRS 9 in 2018 resulted in changes in accounting policy in two principal areas, classification and measurement of financial assets and liabilities and impairment of financial assets. Differences arising from the adoption of IFRS 9 have been recognized directly in reserves and retained earnings as of 1 January 2018 and are disclosed in note 2.2. The Company has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9.

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2018 (amounts in EUR)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Changes in the classification and measurement

IFRS 9 applies a new classification and measurement approach for all types of financial assets that reflects the entity's business model for managing the assets and their contractual cash flow characteristics.

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. Reclassifications between categories are made only in rare circumstances.

In accordance with the IFRS 9 transition requirements, the Group performed an assessment of business model at the date of initial application i.e. 1 January 2018 (see section 2.2.2).

The IAS 39 categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity (HTM) and Loans and Receivables) have been replaced by:

- Debt instruments measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on de-recognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on de-recognition
- Financial assets measured at FVTPL

The Company may at initial recognition, designate a financial asset at FVTPL in order to eliminate or significantly reduce an accounting mismatch.

Furthermore, on initial recognition of an equity instrument that is not held for trading, an entity may irrevocably elect to present subsequent changes in fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis.

The IFRS 9 eligibility requirements for applying the fair value option to measure financial liabilities at FVTPL are consistent with those of IAS 39. However, for financial liabilities designated at FVTPL, gains or losses attributable to changes in own credit risk shall be presented in OCI and shall not be subsequently transferred to profit or loss unless such a presentation would create or enlarge an accounting mismatch.

Changes to the impairment calculation

The adoption of IFRS 9 has changed significantly the Company's accounting for the impairment of financial assets by replacing IAS 39 incurred loss approach with a forward-looking expected credit loss (ECL) approach, which requires the use of complex models and significant judgment about future economic conditions and credit behavior. Credit losses are recognized earlier under IFRS 9 compared to IAS 39.

IFRS 9 requires to record an allowance for credit loss for all financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, which are off-balance sheet items. The allowance is based on the ECL calculation of the related probability of default of the debtor in the next twelve months unless there has been a significant increase in credit risk since origination of the exposure, when lifetime ECL is measured. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECL over the life of the asset. Details of the Company's impairment policy are disclosed in Section 2.2 of this note. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in note 2.2.2.

IFRS 4, Amendment-Appling IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)

The amendment addresses the accounting consequences of the different effective dates of IFRS 9 'Financial Instruments' and the forthcoming new insurance contracts Standard. It introduces two options for entities that issue insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance, allowing them to continue to apply IAS 39 'Financial Instruments: Recognition and Measurement' while they defer the application of IFRS 9 until 1 January 2021 at the latest. The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets, effectively resulting in IAS 39 accounting for those designated financial assets. This approach can be used provided that the entity applies IFRS 9 in conjunction with IFRS 4 and classifies financial assets as fair value through profit or loss in accordance with IFRS 9, when those assets were previously classified at amortized cost or as available-for-sale in accordance with IAS 39. The amendment is not relevant to the Company's activities.

IFRS 15, Revenue from Contracts with Customers and IFRS 15 Amendments

IFRS 15 establishes a single, comprehensive revenue recognition model for determining when and how much revenue to recognize and replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programs'. IFRS 15 applies to all contracts with customers, except those in the scope of other standards such as:

- Financial instruments and other contractual rights or obligations within the scope of IFRS 9 'Financial Instruments', IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures';
- Lease contracts within the scope of IAS 17 'Leases' (or IFRS 16 'Leases'); and
- Insurance contracts within the scope of IFRS 4 'Insurance Contracts'.

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

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

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

The adoption of the amendment had no impact on the Company's condensed financial statements as net interest income, which is a primary revenue stream of the Company, is not impacted by the adoption of IFRS 15 and the existing Company accounting treatment for revenue from contracts with customers, including fee and commission income, is generally in line with IFRS 15.

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Notes to the Financial Statements as at December 31, 2018

(amounts in EUR)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

IFRS 2, Amendment-Classification and Measurement of Share-based Payment Transactions

The amendment addresses (a) the measurement of cash-settled share-based payments, (b) the accounting for modifications of a share-based payment from cash-settled to equity-settled and c) the classification of share-based payments settled net of tax withholdings. Specifically, the amendment clarifies that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments. It also clarifies that the liability of cash-settled share-based payment modified to equity-settled one is derecognized and the equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted and any difference is recognized in profit or loss immediately.

Furthermore, a share-based payment net by withholding tax on the employee's behalf (a net settlement feature) is classified as equity settled in its entirety, provided it would have been classified as equity-settled had it not included the net settlement feature. The adoption of the amendment had no impact on the Company's financial statements.

IAS 40, Amendment-Transfers of Investment Property

The amendment clarifies that a transfer of property, including property under construction or development, into or out of investment property should be made only when there has been a change in use of the property. Such a change in use occurs when the property meets, or ceases to meet, the definition of investment property and should be supported by evidence.

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

IFRS 9, Amendment-Prepayment Features with Negative Compensation (effective 1 January 2019)

The amendment changes IFRS 9 requirements in order to allow measurement of a financial asset at amortized cost or at FVOCI, depending on the business model, even in the case of prepayment options which could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). Therefore, measurement of these financial assets will be regardless of the event or circumstance that caused the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination. Applying IFRS 9 before the amendment would probably result in the measurement of these financial assets at FVTPL.

The amendment also confirms the modification accounting of financial liabilities under IFRS 9. In specific, when a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss, calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognized in profit or loss.

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

IFRIC 23, Uncertainty over Income Tax Treatments (effective 1 January 2019)

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

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

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

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

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

IAS 28, Amendment – Long Term Interests in Associates and Joint Ventures (effective 1 January 2019, not yet endorsed by EU)

The amendment clarifies that IFRS 9 'Financial Instruments' including its impairment requirements, applies to long term interests in associates or joint ventures that form part of the entity's net investment in the associate or joint venture but are not accounted for using equity accounting.

According to the amendment, any adjustments to the carrying amount of long term interests resulting from the application of IAS 28 should not be considered when applying the IFRS 9 requirements which apply to long term interests before applying the loss allocation and impairment requirements of IAS 28.

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

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

The amendment clarifies that when a change to a defined benefit plan i.e. an amendment, curtailment or settlement takes place and a remeasurement of the net defined benefit liability or asset is required, the updated actuarial assumptions from the remeasurement should be used to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Additionally, the amendment includes clarifications about the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

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

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Notes to the Financial Statements as at December 31, 2018 (amounts in EUR)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Annual Improvements to IFRSs 2015-2017 Cycle (effective 1 January 2019, not yet endorsed by EU)

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2015-17 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

• IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements': The amendments clarified how an entity accounts for increasing its interest in a joint operation that meets the definition of a business. Specifically:

- If a party obtains control of a business that is a joint operation, then the transaction constitutes a business combination achieved in stages and the acquiring party re-measures the entire previously held interest in the assets and liabilities of the joint operation at fair value.

- If a party obtains joint control, then the previously held interest is not re-measured.

- IAS 12 'Income Taxes': IASB clarified that all income tax consequences of dividends, including payments on financial instruments classified as equity, should be recognized in profit or loss, other comprehensive income or equity, depending on where the originating transaction or event that generated distributable profits giving rise to the dividend, was recognized.
- IAS 23 'Borrowing costs': The amendments clarified that any borrowing originally made to develop a qualifying asset should be treated as part of general borrowings when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020, not yet endorsed by EU)

In March 2018, the IASB issued its revised Conceptual Framework. This replaces the previous version of the Conceptual Framework issued in 2010. Revisions performed by IASB introduced a new chapter of measurement, updated definitions of an asset/liability and recognition criteria, as well as clarifications on important areas. The adoption of the amendments is not expected to impact the Company's financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020, not yet endorsed by EU)

The IASB issued amendments to the definition of a business in IFRS 3 "Business Combinations" to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, and add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The adoption of the amendments is not expected to impact the Company's financial statements.

Amendments to IAS 1 and IAS 8: Definition of Material (effective 1 January 2020, not yet endorsed by EU)

The amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The adoption of the amendments is not expected to impact the Company's financial statements.

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 IFRS 9 'Financial Instruments' – Impact of adoption

2.2.1. Adoption of IFRS 9

The Company adopted IFRS 9 in the first quarter of 2018. The Company applied the Standard's exemption not to restate comparative figures for prior periods; therefore the Company's 2017 comparatives are presented on an IAS 39 basis. The effect on the carrying amounts of financial assets and liabilities at the date of transition to IFRS 9 was recognized as an adjustment to opening reserves and retained earnings. The detailed effects of the adoption of IFRS 9 on 1 January 2018 are presented in note 2.2.2. The adoption of the amendments is not expected to impact the Company's financial statements.

2.2.2 Transitioning impact of the IFRS 9 first time adoption is given in the following table:

Impact attributed to:	IFRS 9 Impact as of 1 January 2018
Impairment	
- Loans and advances to customers	0
- Other financial assets	-
Total Impairment	0

Classification and measurement

IFRS 9 establishes a new classification and measurement approach for all types of financial assets that reflects the entity's business model for managing the assets and their contractual cash flow characteristics. IFRS 9 requires financial assets to be classified into one of the following measurement categories: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available for sale.

Financial assets will be measured at amortized cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest (SPPI). Financial assets will be measured at FVOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. All other financial assets will be classified at FVTPL.

An entity may at initial recognition, designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. Furthermore, on initial recognition of an equity instrument that is not held for trading, an entity may irrevocably elect to present subsequent changes in fair value through OCI. This election is made on an investment-by-investment basis.

IFRS 9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at FVTPL, gains or losses attributable to changes in own credit risk shall be presented in OCI and shall not be subsequently transferred to profit or loss, unless such a presentation would create or enlarge an accounting mismatch. Under IAS 39, all fair value changes of liabilities designated at FVTPL are recognized in profit or loss, unless this would create or enlarge an accounting mismatch.

Business model assessment

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect contractual cash flows from the asset, to realize cash flows from the sale of assets, or both to collect contractual cash flows and cash flows from the sale of assets. Financial assets that are held for trading or managed on a fair value basis will be measured at FVTPL.

The Company's approach is to perform the business model assessment consistently with its operating model and the information provided to key management personnel. In making the above assessment, the Company will consider a number of factors including:

1. the stated policies and objectives for each portfolio;
2. how the performance of each portfolio is evaluated and reported;
3. the risks associated with the performance of the business model and how those risks are managed;
4. how managers are compensated;
5. past experience on how the cash flows from those portfolios were collected and how the Company's stated objective for managing the financial assets is achieved; and
6. the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. Irrespective of their frequency and value, sales due to an increase in the financial assets' credit risk and sales made due to liquidity needs in case of an unexpected stress case scenario, are consistent with a hold-to-collect business model.

SPPI assessment

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

Assessment of changes to the classification and measurement on transition

For the purpose of the transition to IFRS 9, the Company is carrying out a business model assessment across various portfolios and a detailed review of the contractual terms (SPPI review) for its debt instruments portfolios to determine any potential changes to the classification and measurement. The assessment is being performed based on the facts and circumstances that exist at the date of initial application i.e. 1 January 2018. Furthermore, it is performed on a sample basis for the retail and part of the wholesale portfolio where contracts are of standardized form, whereas for the remaining wholesale portfolio is being performed on an individual basis. The business model assessment and the SPPI review are not expected to result in any significant changes compared to how financial assets are measured under IAS 39, except where noted below. In particular:

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment of financial assets

IFRS 9 introduces an expected credit loss (ECL) model that replaces the incurred loss model in IAS 39. The new requirements eliminate the threshold in IAS 39 that required a credit event to have occurred before credit losses were recognized and will apply to a broader population of financial instruments compared to IAS 39. The measurement of ECL will require the use of complex models and significant judgment about future economic conditions and credit behavior.

The new impairment model, which introduces a “three stage approach” that will reflect changes in credit quality since initial recognition, will apply to financial assets that are not measured at FVTPL, including loans, lease receivables, debt securities, financial guarantee contracts and loan commitments issued. Accordingly, no impairment loss will be recognized on equity investments.

Upon initial recognition of instruments in scope of the new impairment principles, the Company will record a loss allowance equal to 12-month ECL, being the ECL that result from default events that are possible within the next twelve months. Subsequently, for those financial instruments that have experienced a significant increase in credit risk since initial recognition, a loss allowance equal to lifetime ECL will be recognized, arising from default events that are possible over the expected life of the instrument.

Financial assets for which 12-month ECL are recognized will be considered to be in ‘stage1’; financial assets which are considered to have experienced a significant increase in credit risk will be allocated in ‘stage2’; while financial assets that are considered to be credit impaired will be in ‘stage3’. The loss allowance for purchased or originated credit impaired (POCI) financial assets will always be measured at an amount equal to lifetime ECL, as explained below.

Allocation of allowance for expected credit losses (ECL) under three-stage approach										
SPV	o/b of ECL as at 31/12/2017	IFRS 9 Effect	o/b as at 1/1/2018				IFRS 9 Effect			
			S1	S2	S3	Total	S1	S2	S3	Total
Corporate SME	71.952	-29.970	66.508	1.274	4.170	71.952	-7.511	-22.631	172	-29.970
Mortgage	1.417.672	286.946	1.310.416	25.102	82.154	1.417.672	286.946	0	0	286.946
Consumer	510.376	-256.976	471.763	9.037	29.576	510.376	-431.801	101.524	73.301	-256.976
Total:	2.000.000	0	1.848.687	35.413	115.900	2.000.000	-152.366	78.893	73.473	0

Allocation of Exposures to Stages

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

- the objective criterion of 90 days past due and;

- the existence of unlikeliness to pay (UTP) criteria

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

Functional and presentation currency

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

Foreign currency

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

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

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Notes to the Financial Statements as at December 31, 2018 (amounts in EUR)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Income tax

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

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.

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.

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 recognizes allowance for expected credit losses (ECL) that reflect changes in credit quality since initial recognition to financial assets that are measured at amortized cost and FVOCI. ECL are a probability-weighted average estimate of credit losses that reflects the time value of money. Upon initial recognition of the financial instruments in scope of the impairment policy, the Company records a loss allowance equal to 12-month ECL, being the ECL that result from default events that are possible within the next twelve months. Subsequently, for those financial instruments that have experienced a significant increase in credit risk (SICR) since initial recognition, a loss allowance equal to lifetime ECL is recognized, arising from default events that are possible over the expected life of the instrument.

For financial assets subject to impairment, the general three-stage approach applies. Accordingly, ECL are recognized using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – When there is no significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12-months ECL is recorded. The 12 – month ECL represent a portion of lifetime losses, that result from default events that are possible within the next 12 months after the reporting date and is equal to the expected cash shortfalls over the life of the instrument or group of instruments, due to loss events probable within the next 12 months. Not credit-impaired financial assets that are either newly originated or purchased, as well as, assets recognized following a substantial modification accounted for as a derecognition, are classified initially in Stage 1.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. Lifetime ECL represent the expected credit losses that result from all possible default events over the expected life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.
- POCI - Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. They are not subject to stage allocation and are always measured on the basis of lifetime expected credit losses. Accordingly, ECL are only recognized to the extent that there is a subsequent change in the assets' lifetime expected credit losses. Any subsequent favorable change to their expected cash flows is recognized as impairment gain in the income statement even if the resulting expected cash flows exceed the estimated cash flows at initial recognition. Apart from purchased assets, POCI assets may also include financial instruments that are considered new assets, following a substantial modification accounted for as a derecognition.

Significant increase in credit risk (SICR) and staging allocation

Determining whether a loss allowance should be based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk (SICR) of the financial assets, issued loan commitments and financial guarantee contracts, since initial recognition.

At each reporting date, the Company performs an assessment as to whether the risk of a default occurring over the remaining expected lifetime of the exposure has increased significantly from the expected risk of a default estimated at origination for that point in time.

The assessment for SICR is performed using both qualitative and quantitative criteria based on reasonable and supportable information that is available without undue cost or effort including forward looking information and macroeconomic scenarios as well as historical experience. Furthermore, regardless of the outcome of the SICR assessment based on the above indicators, the credit risk of a financial asset is deemed to have increased significantly when contractual payments are more than 30 days past due.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that exposure have occurred:

- The borrower faces a significant difficulty in meeting his financial obligations.
- There has been a breach of contract, such as a default or past due event.
- The Company, for economic or contractual reasons relating to the borrower's financial difficulty, has granted to the borrower a concession(s) that the Company would not otherwise consider.
- There is a probability that the borrower will enter bankruptcy or other financial re-organization.
- For POCI financial assets, a purchase or origination at a deep discount that reflects incurred credit losses is considered a detrimental event. The Company assesses the deep discount criterion following a principle -based approach with the aim to incorporate all reasonable and supportable information which reflects market conditions that exist at the time of the assessment.

Interest-bearing borrowings

The Company classifies its financial liabilities in the following categories, financial liabilities measured at amortized cost and financial liabilities measured at fair-value-through-profit-or-loss. Regarding measurement Financial liabilities at amortised cost are initially recognised at fair value less transaction costs and are thereafter carried at amortised cost using the effective interest method and financial liabilities at fair value through profit or loss are initially recognised at fair value and are thereafter carried at fair value.

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.

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

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 2018 has not changed in comparison for the year 2017.

4 PRINCIPLES OF DETERMINATION OF RESULT

(a) General

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

(b) Interest income and expenses

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

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

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

(c) Exchange rate differences

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

(d) Taxation

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

5 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of risks. Exposure to credit, interest rate, currency and liquidity risk arises in the normal course of the Company's business. The Company's overall risk management policy 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:

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5 FINANCIAL RISK MANAGEMENT(continued)

5.1. Credit risk

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

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

The Company's portfolio is reviewed on a regular basis for impairment provisions. There is a limited recourse through the Overdraft Multicurrency Agreement between the Company (Borrower) and Eurobank Cyprus Ltd. (Lender), which states that the aggregate loss accrued by the Company (Borrower) in relation to its creditors defaulting under corresponding loans will not exceed the lower of Euro 2.000.000 or, 1% (one percent) of the outstanding amounts of corresponding loans, calculated before tax and over the total term of the agreement.

Loans and advances

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

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

Impairment provisions are provided where there is objective evidence that the Company will not be able to collect all amounts due.

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

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

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

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

Credit monitoring

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

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

Credit risk exposures relating to on-balance sheet assets are as follows:

Loans and advances to customers (net)

Other receivables related to loans - monthly administration fees

Allowance for impairment

Interest receivable

Other receivables

Cash and cash equivalents

Total

	31/12/2018	31/12/2017
	271.878.060	305.392.898
	1.085.251	1.453.012
	-2.000.000	-2.000.000
	270.963.311	304.845.910
	23.334.859	23.467.634
	2.158.449	2.775.269
	19.687.196	19.760.369
	316.143.815	350.849.182

5.1.2 Loans and advances are summarized as follows:

Neither past due nor impaired

Past due but not impaired

Individually impaired

Collectively impaired

Gross

Less: allowance for impairment

Net

	99.350.462	108.101.633
	53.238.006	34.500.221
	64.363.060	91.455.110
	79.346.650	96.256.580
	296.298.179	330.313.544
	-2.000.000	-2.000.000
	294.298.179	328.313.544

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5 FINANCIAL RISK MANAGEMENT (continued)

Lending exposure to credit risk and the value of the collateral held as of December 31st 2018 is presented in the following table:

	31 December 2018								Value of collateral
	Stage 1	Stage 2	Stage 3	Total gross amount	Impairment allowance			Total net amount	
					Stage 1	Stage 2	Stage 3		
Retail Lending	122.733.944	22.494.119,00	79.850.561	225.078.624	(1.696.321)	(113.478)	(187.854)	223.080.971	
- Mortgage	115.373.870	20.004.541,00	57.623.462	193.001.873	(1.597.362)	(25.102)	(82.154)	191.297.255	
Value of collateral	86.490.336	15.106.010,00	49.141.229	150.737.575					150.737.575
Guarantees									
- Consumer	5.454.109	1.537.249,00	2.406.685	9.398.043	(39.961)	(110.561)	(102.877)	9.144.644	
Value of collateral									
Guarantees									
- Credit card									
Value of collateral									
Guarantees									
- Small business	1.905.965	952.328,00	19.820.414	22.678.707	(58.998)	22.815	(2.822)	22.639.702	
Value of collateral	1.631.616	880.157,00	13.234.397	15.746.170					15.746.170
Guarantees									
Wholesale Lending		9.854.459	61.365.097	71.219.556		(828)	(1.519)	71.217.209	
- Large corporate		9.792.583	50.491.392	60.283.975				60.283.975	
Value of collateral		9.304.395	48.733.866	58.038.261					58.038.262
- SMEs		61.876	10.873.704	10.935.580		(828)	(1.519)	10.933.233	
Value of collateral		61.876	10.231.443	10.293.319					10.293.318
Guarantees									
Total Value of collateral	88.121.952	25.352.438	121.340.935	234.815.324	-	-	-	-	234.815.324

Ageing of credit impaired loans as of December 31st 2018 is presented in the bellow table:

	31 December 2018							
	Retail trading				Wholesale trading			
	Mortgage	Consumer	Small business	Large corporate	SMEs	Greece	Other countries	(Lifetime ECL credit-impaired)
up to 90 days	11.563.785	546.455	324.358	20.262.399	281.195	-	-	32.978.191
90 to 179 days	9.640.479	714.467	378.167	-	-	-	-	10.733.114
180 to 360 days	7.985.602	622.469	163.018	1.995.983	383.945	-	-	11.151.017
more than 360 days	28.425.899	581.739	18.796.971	28.457.067	9.920.892	-	-	86.182.569
Total Gross Carrying Amount	57.615.765	2.465.131	19.662.514	50.715.449	10.586.032	-	-	141.044.890
Impairment Allowance	(82.154)	(102.877)	(2.822)	-	(1.519)	-	-	(189.373)
Net Carrying amount at 31 December	57.533.610	2.362.253	19.659.692	50.715.449	10.584.513	-	-	140.855.517

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5 FINANCIAL RISK MANAGEMENT(continued)

Loans Gross Balance Movement as of December 31st 2018 is presented in the below table:

	31 December 2018				
	Wholesale				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total
Gross carrying amount at 1 January	-	913.373	191.517.084	-	192.430.457
New financial assets originated or purchased	-	856.902	808.342	-	1.665.244
Transfers:	-	-	-	-	-
to 12-month ECLs	-	-	-	-	-
to lifetime ECLs -not credit-impaired loans	-	13.751.204	(13.751.204)	-	-
to lifetime ECLs -credit-impaired loans	-	-	-	-	-
Financial assets derecognised during period	-	-	-	-	-
Amounts written-off	-	-	(103.316.119)	-	(103.316.119)
Repayments	-	(3.463.102)	(12.981.493)	-	(16.444.596)
Changes to contractual cash flows due to modifications not resulting in de-recognition	-	-	-	-	-
Foreign exchange differences and other movements	-	(2.203.918)	(911.513)	-	(3.115.431)
Gross Carrying amount at 31 December	-	9.854.459	61.365.097	-	71.219.555
Cumulative Loss Allowance	-	(828)	(1.519)	-	(2.348)
	-	-	-	-	-
Net Carrying amount at 31 December	-	9.853.630	61.363.577	-	71.217.208

	31 December 2018				
	Mortgage				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total
Gross carrying amount at 1 January	99.403.867	31.204.295	106.140.208	-	236.748.370
New financial assets originated or purchased	3.072.396	431.191	2.540.882	-	6.044.469
Transfers:	-	-	-	-	-
to 12-month ECLs	24.667.992	(15.163.226)	(9.504.766)	-	-
to lifetime ECLs -not credit-impaired loans	(4.048.674)	10.997.751	(6.949.077)	-	-
to lifetime ECLs -credit-impaired loans	(2.964.988)	(5.551.756)	8.516.744	-	-
Financial assets derecognised during period	-	-	-	-	-
Amounts written-off	-	-	(43.653.868)	-	(43.653.868)
Repayments	(10.036.726)	(1.697.222)	(5.655.953)	-	(17.389.901)
Changes to contractual cash flows due to modifications not resulting in de-recognition	-	-	-	-	-
Foreign exchange differences and other movements	5.280.003	(216.491)	6.189.291	-	11.252.803
Gross Carrying amount at 31 December	115.373.870	20.004.541	57.623.462	-	193.001.873
Cumulative Loss Allowance	(1.597.362)	(25.102)	(82.154)	-	(1.704.618)
	-	-	-	-	-
Net Carrying amount at 31 December	113.776.508	19.979.439	57.541.308	-	191.297.255

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5 FINANCIAL RISK MANAGEMENT(continued)

	31 December 2018				
	Consumer				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total
Gross carrying amount at 1 January	7.805.714	2.935.916	4.023.822		14.765.452
New financial assets originated or purchased	354.272	98.723	194.854		647.849
Transfers:					-
to 12-month ECLs					-
to lifetime ECLs -not credit-impaired loans	927.703	(896.770)	(30.933)		-
to lifetime ECLs -credit-impaired loans	(453.870)	855.068	(401.198)		-
	(415.336)	(694.566)	1.109.902		-
Financial assets derecognised during period	-	-	-		-
Amounts written-off	-	-	(1.041.707)		(1.041.707)
Repayments	(2.177.625)	(599.645)	(2.067.698)		(4.844.967)
Changes to contractual cash flows due to modifications not resulting in de-recognition	-	-	-		-
Foreign exchange differences and other movements	(586.750)	(161.476)	619.642		(128.584)
Gross Carrying amount at 31 December	5.454.109	1.537.249	2.406.685		9.398.043
Cumulative Loss Allowance	(39.961)	(110.561)	(102.877)		(253.400)
Net Carrying amount at 31 December	5.414.148	1.426.688	2.303.808		9.144.643

	31 December 2018					
	Small business					
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total	Grand total
Gross carrying amount at 1 January	2,306,657	1,348,501	89,398,682		93,053,840	534,998,116
New financial assets originated or purchased	348,786	113,144	1,788,910		2,250,840	10,608,402
					-	-
Transfers:					-	-
to 12-month ECLs					-	-
	131,230	(42,271)	(88,959)		-	-
to lifetime ECLs -not credit-impaired loans					-	-
	(174,899)	575,467	(400,568)		-	-
to lifetime ECLs -credit-impaired loans					-	-
	(60,569)	(432,873)	493,442		-	-
Financial assets derecognised during period					-	-
	-	-	-		-	-
Amounts written-off	-	-	(67,998,814)		(67,998,814)	(216,010,508)
Repayments	(591,788)	(464,641)	(7,982,180)		(9,038,608)	(47,718,072)
Changes to contractual cash flows due to modifications not resulting in de-recognition					-	-
	-	-	-		-	-
Foreign exchange differences and other movements	(53,453)	(144,999)	4,609,901		4,411,449	12,420,237
Gross Carrying amount at 31 December	1,905,965	952,328	19,820,414		22,678,707	296,298,179
Cumulative Loss Allowance	(58,998)	22,185	(2,822)		(39,634)	(2,000,000)
					-	-
Net Carrying amount at 31 December	1,846,967	974,514	19,817,592		22,639,073	294,298,179

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5 FINANCIAL RISK MANAGEMENT (continued)

Loans and advances neither past due nor impaired

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

Portfolio quality classification is based on the following criteria:

Quality Classification	Credit Quality Classification	
	Wholesale Lending	Retail Lending
	Internal Credit Rating (MRA/ICR) (MRA/ICR)	Internal Credit Rating
	(PD's)	
Strong	stage 1 and ICR 1- 4	n/a
Satisfactory	stage 1 and ICR 5-6	n/a
Watch list	stage 2 and ICR 7	n/a
Impaired (Defaulted)	stage 3	n/a

The following table presents the quality of the lending portfolio and commitments based on the Bank's classification system as at 31 December 2018:

31 December 2018					
	Non Impaired		Credit Impaired	POCI	Total gross amount
	Internal credit rating	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
Retail Lending		122.733.944	22.494.119	79.850.561	225.078.623
Mortgage	Strong	87.583.497	5.108.784,86	1.984.037,90	94.676.319
	Satisfactory	27.790.374	9.764.219,02	7.042.108,95	44.596.702
	Watch list	-	-	-	-
	Impaired (Defaulted)	-	5.131.537,32	48.597.314,83	53.728.852
Consumer	Strong	3.815.684	594.411,43	117.574,02	4.527.669
	Satisfactory	1.638.425	705.896,94	376.105,06	2.720.427
	Watch list	-	-	-	-
	Impaired (Defaulted)	-	236.940,60	1.913.005,92	2.149.947
Credit card	Strong	-	-	-	-
	Satisfactory	-	-	-	-
	Watch list	-	-	-	-
	Impaired (Defaulted)	-	-	-	-
Small business	Strong	1.658.372	585.916,31	570.944,92	2.815.234
	Satisfactory	247.592	171.385,92	-	418.978
	Watch list	-	-	-	-
	Impaired (Defaulted)	-	195.026,24	19.249.469,23	19.444.495
Wholesale Lending		-	9.854.459	61.365.097	71.219.555
Large Corporate	Strong	-	-	-	-
	Satisfactory	-	9.792.583	20.254.734	30.047.317
	Watch list	-	-	-	-
	Impaired (Defaulted)	-	-	30.236.658	30.236.658
SMEs	Strong	-	-	13.927	13.927
	Satisfactory	-	61.876	274.909	336.784
	Watch list	-	-	-	-
	Impaired (Defaulted)	-	-	10.584.868	10.584.868
	-	-	-	-	-
Total lending portfolio		122.733.944	32.348.577	141.215.657	296.298.179
	-	-	-	-	-
Commitments	Strong	-	-	-	-
	Satisfactory	-	-	-	-
	Watch list	-	-	-	-
	Impaired (Defaulted)	-	-	-	-
	-	-	-	-	-
Total commitments		-	-	-	-
	-	-	-	-	-
Total		122.733.944	32.348.577	141.215.657	296.298.179

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2018 (amounts in EUR)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at 31 December 2018 can be assessed by reference to the Company's standard grading system. The following information is based on that system:

	31/12/2018	31/12/2017
Loans and advances to customers		
Grades:		
Retail lending		
Satisfactory risk (grades 1 to 6)	225.078.623	237.945.062
Watch list and special mention (grade 7)	149.755.329	102.724.844
Impaired (Defaulted)	-	-
	75.323.294	135.220.218
Wholesale lending		
Satisfactory risk (grades 1 to 6)	71.219.555	92.368.482
Watch list and special mention (grade 7)	30.398.029	39.877.011
Impaired (Defaulted)	-	-
	40.821.527	52.491.471
Total	296.298.179	330.313.544

Loans and advances past due but not impaired

	31/12/2018	31/12/2017
Loans and advances to customers		
Past due up to 29 days	37.659.142	25.995.094
Past due 30 - 89 days*	15.463.296	8.502.886
Past due 90 - less than 1 year	115.568	2.242
Total	53.238.006	34.500.221

Impaired loans and advances individually assessed

As at 31 December 2018 and 2017 the Company did have loans and advances that were individually impaired.

	31/12/2018	31/12/2017
Loans and advances to customers		
Individually impaired loans - gross	64.363.060	91.455.110
Out of which:		
Wholesale	64.363.060	91.455.110
Collectively assessed loans	79.346.650	96.256.580
Out of which:		
Consumer	2.344.249	3.087.811
Mortgage	57.112.826	66.597.894
Small Business	19.514.571	26.570.874
Wholesale	375.004	-
Total	143.709.710	187.711.689

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Notes to the Financial Statements as at December 31, 2018
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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

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

	2018	2017
Opening balance	2.000.000	2.000.000
Impairment charge	-	-
Released provisions	-	-
Closing balance	2.000.000	2.000.000

Cash and cash equivalents

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

Collateral

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

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

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

5.1.1. Breakdown of Collateral and Guarantees as of December 31st 2018 is presented in the following table:

	31 December 2018				
	Value of collateral received				
	Real Estate	Financial	Collateral	Total	Guarantees received
Retail Lending	166.407.088	-	76.656	166.483.744	-
Wholesale Lending	67.722.584	-	608.996	68.331.580	-
Public sector	-	-	-	-	-
Total	234.129.672	0	685.652	234.815.324	0

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Notes to the Financial Statements as at December 31, 2018
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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1.2. Loans and advances

31/12/2018	Mortgage	Consumer	Small business	Wholesale trading	Total
Loans and advances	193.684.041	9.098.264	22.433.001	71.082.872	296.298.179
Value of collateral	150.737.575	-	15.746.170	68.331.580	234.815.324
Percentage of collateralization	78%	0%	70%	96%	
31/12/2017	Mortgage	Consumer	Small business	Wholesale trading	Total
Loans and advances	194.381.313	13.401.122	30.162.627	92.368.482	330.313.544
Value of collateral	157.448.864	-	28.956.122	121.002.711	307.407.697
Percentage of collateralization	81%	0%	96%	131%	

Impaired loans and advances individually assessed

The criteria used by the Company to determine that there is objective evidence of impairment include:

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

During 2018 the impairment triggers and classification of exposures has been revised following integration of EBA concepts and categories regarding non-performing and forborne loans which had an effect on the assessment of the small business loans.

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

31/12/2018				
	Mortgage	Small business	Wholesale	Total
Individually assessed loans	-	-	64.363.060	64.363.060
Fair value of collateral	-	-	58.619.460	58.619.460
31/12/2017				
	Mortgage	Small business	Wholesale	Total
Individually assessed loans	-	-	91.455.110	91.455.110
Fair value of collateral	-	-	120.434.462	120.434.462

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Notes to the Financial Statements as at December 31, 2018 (amounts in EUR)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Repossessed collaterals

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

During 2010-2018 there were no repossessed collateral.

(e) Concentration of credit risk exposure

Geographical Sector

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

	31/12/2018	31/12/2017
Loans and advances to customers:		
Romania	296.298.178	330.313.544
Total	296.298.178	330.313.544

Industry sectors

	31/12/2018	31/12/2017
Loans and advances to customers:		
Commerce and services	5.943.793	20.086.830
Manufacturing	-	15.332.507
Construction	2.812.770	39.150.818
Other industries	88.007.715	47.960.954
Private individuals	199.533.900	207.782.434
Total	296.298.178	330.313.544

Loans and Advances to Customers, Impaired Loans and Impairment Allowance by Product Line, Industry and Geographical Region as of December 31st 2018 are presented in the following table:

	31 December 2018				
	Rest of Europe				
	Gross amount			Impairment allowance	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired		
Retail Lending	122.733.944	22.494.119	79.850.561		1.997.652
-Mortgage	115.373.870	20.004.541	57.623.462		1.704.618
-Consumer	5.454.109	1.537.249	2.406.685		253.400
-Credit card	-	-	-		-
-Small business	1.905.965	952.328	19.820.414		39.634
Wholesale Lending	-	9.854.459	61.365.097		2.348
-Commerce and services	-	584.784	6.594.711		2.023
-Manufacturing	-	-	-		-
-Shipping	-	-	118.114		-
-Construction	-	62.797	2.757.019		308
-Tourism	-	-	-		-
-Energy	-	-	-		-
-Other	-	9.206.879	51.895.252		17
Total Lending	122.733.944	32.348.577	141.215.657	-	2.000.000
Credit related Commitments	0	0	0	0	0
Guarantees and Letters of credit	-	-	-	0	-
'Commitments	-	-	-	0	-
Total Commitments	0	0	0	0	0
	-	-	-	-	-

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Notes to the Financial Statements as at December 31, 2018 (amounts in EUR)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value of financial assets and liabilities

The three levels of the fair value hierarchy as at 31 December 2018 based on whether the inputs to the fair values are observable or unobservable, are as follows:

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

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

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

(g) Fair value of financial assets and liabilities

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

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

In EUR	31/12/2018		31/12/2017	
	Book value	Fair value	Book value	Fair value
Financial (monetary) assets				
Cash and cash equivalents	19.687.196	19.687.196	19.760.369	19.760.369
Loans and advances from customers	294.298.179	294.298.179	330.313.544	330.313.544
Other assets	2.158.449	2.158.449	2.775.269	2.775.269
Total	316.143.824	316.143.824	352.849.182	352.849.182
Financial (monetary) liabilities				
Borrowings	287.844.175	287.844.175	306.964.704	306.964.704
Other liabilities	1.174.229	1.174.229	8.177.486	8.177.486
Total	289.018.404	289.018.404	315.142.190	315.142.190

31/12/2018				
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Loans and advances from customers	-	-	294.298.179	294.298.179
Total financial assets			294.298.179	294.298.179

31/12/2017				
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Loans and advances from customers	-	-	267.735.240	267.735.240
Total financial assets			267.735.240	267.735.240

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Notes to the Financial Statements as at December 31, 2018

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

Loans and advances (continued)

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

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

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

The following table presents the types of the Company's forbore activities as at 31 December 2018:

	Gross Carrying Amount 31 December 2018
Forbearance measures:	
Split balance	-
Loan term extension	21.648.005
Interest rate reduction	106.509
Grace period	51.150
Operational restructuring	45.970.590
<i>less cumulative impairment allowance</i>	<i>(167.214)</i>
Total net carrying amount	<u>67.609.040</u>

Credit Quality of Forborne Loans and Advances to Customers as of December 31st 2018 is depicted in the following overview:

	31 December 2018		
	Total loans & advances	Forborne loans & advances	% of Forborne loans & advances
Gross carrying amounts:			
12-month ECL	122.733.944	-	0%
Lifetime ECL not credit-impaired	32.348.577	18.717.525	58%
Lifetime ECL credit-impaired	141.215.657	49.058.730	35%
Total Gross Amount	296.298.179	67.776.255	23%
Cumulative ECL Loss allowance :			
12-month ECL allowance	(1.696.321)	-	
Lifetime ECL (not credit-impaired) allowance	(114.306)	(41.126)	
Lifetime ECL (credit-impaired) allowance of which:	-	-	
- Individually assessed	(1.657)	(1.181)	
- Collectively assessed	(187.716)	(124.907)	
POCI	-	-	
- Individually assessed	-	-	
- Collectively assessed	-	-	
Total Net carrying amount	<u>294.298.179</u>	<u>67.609.040</u>	23%
Collateral received	234.842.815	58.006.788	

Forbearance Measures as of December 31st 2018:

	31 December 2018
Gross Balance at 1 January	<u>130.597.159</u>
Forbearance measures in the year	1.645.913
Forbearance measures arising from acquisitions	-
Repayment of loans	(13.078.075)
Forborne loans derecognised	-
Write-offs of forborne loans	(22.943.322)
Loans & advances that exited forbearance status	3.897.665
Other	(32.343.085)
<i>less cumulative impairment allowance</i>	<i>(167.214)</i>
Net Balance at 31 December	<u>67.609.040</u>

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Notes to the Financial Statements as at December 31, 2018 (amounts in EUR)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

Forborne Loans and Advances to Customers by Product Line as of December 31st 2018 are presented in the below table:

	31 December 2018
Retail Lending	34.530.241
- Mortgage	30.199.248
- Consumer	2.320.150
- Credit card	-
- Small business	2.010.843
Wholesale Lending	33.246.014
-Large corporate	32.514.850
-SMEs	731.163
Total gross carrying amount	67.776.255
<i>less cumulative impairment allowance</i>	<i>(167.214)</i>
Net Carrying amount at 31 December	67.609.040

Forborne Loans and Advances to Customers by Geographical Region as of December 31st 2018:

	31 December 2018
Greece	-
Rest of Europe	67.776.255
Other countries	-
Total gross carrying amount	67.776.255
<i>less cumulative impairment allowance</i>	<i>(167.214)</i>
Net Carrying amount at 31 December	67.609.040

5.2 Market risk

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

5.2.1. Interest rate risk

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

5.2.2. Foreign exchange risk

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

5.2.3. Sensitivity analysis

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

Foreign currency risk

	2018	2017
Foreign exchange sensitivity		
10% depreciation of functional currency (EUR) over foreign currencies	16.418.950	13.466.700
	16.418.950	13.466.700

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3. Liquidity risk

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

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

ERBNEF SER Assets maturity

31/12/2018	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Loans & advances to customers	141.250.352	21.566.826	21.789.340	33.320.001	53.036.801	270.963.319
Interest receivable	23.334.859	-	-	-	-	23.334.859
Other receivables	2.158.449	-	-	-	-	2.158.449
Taxation	-	-	59.761	-	-	59.761
Cash and cash equivalents	19.687.196	-	-	-	-	19.687.196
Total Assets held for managing liquidity risk	186.430.856	21.566.826	21.849.100	33.320.001	53.036.801	316.203.584

ERBNEF SER Liabilities maturity

31/12/2018	Up to 1 month	1-3 months	4-12 months	1-5 years	Over 5 years	Total
Borrowings from group companies	-	-	287.844.175	0	-	287.844.175
Interest payable to Group companies	-	-	141.331	-	-	141.331
Other payables due to customers	1.362.965	-	-	-	-	1.362.965
Other payables	1.032.898	-	-	-	-	1.032.898
Total Liabilities held for managing liquidity risk	2.395.863	0	287.985.506	0	0	290.381.369

31/12/2017	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Loans & advances to customers	100.339.374	12.728.407	12.499.254	40.625.163	138.653.712	304.845.910
Interest receivable	23.467.634	-	-	-	-	23.467.634
Other receivables	2.775.269	-	-	-	-	2.775.269
Taxation	-	-	339.093	-	-	339.093
Cash and cash equivalents	19.760.369	-	-	-	-	19.760.369
Total Assets held for managing liquidity risk	146.342.646	12.728.407	12.838.346	40.625.163	138.653.712	351.188.275

ERBNEF SER Liabilities maturity

31/12/2017	Up to 1 month	1-3 months	4-12 months	1-5 years	Over 5 years	Total
Borrowings from group companies	-	-	306.964.704	-	-	306.964.704
Interest payable to Group companies	-	-	346.167	-	-	346.167
Other payables due to customers	-	-	-	-	-	0
Other payables	7.831.319	-	-	-	-	7.831.319
Total Liabilities held for managing liquidity risk	7.831.319	0	307.310.871	0	0	315.142.190

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2018 (amounts in EUR)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4. Capital management

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

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

The capital of the Company is presented below:

	31/12/2018	31/12/2017
Issued and paid-up capital	20.000	20.000
Share premium	11.980.000	11.980.000
Other reserve	13.822.216	24.046.085
Total equity	25.822.216	36.046.085

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The most important areas in which the Company use judgement in applying its accounting policies is in relation to:

a) Measurement of Expected Credit Losses

The measurement of ECL is an unbiased probability weighted average estimate of credit losses that reflects the time value of money, determined by evaluating a range of possible outcomes. A credit loss is the difference between the cash flows that are due to the Company in accordance with the contractual terms of the instrument and the cash flows that the Company expects to receive (i.e. cash shortfalls) discounted at the original effective interest rate (EIR) of the same instrument, or the credit-adjusted EIR in case of purchased or originated credit impaired assets (POCI). In measuring ECL, information about past events, current conditions and reasonable and supportable forecasts of future conditions are considered. For undrawn commitments, ECL are calculated as the present value of the difference between the contractual cash flows due if the commitment was drawn and the cashflows expected to be received, while for financial guarantees ECL are measured as the expected payments to reimburse the holder less any amounts that the Company expects to receive. The Company estimates expected cash shortfalls, which reflect the cashflows expected from all possible sources, including collateral, guarantees and other credit enhancements that are part of the contractual terms and are not recognized separately. In case of a collateralized financial instrument, the estimated expected cash flows related to the collateral reflect the amount and timing of cashflows that are expected from liquidation less the discounted costs of obtaining and selling the collateral, irrespective of whether liquidation is probable. ECL are calculated over the maximum contractual period over which the Company is exposed to credit risk, which is determined based on the substantive terms of the instrument, or in case of revolving credit facilities, by taking into consideration factors such as the Company's expected credit risk management actions to mitigate credit risk and past practice.

An Overdraft Multicurrency agreement dated July 11, 2008 between the Company (Borrower) and Eurobank Cyprus Ltd. (Lender) was concluded. There is a limited recourse through the Overdraft Multicurrency Agreement which states that the aggregate loss accrued by the Company (Borrower) in relation to its creditors defaulting under corresponding loans will not exceed the lower of Euro 2.000.000 or 1% (one per cent) of the outstanding amounts of corresponding loans, calculated before tax and over the total term of the this agreement.

b) Uncertain tax position

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

c) Fair value of financial assets and liabilities

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

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2018 (amounts in EUR)

7 LOANS & ADVANCES TO CUSTOMERS

	31/12/2018	31/12/2017
Loans to RO corporate clients	296.298.179	330.313.544
(Less) / Added: allowance for impairment	-2.000.000	-2.000.000
	<u>294.298.179</u>	<u>328.313.544</u>
Loan repayments due:		
Up to 1 month	7.270.168	2.229.990
1-3 months	4.936.615	5.364.778
4-12 months	44.884.347	79.303.456
(Less): allowance for impairment	-	-
	<u>57.091.130</u>	<u>86.898.224</u>
1-5 years	91.520.697	82.041.836
Over 5 years	147.686.352	159.373.484
(Less): allowance for impairment	(2.000.000)	(2.000.000)
	<u>237.207.049</u>	<u>239.415.320</u>

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

Movements in provisions in 2018 and 2017 for impairment of loans and interest receivable are:

Type of loan:	Consumer loans	Mortgage loans	Small business loans	Total
Opening balance as at January 1, 2018	510.376	1.417.672	71.952	2.000.000
Provision charge for the year (including collection fees)	(256.976)	286.946	(29.970)	--
Disposal of loan portfolio	--	--	--	--
Other movements	--	--	--	--
Foreign exchange loss (gain)	--	--	--	--
Closing balance as at December 31, 2018	<u>253.400</u>	<u>1.704.618</u>	<u>41.982</u>	<u>2.000.000</u>

Type of loan:	Consumer loans	Mortgage loans	Small business loans	Total
Opening balance as at January 1, 2017	600.665	1.315.704	83.631	2.000.000
Provision charge / release for the year (including collection fees)	(90.289)	101.968	(11.679)	-
Disposal of loan portfolio	-	-	-	-
Other movements	-	-	-	-
Foreign exchange loss (gain)	-	-	-	-
Closing balance as at December 31, 2017	<u>510.376</u>	<u>1.417.672</u>	<u>71.952</u>	<u>2.000.000</u>

INTEREST RECEIVABLE

	31/12/2018	31/12/2017
Interest on loans to RO clients	23.334.859	23.467.634
	<u>23.334.859</u>	<u>23.467.634</u>

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2018 (amounts in EUR)

8 OTHER RECEIVABLES

Description	31/12/2018	31/12/2017
Receivable from repossessed collaterals	–	94.773
Other receivables	278.732	60.906
Receivable from Eurobank Cyprus Ltd.	1.879.717	2.619.590
	<u>2.158.449</u>	<u>2.775.269</u>

9 CASH AND CASH EQUIVALENTS

Description		31/12/2018	31/12/2017
Nostro accounts at Eurobank Cyprus	EUR	1.959.361	95.823
Nostro accounts at Eurobank Cyprus	CHF	4.812.270	3.332
Nostro accounts at Eurobank Cyprus	USD	1.607.328	1.995
Nostro accounts at Eurobank Cyprus	RON	5.067.971	762
Nostro accounts at Bancpost	CHF	180.938	1.627.345
Nostro accounts at Bancpost	EUR	429.817	14.832.230
Nostro accounts at Bancpost	RON	31.724	1.108.953
Nostro accounts at Bancpost	USD	65.349	13.171
Nostro accounts at First Bank	EUR	107.934	-
Nostro accounts at First Bank	RON	389.889	-
Term deposits with other banks at Eurobank Cyprus	EUR	2.076.726	2.076.726
Receivables - Eurobank in Piraeus	CHF	801.898	-
Receivables - Eurobank in Piraeus	EUR	1.353.268	-
Receivables - Eurobank in Piraeus	RON	791.968	-
Receivables - Eurobank in Piraeus	USD	10.754	-
AIR O/N deposits at Bancpost	EUR	-	1.69
AIR O/N deposits at Bancpost	RON	-	30
AIR O/N deposits at Bancpost	USD	-	-
		<u>19.687.196</u>	<u>19.760.369</u>

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

10 EQUITY

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

As at December 31, 2018, 20.000 shares were issued and fully paid-up. The movements in the Equity we refer to the Statement of Equity on page 9 of this report.

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

11 BORROWINGS FROM GROUP COMPANY

	31/12/2018	31/12/2017
Financing borrowings from Eurobank Cyprus Ltd.	296.735.383	334.531.825
Write-downs due to limited recourse against loans and advances to customers	(8.891.208)	(27.567.121)
	<u>287.844.175</u>	<u>306.964.704</u>

An Overdraft Multicurrency Agreement dated July 11, 2008 between the Company (Borrower) and Eurobank Cyprus Ltd. (Lender) was concluded. The attribution of impairment on loans & advances to borrowers relates to the impairment that management have estimated on the loan portfolio. Under the Overdraft Multicurrency Agreement the credit risk of the portfolio exceeding EUR 2mil is borne by Eurobank Cyprus Ltd, therefore this account has been adjusted on the financing borrowing.

According to the agreement the borrowings are repriced and renewed on a monthly basis, bearing an interest of 1 month or 3 month Euribor/Libor plus a spread according to the Multicurrency Agreement

12 INTEREST PAYABLE TO GROUP COMPANY

	31/12/2018	31/12/2017
Eurobank Cyprus Ltd., Cyprus.	141.331	346.167
	<u>141.331</u>	<u>346.167</u>

Repayments are due within 1 month.

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2018 (amounts in EUR)

13 OTHER PAYABLES

	31/12/2018	31/12/2017
Payables to Bancpost S.A.	(48.175)	6.387.994
Payables to First Bank	432.574	--
Payables to Eurolife ERB Asigurari de Viata S.A.	121	431.539
Payables to Eurolife ERB Asigurari Generale S.A.	(23.342)	32.959
Payables to sundry lawyers	135.764	1.329
VAT payable	382.297	--
Other payables to state budget	117.409	--
Accrued Expenses	64.000	62.000
Suspense account	6.433	--
Other payables	(34.183)	915.498
	<u>1.032.898</u>	<u>7.831.319</u>

14 OTHER NET (EXPENSES)/INCOME

	31/12/2018	31/12/2017
Other income	283.527	7.927.711
Foreign exchange gain/(loss)	(798.308)	1.080.751
Other expense	(4.363.740)	(989.666)
	<u>(4.878.521)</u>	<u>8.018.796</u>

Other income relates to loans portfolio recoveries and other expenses relate to 3rd parties (legal, consulting, audit) and loans litigation fees

15 COMMISSION EXPENSES

	31/12/2018	31/12/2017
Interest expense borrowings from group Company		
Interest expense banks	18.427	20.621
	<u>18.427</u>	<u>20.621</u>

16 GENERAL AND ADMINISTRATIVE EXPENSES

	31/12/2018	31/12/2017
Tax advisory fees	1.175.667	225.790
Audit fees	55.000	31.466
Not deductible VAT	816.352	57.186
Notary and Legal fees	1.494.149	192.448
Other	822.572	482.776
	<u>4.363.740</u>	<u>989.666</u>

17 CORPORATE INCOME TAX

For the year ended as at December 31, 2018, this item can be detailed as follows:

	31/12/2018	31/12/2017
Profit/(Loss) before income tax	(140.233)	7.042.472
Less: Tax free or non-taxable income:		
- Foreign exchange loss	798.308	(1.080.751)
- Non - taxable operating income	(283.527)	(5.757.321)
	<u>374.547</u>	<u>204.400</u>
Taxable profit		
Corporate income tax expense for the period	83.637	41.100
Effective tax rate	-59,64%	0,58%

The movements in the Taxation are as follows:

	31/12/2018	31/12/2017
Opening balance as at 1 January	339.093	418.238
Estimate tax charge for the year	(83.637)	(41.100)
Payments made	84.159	99.857
Amounts refunded by the Tax Authorities	(279.854)	(137.903)
Balance as at December 31, 2018	<u>59.761</u>	<u>339.093</u>

The nominal Corporate income tax in the Netherlands is 20% for the first EUR 200.000 and the remaining taxable result 25%.

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2018 (amounts in EUR)

18 RELATED PARTIES

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

The Company is fully controlled and owned by ERB New Europe Holding B.V., a wholly owned subsidiary of Eurobank S.A., a bank incorporated in Greece and listed on the Athens Stock Exchange and the Cyprus Stock Exchange. From 2023 the entity is fully controlled and owned by Eurobank S.A (refer to "post balance sheet events").

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

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

Transactions with related parties for the year ended on 31 December 2018 are presented in the table below:

	<u>31/12/2018</u>	<u>31/12/2017</u>
Interest expense borrowings Eurobank Cyprus	(6.995.005)	(12.598.908)
Bank fees Bancpost SA	-	(20.621)
Expenses relating to interest income on loans & advances Bancpost SA	(567.981)	(291.583)
Expenses relating to interest income on loans & advances Eurolife ERB Insurance	(310.277)	0
Interest income Eurobank Cyprus Ltd	-	1.516
Interest income Bancpost SA	-	(29.757)
Operating expenses Eurobank Property Services SA Romania	(848)	0
	<u>(7.874.111)</u>	<u>(12.939.352)</u>

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

	<u>31/12/2018</u>	<u>31/12/2017</u>
Current accounts with banks Bancpost SA	-	14.647.941
Current accounts with banks Eurobank Cyprus	13.354.113	101.912
Term deposits with other banks EFG Private Bank Luxembourg	92.818	-
Term deposits with other banks Bancpost SA	-	2.933.790
Term deposits with other banks Eurobank Cyprus	2.076.726	2.076.726
Loans & advances to customers (prepaid origination fees) Bancpost SA	-	-
Other receivables EFG Eurobank	2.959.396	-
Other receivables Bancpost SA	-	94.773
Other receivables Eurobank Cyprus	-	56.166
Term loans from banks Eurobank Cyprus Ltd	(287.985.506)	(307.283.438)
Other payables EFG Eurobank	(53.846)	-
Other payables Bancpost SA	-	(6.448.585)
Other payables Eurolife SA	-	(1.978)
Impairments not yet charged under the limited recourse guarantee with Eurobank Cyprus Ltd	-	11.145.752
	<u>(269.556.298)</u>	<u>(282.676.941)</u>

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2018 (amounts in EUR)

19 COMMITMENTS AND CONTINGENCIES

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

20 OTHER INFORMATION ON GENERAL AND ADMINISTRATIVE EXPENSES

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

The audit fees of EUR 55,000 (2017: EUR 32,000 fees for the external auditor PricewaterhouseCoopers) comprises the fees of the independent external auditor KPMG Greece for the statutory audit of the financial statements.

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

21 DIRECTORS

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

22 OTHER INFORMATION

POSITION OF EUROBANK GROUP

Macroeconomic environment

The major macroeconomic risks and uncertainties in Greece and the region for the next 12 months, including (a) the elevated geopolitical and economic uncertainty stemming from the fragile situation in the Middle East, especially due to the war between Iran and USA/Israel, for which the assessment of any impact is premature, as well as the United States foreign and trade policy decisions and the ongoing war in Ukraine, (b) the persistent above target inflation in Greece and Bulgaria, and (c) the challenges in fully absorbing European Union (EU) funds and implementing structural reforms as the relevant deadlines approach. These factors may have adverse effects on financial volatility, economic growth, inflation, employment, competitiveness, international trade, and monetary policy outlook. In 2025, amid a challenging international environment, the macroeconomic conditions remained supportive across the Group's three core markets. The economies of Greece, Bulgaria and Cyprus exhibited remarkable resilience, sustaining their expansionary momentum and are expected to remain in positive growth territory in 2026, overperforming most of their EU peers. Growth in the Group's three core markets is also supported by the mobilisation of the EU investment funds, mainly through the Recovery and Resilience Facility (RRF), with the deadline for completing the associated investments and reforms in August 2026.

Liquidity risk

The Group's liquidity position, with the Liquidity Coverage ratio (LCR) reaching 172.2% as at 31 December 2025 (31 December 2024: 188.2%). The Group's (net) loans to deposits (L/D) ratio stood at 66.1% (31 December 2024: 64.8%). In the context of the 2025 ILAAP (Internal Liquidity Adequacy Assessment Process), the liquidity stress tests results indicate that the Bank has adequate liquidity buffer to cover the potential outflows that could occur in all scenarios regarding the short term (1 month), the 3 - month and the medium-term horizon (1 year).

Solvency risk

The Group's asset quality with the Group's NPE ratio standing at 2.6% as at 31 December 2025, (31 December 2024: 2.9%, excluding the NPE covered by the Asset Protection Scheme in Cyprus (APS)). The respective NPE coverage ratio improved to 95.2% (31 December 2024: 88.4%).

The Group's profit generation capacity and capital adequacy; specifically in the year ended 31 December 2025, the net profit attributable to equity holders of the parent company amounted to € 1,362 million (2024: € 1,448 million). At 31 December 2025, the Group's Total Capital Adequacy (total CAD) and Common Equity Tier 1 (CET1) ratios amounted to 19.5% (31 December 2024: 18.2%) and 15.2% (31 December 2024: 15.4%) respectively. At 31 December 2025, the Bank's MREL ratio at consolidated level, including the impact of the accrual for profit payout, stands at 29.39% of RWAs (31 December 2024: 27.36%).

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2018 (amounts in EUR)

23 OTHER INFORMATION (continued) Post balance sheet events

Disposal of the Romanian portfolio of Bancpost SA

On 15 September 2017, the Eurobank Ergasias S.A. announced that it has entered into negotiations with Banca Transilvania with regards to the potential sale of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. in Romania (Romanian disposal group). The sale was considered highly probable, therefore, as of 30 September 2017 Romanian disposal group was classified as held for sale in its financial statements.

On 24 November 2017, the Eurobank Ergasias S.A. announced that it has reached an agreement with Banca Transilvania with regards to the above sale. Following the said agreement, on 3 April 2018, Eurobank and BT concluded all the remaining actions and fulfilled all the conditions precedent for the completion of the transfer of the shares held by the Group in the above companies to BT.

From 2019 the loans and advances which were granted to third parties customers have been fully transferred internally to Eurobank S.A for a cash consideration amounting to a euro equivalent of 287 mil (with no haircut applied). More specifically, with effective date 01/04/2019 the entity terminated all relevant participation agreements held with Eurobank S.A and the proceeds received from the aforementioned transaction, were used to fully repay entity's borrowing towards Eurobank Cyprus. Hence, the entity year end 2019 had nil balance in loans and advances to customers and financing borrowings to Eurobank Cyprus.

In 2021 the Company made a dividend distribution in the amount of EUR 8mil from the respective retained earnings to the shareholder of the Company - ERB New Europe Holding B.V.

In 2023, ERB New Europe Holding B.V. sold all its shares (wholly-owned subsidiary) of ERB New Europe Funding II B.V. to Eurobank S.A. The transaction was carried out according to the agreement for the sale and purchase agreement of the share capital of ERB New Europe Funding II.

In 2024, the Company replaced the Managing Director E. Zois with A.Atsali (registration date: 05-12-2024)

Above mentioned post balance sheet events do not affect the financial position of the Company as at 31.12.2018.

The Board of Managing Directors,

S. Psychogyios

A. Atsali

L.P. Elstershamis

R. Wemmi

Amsterdam, September 28, 2026

ERB NEW EUROPE FUNDING II B.V.

Other information

Statutory provision regarding appropriation of Result

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

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

Appropriation of result

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

Independent auditor's report

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



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Independent Auditors' Report

To the Shareholders of
ERB New Europe Funding II B.V.

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of ERB New Europe Funding II B.V. ("the Company"), which comprise the statement of financial position as at 31 December 2018, the income statement, the statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Due to the accounting system migration that took place in 2018, following the disinvestment by Eurobank Group of Bancpost S.A. and its subsequent disconnection as the loan portfolio servicer, certain data regarding loans and advances to customers were not made available. As such, we were not able to obtain sufficient appropriate audit evidence and were not able to satisfy ourselves by alternative means concerning the completeness, existence, accuracy and valuation of the loans and advances to customers of total amount of EUR 294 million (31 December 2017: EUR 328 million), and thus, we were not able to verify the accuracy and completeness of interest income and the provision charge for impairment of loans for the year ended 31 December 2018 of amount of EUR 12 million and EUR nil respectively. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded loans and advances to customers, and the elements making up the statements of comprehensive income, changes in equity and cash flows.

Other Matter

The Financial Statements of ERB New Europe Funding II B.V for the prior year ended 31 December 2017 were audited by another audit firm, for which the Certified Auditor issued an audit report on 15 December 2021 expressing a disclaimer of opinion stating the following:

"We have been unable to perform sufficient audit procedures to obtain reasonable assurance on the existence, completeness and valuation of loans & advances to customers and the correctness and completeness of interest income and the allowance for impairment and related items as shown in the financial statements. We were unable to confirm or verify by alternative means loans & advances to customers included in the balance sheet for a total amount of



EUR 328,313,544 (Note 7 in the financial statements) as at 31 December 2017 and interest income for an amount of EUR 11,622,584 (Note 14 in the financial statements) for the year ended 31 December 2017. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded loans & advances to customers, and the elements making up the profit and loss account, in particular interest income”.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the Financial Statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditors' report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the (financial statements in Greece and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

28 September 2026

Athens, Greece