

ERB NEW EUROPE FUNDING II B.V.

Amsterdam, The Netherlands

ANNUAL REPORT 2012

ERB NEW EUROPE FUNDING II B.V.

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ERB NEW EUROPE FUNDING II B.V.

Amsterdam

Directors' Report

In accordance with the Articles of Association of ERB New Europe Funding II B.V., the management herewith submits the Annual Report of ERB New Europe Funding II B.V. (the Company) for the year ended 31 December 2012.

Key Activities

ERB New Europe Funding II B.V. (the Company) was incorporated on April 24, 2008 and has its registered address at Naritaweg 165, Amsterdam, The Netherlands. The Company is incorporated in The Netherlands and is wholly owned by ERB New Europe Holding B.V., a wholly owned subsidiary of Eurobank Ergasias S.A. in Greece. On November 15, 2012 the Company changed its name to ERB New Europe Funding II B.V. (former name: EFG New Europe Funding II B.V.).

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

Impact of the economic crisis in Greece

Greece entered into a new funding and restructuring programme with the European Commission, the ECB and the Eurozone member-states as agreed in the Eurogroup meeting of 21 February 2012. The programme aimed at bringing the country's public debt-to-GDP ratio below 120,0% by 2020.

The new funding and reform programme improved the country's financial position and outlook, via the reduction of public debt and its servicing costs from 2012 onwards.

On the back of these developments, and after the implementation/legislation of a long list of structural reforms and fiscal austerity measures for 2013-16 by the Greek Government, the Eurogroup reached on 26 November 2012 an agreement on a set of new measures for the reduction of Greek public debt to 124,0% of GDP by 2020 and 110,0% of GDP in 2022. This debt path is consistent with the debt sustainability required by the IMF.

Position of the Group

Greek sovereign debt exchange programme

On 21 February 2012 the Euro-area finance ministers agreed on a bailout programme for Greece, including financial assistance from the Official Sector and a voluntary debt exchange agreed with the Private Sector forgiving 53,5% of the face value of Greek debt. All exchanged bonds were derecognised and the new Greek government bonds (nGGBs) recognised at fair value, based on market quotes at the date of recognition.

Following the Eurogroup's decisions on 27 November 2012 and as part of debt reduction measures, the Greek State announced on 3 December 2012 an invitation to eligible holders of nGGBs to submit offers to exchange such securities for six months zero coupon notes to be issued by the European Financial Stability Fund (EFSF). Under its participation to the Greek state's debt buyback program, the Eurobank Ergasias Group submitted for exchange the 100% of its nGGBs portfolio of total face value €2,3 billion.

Recapitalization Framework and Process

Given the severity of the impact of the Greek Government Bond exchange programme (PSI+), on 21 February 2012 the Euro Area finance ministers allocated a total of €50 billion of the second support programme for Greece specifically for the recapitalisation of the Greek banking system. These funds were directed to the Hellenic Financial Stability Fund (HFSF) whose mandate has been extended and enhanced accordingly. €39 billion of these funds were remitted to Greece in 2012 and the final €11 billion in 2013.

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Directors' Report

Position of the Group (continued)

Recapitalisation of Eurobank Ergasias S.A.

The Bank of Greece, after assessing the business plan and the capital needs of Eurobank Ergasias S.A. has concluded on 19 April 2012 that Eurobank Ergasias S.A. is a viable bank and, on 8 November 2012, notified Eurobank Ergasias S.A. that its Tier I capital should increase by €5.839 million. Eurobank Ergasias S.A., the HFSF and the European Financial Stability Facility (EFSF) signed on 28 May 2012, on 21 December 2012 and on 30 April 2013 a trilateral presubscription agreement (PSA) for the advance to Eurobank Ergasias S.A. of EFSF notes of face value of €3.970 million, €1.341 million and €528 million, respectively, (total €5.839 million), as advance payment of its participation in the share capital increase of Eurobank Ergasias S.A.

On 7 April 2013, the relevant regulatory authorities, with the consent of the management of both banks, decided that National Bank of Greece S.A. (NBG) and Eurobank Ergasias S.A. will be independently recapitalised in full. As a consequence, the merger process of the two Banks was suspended. Following the above decision, the Board of Directors of Eurobank Ergasias S.A. evaluated the specificities of the exercise in relation with the attraction of capital from private investors and, in particular, the uncertainty regarding the completion or not of the merger with NBG, and the ensuing inability of properly assessing the investment proposal, as well as the absence of tens of thousands of Eurobank Ergasias S.A.'s traditional shareholders who were substituted, due to the recent Voluntary Tender Offer, by NBG's stake of approximately 85% in Eurobank Ergasias S.A.'s capital. As a consequence, the Board of Directors of Eurobank Ergasias S.A. proposed to the Extraordinary General Meeting on 30 April 2013 that the share capital increase of €5.839 million be fully subscribed by the HFSF.

On 30 April 2013, the Extraordinary General Meeting approved the increase of the share capital of the Bank, in accordance with the provisions of Law 3864/2010 and Act of Cabinet 38/9.11.2012, in order to raise € 5,839 million by issuing 3,789,317,358 new ordinary shares, covered entirely by the HFSF with the contribution of bonds issued by the EFSF and owned by the HFSF. The capital increase was certified on 31 May 2013 and the listing of the new shares was completed on 19 June 2013 after obtaining the relevant approvals from Greek regulatory authorities.

On 28 March 2013, the BoG issued an Executive Committee Act (13/28.03.2013) bringing the limit for the Core Tier I capital to 9% of Risk Weighted Assets and for Equity Core Tier I to 6%, effective from 31 March 2013. According to the new definition of Core Tier I capital, AFS reserve is fully recognised, while deferred tax asset's recognition is limited to 20% of Core Tier I capital. As at 30 September 2013, the Core Tier I ratio stood at 6.8% and proforma with the completion of transaction with Fairfax Financial Holdings Limited and the implementation of Basel II IRB credit risk methodology (subject to the approval of the Bank of Greece) to New TT Hellenic Postbank S.A. (NHPB) and New Proton Bank S.A. (New Proton) at 8.1%.

Result

In the current financial year the Company recorded a loss of EUR 801,191 (2011: profit of EUR 3,036,381) which is set out in detail in the attached Income Statement.

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Directors' Report

Risk Management

The Managing Board utilizes a risk management policy and receives regular reports to enable prompt identification of financial risk so that appropriate actions may be taken. The company employs written policy and procedures that sets out specific guidelines to manage foreign exchange risk, interest rate risk, credit risk and the use of financial instruments to manage these. For further analysis we refer to note 5 of the financial statements in which the different risks identified for the company have been further addressed.

Outlook

There were no changes in the nature of the activities of the Company in 2012 and no changes are expected in 2013.

Post balance sheet events

Eurobank Ergasias S.A. shareholding structure:

EFG Group was the controlling shareholder of the Eurobank Ergasias S.A., holding 44.70% of the Eurobank's ordinary shares and voting rights until 23 July 2012. In May 2013, following its full subscription in Eurobank's recapitalisation of € 5,839 million, the HFSF became the controlling shareholder and a related party of Eurobank. On 19 June 2013, HFSF acquired 3,789,317,358 Eurobank's ordinary shares with voting rights, representing 98.56% of its ordinary share capital. Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the controlling percentage of HFSF increases to 95.23%.

Eurobank Ergasias Group regards other Greek Banks controlled, jointly controlled or significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, as well as the members of key management personnel of HFSF, as related parties. Eurobank Ergasias Group's transactions with HFSF's related Greek banks are made in the ordinary course of business, are carried out on market terms, are not influenced by the HFSF as the controlling shareholder of the Bank and are not included in the related party transactions presented.

National Bank of Greece S.A. (NBG) Voluntary Tender Offer (VTO) and merger:

On 15 February 2013, the National Bank of Greece SA (NBG) acquired 84.35% of Eurobank's voting shares following the completion of a Voluntary Tender Offer (VTO) launched on 11 January 2013. The VTO would have been followed by the merger of the two banks, the process of which initiated on 19 March 2013.

On 28 March 2013, BoG sent letters to all viable banks, including Eurobank Ergasias S.A. and NGB, stating that each bank should proceed with its recapitalization by the end of April 2013 and requesting them to proceed with the relevant necessary actions. On 7 April 2013, as the joint banks' request for the extension of the recapitalization process up to 20 June 2013 was not granted, the relevant regulatory authorities with the consent of the management of both banks decided that the Eurobank and NBG will be independently recapitalized in full. As a consequence, the merger process of the two banks was suspended.

In this respect, the Extraordinary General Meeting of shareholders of Eurobank Ergasias S.A., convened on 30 April 2013, decided the increase of the Eurobank's ordinary share capital, in order to raise € 5,839 million, subscribed by way of contribution in kind from HFSF, in accordance with Law 3864/2010 and Act of Cabinet 38/9.11.2012. As a result of the above mentioned share capital increase of the Bank, the percentage of the voting rights held by NBG as at 30 September 2013 was reduced below 5%.

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Post balance sheet events (continued)

Transactions' settlement and loan repayment

The transactions related to the December 31, 2012 transfer of portfolio sub participated by Eurobank Bulgaria A.D. on November 21, 2011 to another Group entity (Bulgarian Retail Services A.D.), were settled on March 29, 2013. On April 3, 2013, the company repaid the loan of EURO 36,400,000 to Eurobank Private Bank Luxembourg S.A.

As of July 22, 2013 the company transferred all risks and rewards related to the portfolio sub participated by Bancpost S.A. on December 12, 2011 to another Group entity (ERB New Europe Funding III Limited). The transactions were settled on July 22, 2013. Effectively July 24, 2013, the company repaid the borrowing of EURO 22,345,415 and interest of EUR 37,321 to Eurobank Private Bank Luxembourg S.A. and has no further outstanding debts towards this entity. Bancpost S.A. obligation as at 31.12.2012 related to a guarantee issued on December 12, 2011 in favour of ERB New Europe Funding II BV amounting to EUR 3,953,078.98 was fully paid on December 3, 2013.

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

Future Developments

Eurobank Ergasias S.A. is the sole shareholder of ERB New Europe Holding B.V. (the immediate parent and controlling entity of the Company). The Company has no exposure to Greek sovereign risk. Further and on the basis of the analysis of the Company's profitability, capitalization and funding structure, the Directors are satisfied that the company has adequate resources to continue in business for the foreseeable future.

Composition of the board

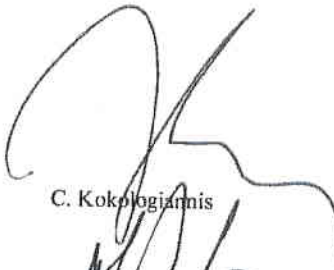
The size and composition of the Board of Managing Directors and the combined experience and expertise should reflect the best fit for profile and strategy of the Company. Currently all four members of the Board are male. The Company is aware that the gender diversity is below the goals as set out in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

As per December 17, 2013, Mr. G. Meijssen has resigned as managing director of the Company, and as per same date Mr. M.A.H. Martis has been appointed as managing director of the Company.

Amsterdam, January 30, 2014

Managing Directors,


I. Karakasis


C. Kokologiannis


S. van der Meer


M.A.H. Martis

ERB NEW EUROPE FUNDING II B.V.

Balance Sheet as at December 31, 2012
(amounts in EUR, after appropriation of results)

ASSETS	<u>Notes</u>	<u>31/12/2012</u>	<u>31/12/2011</u>
Non Current Assets			
Loans & advances to customers	7	500,950,167	603,532,318
Current Assets			
Loans & advances to customers	7	62,613,491	67,673,088
Other receivables	8	36,058,369	13,163,628
Income tax receivable	18	305,002	-
Cash and cash equivalents	9	27,180,931	29,420,249
TOTAL ASSETS		<u><u>627,107,960</u></u>	<u><u>713,789,283</u></u>
 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	<u>4,000,061</u>	<u>4,801,252</u>
		<u>16,000,061</u>	<u>16,801,252</u>
Current Liabilities			
Borrowings from group company	11	606,027,152	693,951,660
Interest payable to group company	12	2,954,969	2,208,093
Other payables	13	2,125,778	332,942
Income tax payable	18	-	495,336
		<u>611,107,899</u>	<u>696,988,031</u>
TOTAL EQUITY AND LIABILITIES		<u><u>627,107,960</u></u>	<u><u>713,789,283</u></u>

The notes to the accounts on pages 10 to 26 form an integral part of these financial statements

ERB NEW EUROPE FUNDING II B.V.

Income Statement for the financial year ended December 31, 2012 (amounts in EUR)

	<u>Notes</u>	<u>01/01-31/12/2012</u>	<u>01/01-31/12/2011</u>
Financial income and expenses			
Interest income	14	44,372,714	60,773,653
Interest expense	15	(43,662,657)	(56,930,723)
		710,057	3,842,930
Provision charge for impairment of loans	7	(2,079,861)	(4,487)
Net impairment of financial assets	16	(118,014)	(415,900)
Other operating income		1,154,990	836,815
Operating income		(332,828)	4,259,358
Foreign exchange gain/(loss)		24,515	(229,687)
Operating costs	17	(472,216)	(190,436)
PROFIT/(LOSS) BEFORE TAXATION		(780,529)	3,839,235
Corporate income tax	18	(20,662)	(802,854)
PROFIT/(LOSS) AFTER TAXATION		(801,191)	3,036,381

The notes to the accounts on pages 10 to 26 form an integral part of these financial statements

ERB NEW EUROPE FUNDING II B.V.

Statement of comprehensive income for the financial year ended December 31, 2012 (in EUR)

	<u>Notes</u>	<u>01/01-31/12/2012</u>	<u>01/01-31/12/2011</u>
Net result after taxation		(801,191)	3,036,381
Other comprehensive income:		--	--
Other comprehensive income for the year, net of tax		--	--
Total comprehensive income for the year		<u>(801,191)</u>	<u>3,036,381</u>

The notes to the accounts on pages 10 to 26 form an integral part of these financial statements

ERB NEW EUROPE FUNDING II B.V.

Cash Flow Statement for the financial year ended December 31, 2012 (amounts in EUR)

	<u>Notes</u>	<u>EUR</u>	<u>EUR</u>
		2012	2011
Cash flows from operating activities:			
(Loss)/Profit before taxation		(780,529)	3,839,235
		(780,529)	3,839,235
Net (increase) in other receivables		(23,055,057)	(13,060,452)
Net (increase) in income tax receivable		(72,306)	-
Net decrease in interest payable to group company		42,500,690	56,813,360
Net increase/(decrease) in other payables		1,953,150	(262,243)
Net decrease in income taxes payable		72,307	208,638
Cash generated from operations		20,618,255	47,538,538
Interest (paid)		(41,774,914)	(56,366,705)
Income taxes paid		(821,000)	(693,500)
Net cash flows from operating activities:		(21,977,659)	(9,521,667)
Cash flow from investing activities			
Net (increase) in loans & advances	7	(14,731,752)	(68,197,140)
Repayments of investments in loans and advances		85,158,872	104,704,753
Interest received		37,235,731	60,174,439
Net Cash flow from investing activities		107,662,851	96,682,052
Cash flows from financing activities:			
Proceeds from issue of capital	10	-	10,000,000
Increase in borrowings from group company	11	17,296,540	164,169,122
Repayment of borrowings from group company	12	(105,221,050)	(246,077,576)
Net cash used in financing activities		(87,924,510)	(71,908,454)
Net (Decrease) / Increase in cash and cash equivalents		(2,239,318)	15,251,931
Cash and cash equivalents at the beginning of the year	9	29,420,249	14,168,318
Cash and cash equivalents at the end of the year	9	27,180,931	29,420,249

The notes to the accounts on pages 10 to 26 form an integral part of these financial statements

ERB NEW EUROPE FUNDING II B.V.

Statement of changes in equity for the financial year ended December 31, 2012 (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, 2012, 20,000 shares were issued and fully paid-up.

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

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

	<u>Issued and paid-up capital</u>	<u>Share premium</u>	<u>Accumulated profits</u>	<u>Total</u>
Balance as at January 1, 2011	20,000	1,980,000	1,764,871	3,764,871
Additions	-	10,000,000	-	10,000,000
Profit for the year	-	-	3,036,381	3,036,381
Balance as at December 31, 2011	<u>20,000</u>	<u>11,980,000</u>	<u>4,801,252</u>	<u>16,801,252</u>
Balance as at January 1, 2012	20,000	11,980,000	4,801,252	16,801,252
Loss for the year	-	-	(801,191)	(801,191)
Balance as at December 31, 2012	<u>20,000</u>	<u>11,980,000</u>	<u>4,000,061</u>	<u>16,000,061</u>

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.

The notes to the accounts on pages 10 to 26 form an integral part of these financial statements

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2012
(amounts in EUR)

1 GENERAL

ERB New Europe Funding II B.V. (the Company) was incorporated on April 24, 2008 and has its registered address at Naritaweg 165, 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.

EFG Group was the controlling shareholder of the Eurobank Ergasias S.A., holding 44.70% of the Eurobank's ordinary shares and voting rights until 23 July 2012. In May 2013, following its full subscription in Eurobank's recapitalisation of € 5,839 million, the HFSF became the controlling shareholder and a related party of Eurobank. On 19 June 2013, HFSF acquired 3,789,317,358 Eurobank's ordinary shares with voting rights, representing 98.56% of its ordinary share capital. Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the controlling percentage of HFSF increases to 95.23%.

On November 15, 2012 the Company changed its name to ERB New Europe Funding II B.V. (former name: EFG New Europe Funding II B.V.).

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The Company prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the IASB, as adopted by the European Union and in particular with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements. The policies set out below have been consistently applied to the years 2011 and 2012.

a) Amended and new standards and interpretations effective in 2012 for EU

The amended and new standards and interpretations effective from 1 January 2012 are listed below:

- IFRS 7, Amendment - Disclosures, Transfers of Financial Assets

The above stated amendment did not have a materially significant impact on the Bank's financial statements.

Other revised standards and interpretations effective for the current period. The amendments to IFRS 1 "First-time adoption of IFRS", relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, did not have any impact on these financial statements. The amendment to IAS 12 "Income taxes", which introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, did not have a material impact on these financial statements.

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2012
(amounts in EUR)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Standards and Interpretations issued but not yet effective for EU

The following standards and interpretations, that were issued but not yet effective for accounting periods beginning on 1 January 2012, have not been early adopted:

- IAS 1, Amendment - Presentation of Items of Other Comprehensive Income (effective 1 January 2013)
- IAS 12, Amendment - Deferred tax: Recovery of Underlying Assets (effective 1 January 2013)
- IAS 19, Amendment - Employee Benefits (effective 1 January 2013)
- IAS 27, Amendment - Separate Financial Statements (effective 1 January 2014)
- IAS 28, Amendment - Investments in Associates and Joint Ventures (effective 1 January 2014)
- IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)
- IFRS 7, Amendment - Disclosures, Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)
- IFRS 9, Financial Instruments (effective 1 January 2015, not yet endorsed by EU)
- IFRS 9 and IFRS 7, Amendment - Mandatory Effective Date and Transition Disclosures (effective 1 January 2015, not yet endorsed by EU)
- IFRS 10, Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11, Joint Arrangements (effective 1 January 2013)
- IFRS 12, Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13, Fair Value Measurement (effective 1 January 2013)
- IFRS 10, 11 and 12 Amendments - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective 1 January 2013, not yet endorsed by EU)
- IFRS 10, 12 and 27 Amendments - Investment Entities (effective 1 January 2014, not yet endorsed by EU)

IFRS 9 is part of IASB's project to replace IAS 39 Financial Instruments which has not been finalised yet and as a result, it is not practicable to quantify its impact. The application of the other above mentioned standards and interpretations is not expected to have a material impact on the Bank's financial statements in the period of the initial application.

The application of the above mentioned standards and interpretations is not expected to have a material impact on the Company's financial statements in the period of the initial application, although disclosures may be more extensive.

Going concern

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

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

Functional and presentation currency

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

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 recognised 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 recognised in the Income Statement.

Income tax

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

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2012
(amounts in EUR)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax

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

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

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

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the investment.

As at December 31, 2012, the Company did not conclude any derivative contracts.

Loans and receivables

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

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

Share capital

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

Cash and cash equivalents

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

Impairment

If there is objective evidence that an impairment loss on loans and receivables, carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset will be reduced either directly or through use of an allowance account. Any such loss would be recognised in the Income Statement.

Interest-bearing borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method. Applying the effective interest method, the entity amortises any fees, transaction cost and other premiums or discounts included in the calculation of the effective interest rate over the expected life of the underlying liability. Any such amortisation would be recognised in the Income Statement.

Other payables

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 appropriate their fair value.

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Notes to the Financial Statements as at December 31, 2012
(amounts in EUR)

3 CASH FLOW STATEMENT

The Cash Flow statement has been prepared in accordance with the indirect method.

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 recognised in the Income Statement for all interest bearing financial instruments.

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

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

(c) Exchange rate differences

Exchange rate differences arising upon the settlement of monetary items are recognized in the Profit&Loss Account in the period that they arise. Exchange rate differences on non-current and non-liabilities loans are recognized in the Profit&Loss Account in the period they arise.

(d) Taxation

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

5 FINANCIAL RISK MANAGEMENT

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

The management considers there is no significant concentration of the following risks at the balance sheet date.

The procedures for assessing the risk are also shown below:

5.1. Credit risk

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

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.

Also, the Company had a 10% first loss guarantee for creditors defaulting payments under portfolios acquired through November 2011 and December 2011 from Bancpost S.A. with a gross value of EUR 37,583,213 as at December 31, 2011 and Eurobank Bulgaria A.D. with a gross value of EUR 43,671,790 as at December 31, 2011. Based on these agreements, both claims of the Company from Bancpost S.A. and Eurobank Bulgaria A.D. have been settled in full during 2013.

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Notes to the Financial Statements as at December 31, 2012
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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

Impairment and provisioning policy

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

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

Depending on the credit rating and existing collateral, the company determines whether a loan loss provision is required.

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.

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 a markets other than Romania and Bulgaria.

Cash and cash equivalents

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

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Notes to the Financial Statements as at December 31, 2012
(amounts in EUR)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

Collateral

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is 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 minimise the credit loss the Company will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

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

	31/12/12
Loans & advances to customers -principal outstanding*	536,069,731
Interest receivable	30,654,916
Other receivables related to loans-monthly administration fees	4,631,204
Less: allowance for impairment	(7,792,193)
Net Loans and advances to customers	563,563,658
Other receivables (Note 8)	36,218,684
Cash and cash equivalents	27,180,931
Total	626,963,273

(*) Loans and advances to customers are after any write downs performed due to limited recourse against borrowings, which for 2012 is 17,756,806 EUR and for 2011 is 36,689,627 EUR.

	31/12/11
Loans & advances to customers -principal outstanding	653,928,562
Interest receivable	22,883,488
Other receivables related to loans-monthly administration fees	2,630,222
Less: allowance for impairment	(8,236,866)
Net Loans and advances to customers	671,205,406
Other receivables (Note 8)	13,163,628
Cash and cash equivalents	29,420,249
Total	713,789,283

Included in the gross loans and advances are:

Past due more than 90 days - EUR 191,582,253 (2011: EUR 206,768,449)

Of which non-performing loans - EUR 165,177,971 (2011: EUR 174,334,789)

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Notes to the Financial Statements as at December 31, 2012

(amounts in EUR)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1.2. Loans and advances

As at December 31, 2012 and 2011, loans and advances are summarised as follows:

	31/12/12	31/12/11
Neither past due nor impaired	277,133,681	360,719,088
Past due but not impaired	109,610,561	108,095,443
Impaired- individually assessed	94,263,176	146,593,055
Impaired -collectively assessed	90,348,433	64,034,685
Gross Loans and advances to Customers	571,355,851	679,442,271
Less: Allowance for impairment	(7,792,193)	(8,236,866)
Net Loans and advances to customers	563,563,658	671,205,405

(*) Loans and advances to customers are after any write downs performed due to limited recourse against borrowings, which for 2012 is 17,756,806 EUR and for 2011 is 36,689,627 EUR.

The wholesale and small business loans as at 31 December 2012 are covered by collaterals at 144% and 90%, respectively (2011: 118% and 124%, respectively). Consumer loans are not collateralised. Mortgage loans are collateralised at 95% (2011: 155%). In Bulgarian portfolio, there are no loans as at December 31, 2012, so there are no collaterals (2011: 57.18%).

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at 31 December 2012 and 2011 was assessed by reference to the entity's own standard grading system. The following information is based on that system:

	2012	2011
Acceptable- low risk	274,330,356	359,055,857
Watch list	2,803,325	1,663,231
Total	277,133,681	360,719,089

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

	Consumer	Mortgage	Small business	Wholesale	2012
Past due up to 29 days	33,099,884	40,028,440	2,616,804	3,628,664	79,373,792
Past due 30 - 89 days	11,923,151	11,101,487	1,916,976	-	24,941,614
Past due 90 - 180 days	-	5,295,155	-	-	5,295,155
Total	45,023,035	56,425,082	4,533,780	3,628,664	109,610,561
Fair value of collateral	-	44,735,861	3,804,549	3,628,664	52,169,074

	Consumer	Mortgage	Small business	Wholesale	2011
Past due up to 29 days	36,303,112	36,088,025	2,030,320	902,458	75,323,915
Past due 30 - 89 days	9,462,966	13,038,714	2,757,265	26,827	25,285,772
Past due 90 - 180 days	-	5,642,505	-	1,843,251	7,485,756
Total	45,766,078	54,769,244	4,787,585	2,772,536	108,095,443
Fair value of collateral	-	53,558,392	4,328,060	1,478,225	59,364,677

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Notes to the Financial Statements as at December 31, 2012
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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

5.1.2. Loans and advances (continued)

- (c) *Impaired loans and advances*
- (c 1) *Impaired loans and advances collectively assessed*

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

	2012			
	Consumer	Mortgage	Small Business	Total
Collectively assessed loans	38,924,584	34,994,956	16,428,892	90,348,432
Fair value of collateral	-	25,750,112	-	25,750,112

	2011			
	Consumer	Mortgage	Small Business	Total
Collectively assessed loans	20,034,131	28,503,581	15,496,973	64,034,685
Fair value of collateral	-	24,397,870	-	24,397,870

- (c 2) *Impaired loans and advances individually assessed*

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

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

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:

	2012		
	Small business	Wholesale	Total
Individually assessed loans	23,323,950	70,939,226	94,263,176
Fair value of collateral	30,093,658	76,091,200	106,184,858

	2011		
	Small business	Wholesale	Total
Individually assessed loans	29,161,824	117,431,232	146,593,056
Fair value of collateral	39,307,355	110,139,939	149,447,294

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Notes to the Financial Statements as at December 31, 2012
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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

5.1.2. Loans and advances(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, 2011 and 2012 there were no repossessed collateral.

(e) Non-performing loans

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

	31/12/12	31/12/2011
Wholesale lending	55,374,364	86,457,531
Mortgage lending	33,666,747	26,634,893
Consumer lending	38,576,062	20,056,413
Small business lending	37,560,798	41,185,952
Total	165,177,971	174,334,789

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:

	Romania	Bulgaria	2012
Loans and advances to customers:			
Consumer	187,715,611	-	187,715,611
Mortgage	245,401,270	-	245,401,270
Small businesses	60,302,310	-	60,302,310
Wholesale	77,936,660	-	77,936,660
Cash and cash equivalents	17,454,142	9,726,789	27,180,931
Other Assets	4,894,866	31,323,819	36,218,685
Total	593,704,859	41,050,608	634,755,467
	Romania	Bulgaria	2011
Loans and advances to customers:			
Consumer	217,832,315	-	217,832,315
Mortgage	257,169,735	-	257,169,735
Small businesses	71,091,316	-	71,091,316
Wholesale	89,677,116	43,671,789	133,348,905
Cash and cash equivalents	22,076,310	7,343,938	29,420,248
Other Assets	10,376,977	2,786,651	13,163,628
Total	668,223,769	53,802,378	722,026,147

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.2 Loans and advances(continued)

(e) Non-performing loans(continued)

Industry sector

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

	Commerce and services	Private individuals	Manufacturing	Construction	Other industries	2012
Loans and advances to customers:						
Consumer	-	187,715,611	-	-	-	187,715,611
Mortgage	-	245,401,270	-	-	-	245,401,270
Small businesses	41,390,086	-	8,746,132	8,009,765	2,156,327	60,302,310
Wholesale	23,373,000	-	13,726,929	34,242,473	6,594,258	77,936,660
Cash and cash equivalents	27,180,931	-	-	-	-	27,180,931
Other Assets	36,218,685	-	-	-	-	36,218,685
Total	128,162,702	433,116,881	22,473,061	42,252,238	8,750,585	634,755,467

	Commerce and services	Private individuals	Manufacturing	Construction	Other industries	2011
Loans and advances to customers:						
Consumer	-	217,832,315	-	-	-	217,832,315
Mortgage	-	257,169,735	-	-	-	257,169,735
Small businesses	46,429,569	-	11,459,907	10,774,988	2,426,852	71,091,316
Wholesale	58,680,701	-	25,447,114	40,516,947	8,704,143	133,348,905
Cash and cash equivalents	29,420,248	-	-	-	-	29,420,248
Other Assets	13,163,628	-	-	-	-	13,163,628
Total	147,694,146	475,002,050	36,907,021	51,291,935	11,130,995	722,026,147

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. Loan assets and loan liabilities are undertaken back to back in the identical currencies, with the only FX position being against BGN, while the BGN/EUR currency rate remains fixed. Thus this risk is fully compensated.

5.2.3 Sensitivity analysis

The sensitivity of the Income Statement is the effect of the assumed changes in foreign exchanges rates on the net income for one year.

Sensitivity analysis used for monitoring market risk do not represent worst case scenario. The effect on the income statement as a result of parallel shift in yield curve is nil.

An analysis of the Company's sensitivity to an increase or decrease in FX rates (assuming constant balance sheet position) is as follows:

Sensitivity of Income Statement

	31/12/12	31/12/11
Foreign exchange	(loss)	(loss)
10% depreciation of functional currency (EUR) over foreign currencies	(1,666,726)	(1,069,027)

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2012
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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3. Liquidity risk

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

Contractual undiscounted cash flows

	31/12/12	31/12/11
<i>Upto 1 month:</i>		
Borrowings from group companies	569,627,152	651,954,063
Interest payable to group companies	4,686,220	5,870,129
Other payables	2,066,189	332,944
	<u>576,379,561</u>	<u>658,157,136</u>
<i>1-3 month:</i>		
Borrowings from group companies	-	11,329,459
Interest payable to group companies	133,511	312,609
Other payables	365,827	-
	<u>499,338</u>	<u>11,642,068</u>
<i>3-12 month:</i>		
Borrowings from group companies	36,400,000	30,668,138
Interest payable to group companies	4,688	377,378
Other payables	239,217	-
	<u>36,643,905</u>	<u>31,045,516</u>
<i>Total:</i>		
Borrowings from group companies	606,027,152	693,951,660
Interest payable to group companies	4,824,419	6,560,116
Other payables	-	-
Other payables	2,671,233	332,944
	<u>613,522,804</u>	<u>700,844,720</u>

5.4. Fair values of financial assets and liabilities

The fair values of the financial assets and liabilities approximate their carrying amounts. As a result the management of the company considers the fair value of the loans and advances to customers as not materially different from the book value shown on the balance sheet.

5.5. 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.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Apart from the historical experience the Company considered also the effect of the current financial industry conditions in evaluating these estimates and judgements.

Impairment losses on loans and advances

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

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7 LOANS & ADVANCES TO CUSTOMERS

	31/12/12	31/12/11
Consumer loans*	187,715,611	217,832,315
Mortgage loans*	245,401,270	257,169,735
Small Business Borrowings/ Corporate loans*	138,238,970	204,440,222
Total loans to clients - gross*	571,355,851	679,442,272
Less: allowance for impairment (own risk)	(7,792,193)	(8,236,866)
	563,563,658	671,205,406

(*) Loans and advances to customers are after any write downs performed due to limited recourse against borrowings, which for 2012 is EUR 17,756,806 and for 2011 is EUR 36,689,627. This write down is counterbalanced by the write down of financing borrowings from Group company for the same amount (refer to note 11).

	31/12/12	31/12/11
Movement in write downs limited recourse:		
Opening balance	62,516,898	25,827,271
Write downs performed during the year	17,756,806	36,689,627
Closing balance as at year end	80,273,704	62,516,898

	31/12/12	31/12/11
<i>Current Assets:</i>		
Loan repayments due:		
Upto 1 month	5,281,959	5,628,634
1-3 months	10,192,409	12,739,579
4-12 months	47,139,123	49,304,875
	62,613,491	67,673,088

	31/12/12	31/12/11
<i>Non Current Assets:</i>		
1-5 years	223,909,599	271,270,885
Over 5 years	277,040,568	332,261,433
	500,950,167	603,532,318

Loans bear interest at 1 month, 3 month, 6 month or 12 month Euribor/Libor/Sofibor plus a spread.

During 2012 the Company transferred all risks and rewards related to the portfolio sub participated from Eurobank Bulgaria AD to Bulgarian Retail Services AD. ERB New Europe Funding II B.V. has transferred EUR 26,754,753.27 under Assignment and Transfer Agreement with Bulgarian Retail Services AD. Eurobank Bulgaria AD obligation as at 31.12.2012 related to a guarantee issued in 2011 in favour of ERB New Europe Funding II BV amounting to EUR 4,569,066 was fully settled on 29 March 2013.

Movements in provisions in 2012 and 2011 for impairment of loans and interest receivable are:

	Consumer loans	Mortgage loans	Small business loans	Corporate loans	Total
Opening balance as at January 1, 2012	1,608,961	408,823	213,063	6,006,019	8,236,866
Provision Charge for the year (including collection fees)	(23,923)	1,192,657	602,367	2,990,777	4,761,878
Disposal of loan portfolio	-	-	-	(4,965,690)	(4,965,690)
Other movements	-	-	-	(233,944)	(233,944)
Foreign exchange loss (gain)	-	(1,971)	(267)	(4,679)	(6,917)
Closing balance as at December 31, 2012	1,585,038	1,599,509	815,163	3,792,483	7,792,193

	Consumer loans	Mortgage loans	Small business loans	Corporate loans	Total
Opening balance as at January 1, 2011	1,791,813	118,447	89,740	-	2,000,000
Provision charge (release) for the year	(182,852)	290,376	123,323	6,010,506	6,241,353
Other movements	-	-	-	(4,487)	(4,487)
Closing balance as at December 31, 2011	1,608,961	408,823	213,063	6,006,019	8,236,866

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2012
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8 OTHER RECEIVABLES

<u>Description</u>	<u>31/12/12</u>	<u>31/12/11</u>
Receivable from repossessed collaterals	99,715	102,233
Other receivables	26,754,753	99,177
Receivable from Eurobank Cyprus Ltd.	681,643	6,725,352
Receivable from Bulgarian entities	4,569,066	2,706,834
Receivable from Romanian entities	3,953,192	3,530,032
	<u>36,058,369</u>	<u>13,163,628</u>

9 CASH AND CASH EQUIVALENTS

<u>Description</u>	<u>31/12/12</u>	<u>31/12/11</u>
Due from banks/current accounts	14,629,843	27,353,073
Due from banks/deposits placed with banks	12,551,088	2,067,176
	<u>27,180,931</u>	<u>29,420,249</u>

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

10 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, 2012, 20,000 shares were issued and fully paid-up. On December 23, 2011, the Equity of the Company was increased by 10,000,000 EUR by a contribution to the Company's share premium. The movements in the Equity we refer to the Statement of Equity on page 8 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

	<u>31/12/12</u>	<u>31/12/11</u>
Financing borrowings from Eurobank Cyprus Ltd.	552,556,439	644,991,666
Financing borrowings from Eurobank Private Bank Luxembourg S.A.	71,099,386	85,649,621
Write-downs due to limited recourse against loans and advances to customers	<u>(17,628,673)</u>	<u>(36,689,627)</u>
	<u>606,027,152</u>	<u>693,951,660</u>

An Over Multicurrency Agreement dated July 11, 2008 between the Company (Borrower) and Eurobank Cyprus Ltd. (Lender) was concluded. The attribution of impairment on loans & advances to borrowers relates to the impairments that management have estimated on the loan portfolio. Under the Over Multicurrency Agreement the credit risk of the portfolio exceeding EUR 2,000,000 is born by Eurobank Cyprus Ltd., therefore this amount has been adjusted on the financing borrowing.

On November 21, 2011, the Company concluded a Facility agreement with Eurobank Private Bank Luxembourg S.A., for a maximum borrowing amount of EURO 200,000,000 which are fully secured by virtue of the First Demand Letter of Guarantee, in which Eurobank Ergasias S.A. undertakes to repay the borrowings from Eurobank Private Bank Luxembourg S.A. in case of default by the Company after being called to repay.

According to the agreement the borrowings are repriced and renewed on a monthly basis. Borrowings bear interest at 1 month or 3 month Euribor:Libor plus a spread and according to the Multicurrency Agreement.

Based on Facility Agreement, borrowings bear interest at Euribor:Libor plus a spread for certain interest periods of up to six months until they are repriced.

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

12 INTEREST PAYABLE TO GROUP COMPANY

	<u>31/12/12</u>	<u>31/12/11</u>
Eurobank Cyprus Ltd., Cyprus.	2,833,770	2,080,610
Eurobank Private Bank Luxembourg S.A.	121,199	127,483
	<u>2,954,969</u>	<u>2,208,093</u>

Repayments are due within 1 month.

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2012
(amounts in EUR)

13 OTHER PAYABLES

	31/12/12	31/12/11
Payables to Bancpost S.A.	1,827,124	178,126
Payables to Eurobank Bulgaria A.D.	215,351	38,912
Payables to sundry lawyers	1,033	6,547
Other payables	82,270	109,357
	2,125,778	332,942

14 INTEREST INCOME

	1/1/12-31/12/12	1/1/11-31/12/11
Interest income on loans and advances	38,404,950	52,636,018
Interest related income	8,857,563	11,996,113
Interest related fees	(2,889,799)	(3,858,478)
	44,372,714	60,773,653

15 INTEREST EXPENSE

	1/1/12-31/12/12	1/1/11-31/12/11
Interest expense borrowings from group company	43,617,154	56,374,927
Bank interest expenses	45,503	555,796
	43,662,657	56,930,723

16 NET IMPAIRMENT OF FINANCIAL ASSETS

	1/1/12-31/12/12	1/1/11-31/12/11
Consumer lending	92,698	353,709
Mortgage lending	19,634	25,610
Small business lending	5,682	36,581
	118,014	415,900

Net impairment from financial asset represents the accelerated amortisation of the origination fee recognized through income statement for the loans which were written-down during the year.

17 OPERATING COSTS

	1/1/12-31/12/12	1/1/11-31/12/11
Management, domiciliary and accounting fees	75,000	75,000
Occasional consultancy fees	99,355	32,797
Non-deductible VAT	52,403	45,192
Other	245,458	37,447
	472,216	190,436

18 TAXATION

As at December 31, 2012, this item can be detailed as follows:

	31/12/12	31/12/11
Result before taxation	(780,529)	3,839,235
Less: Foreign exchange (gain)/loss	(24,515)	229,687
Less: non- provision charge for impairment of loans	2,042,779	4,407
Less: non- taxable operating income	(1,134,423)	(821,914)
Deduction loss carried forward	--	--
Taxable profit	103,311	3,251,415
Corporate income tax expense for the year	20,662	802,854
Deferred tax on losses for the year (at 20% tax rate)	--	--
<i>Effective corporate income tax rate</i>	20.00%	24.69%

The movements in the taxation are as follows:

	31/12/12
Opening balance	(495,336)
Estimate tax charge for the year	(20,662)
Payments made	821,000
Amounts refunded by the Tax Authorities	--
Interest expense related to CIT	--
Closing balance	305,002

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, 2012
(amounts in EUR)

19 RELATED PARTIES

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

EFG Group was the controlling shareholder of the Eurobank Ergasias S.A., holding 44.70% of the Eurobank's ordinary shares and voting rights until 23 July 2012. In May 2013, following its full subscription in Eurobank's recapitalisation of € 5,839 million, the HFSF became the controlling shareholder and a related party of Eurobank. On 19 June 2013, HFSF acquired 3,789,317,358 Eurobank's ordinary shares with voting rights, representing 98.56% of its ordinary share capital. Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the controlling percentage of HFSF increases to 95.23%.

Eurobank Ergasias Group regards other Greek Banks controlled, jointly controlled or significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, as well as the members of key management personnel of HFSF, as related parties. Eurobank Ergasias Group's transactions with HFSF's related Greek banks are made in the ordinary course of business, are carried out on market terms, are not influenced by the HFSF as the controlling shareholder of the Bank and are not included in the related party transactions presented.

The related parties considered for reporting purposes comprise of Bancpost S.A., Eurobank Bulgaria A.D., Bulgarian Retail Services A.D. and Eurobank Private Bank Luxembourg S.A. and Eurobank Cyprus Ltd. which are entities controlled by Eurobank Ergasias S.A.

The related party transactions the Company is involved in refer to the Balance Sheet and Income Statement.

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

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

	<u>31/12/12</u>	<u>31/12/11</u>
Interest expense borrowings	(43,662,657)	(56,930,723)
Bank fees	(45,611)	(10,198)
Expenses relating to interest income on loans & advances	(3,007,104)	(3,858,478)
Interest income	81,492	30,882
Operating expenses	(5,785)	-
	<u>(46,639,665)</u>	<u>(60,768,518)</u>

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

	<u>31/12/12</u>	<u>31/12/11</u>
Current accounts with banks	14,656,161	27,353,072
Term deposits with other banks	12,551,088	2,067,176
Loans & advances to customers (prepaid origination fees)	1,781,729	2,935,412
Other receivables	35,376,727	13,163,517
Term loans from banks	(608,982,124)	(696,159,755)
Other payables	(2,202,990)	(224,960)
	<u>(546,819,409)</u>	<u>(650,865,538)</u>

20 COMMITMENTS AND CONTINGENCIES

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

21 OTHER INFORMATION ON GENERAL AND ADMINISTRATIVE EXPENSES

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

The audit fees of EUR 40,000 (2011: EUR 40,000) comprises the fees of external auditor PricewaterhouseCoopers Accountants N.V. for the statutory audit of the financial statements. The external independent auditor has not charged any fees relating to other assurance related services, tax, consulting or any other consulting services.

ERB NEW EUROPE FUNDING II B.V.

Notes to the Financial Statements as at December 31, 2012
(amounts in EUR)

22 DIRECTORS

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

As per December 17, 2013, Mr. G. Meijssen has resigned as managing director of the Company, and as per same date Mr. M.A.H. Martis has been appointed as managing director of the Company.

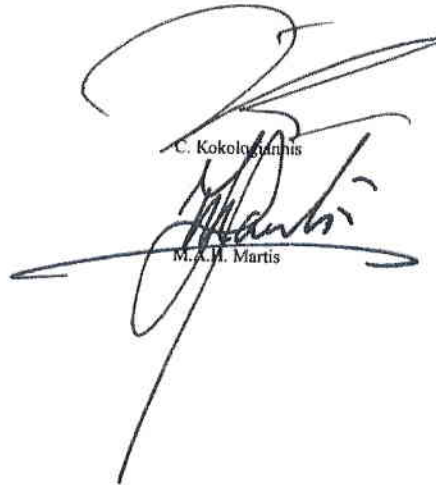
The Board of Managing Directors,



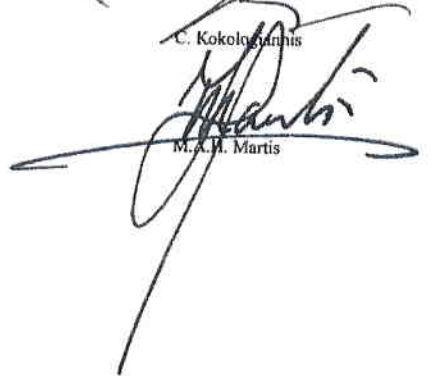
I. Karakostas



S. van der Meer



C. Kokolofanis



M.A.H. Martis

Amsterdam, January 30, 2014

ERB NEW EUROPE FUNDING II B.V.

Other information

Other reserve

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 loss sustained by the Company during the year under review will be debited to the other reserve. This proposed appropriation of the result has not been reflected in these financial statements and is subject to the approval of the General Meeting of Shareholders.

Distributions to shareholders are subject to two tests, namely, the equity test and the distribution or liquidity test.

The directors of the BV must approve a proposed distribution and may only refuse if they know (or ought to reasonably foresee) that the BV after the distribution would no longer be able to repay its debts as and when they fall due (art. 2:216.2BW).

Post balance sheet events

Eurobank Ergasias S.A. shareholding structure:

EFG Group was the controlling shareholder of the Eurobank Ergasias S.A., holding 44.70% of the Eurobank's ordinary shares and voting rights until 23 July 2012. In May 2013, following its full subscription in Eurobank's recapitalisation of € 5,839 million, the HFSF became the controlling shareholder and a related party of Eurobank. On 19 June 2013, HFSF acquired 3,789,317,358 Eurobank's ordinary shares with voting rights, representing 98.56% of its ordinary share capital. Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the controlling percentage of HFSF increases to 95.23%.

National Bank of Greece S.A. (NBG) Voluntary Tender Offer (VTO) and merger:

On 15 February 2013, the National Bank of Greece SA (NBG) acquired 84.35% of Eurobank's voting shares following the completion of a Voluntary Tender Offer (VTO) launched on 11 January 2013. The VTO would have been followed by the merger of the two banks, the process of which initiated on 19 March 2013.

On 28 March 2013, BoG sent letters to all viable banks, including Eurobank Ergasias S.A. and NGB, stating that each bank should proceed with its recapitalization by the end of April 2013 and requesting them to proceed with the relevant necessary actions. On 7 April 2013, as the joint banks' request for the extension of the recapitalization process up to 20 June 2013 was not granted, the relevant regulatory authorities with the consent of the management of both banks decided that the Eurobank and NBG will be independently recapitalized in full. As a consequence, the merger process of the two banks was suspended.

In this respect, the Extraordinary General Meeting of shareholders of Eurobank Ergasias S.A., convened on 30 April 2013, decided the increase of the Eurobank's ordinary share capital, in order to raise € 5,839 million, subscribed by way of contribution in kind from HFSF, in accordance with Law 3864/2010 and Act of Cabinet 38/9.11.2012. As a result of the above mentioned share capital increase of the Bank, the percentage of the voting rights held by NBG as at 30 September 2013 was reduced below 5%.

ERB NEW EUROPE FUNDING II B.V.

Other information

Post balance sheet events

Transactions' settlement and loan repayment

The transactions related to the December 31, 2012 transfer of portfolio sub participated by Eurobank Bulgaria A.D. on November 21, 2011 to another Group entity (Bulgarian Retail Services A.D.), were settled on March 29, 2013. On April 3, 2013, the company repaid the loan of EURO 36,400,000 to Eurobank Private Bank Luxembourg S.A.

As of July 22, 2013 the company transferred all risks and rewards related to the portfolio sub participated by Bancpost S.A. on December 12, 2011 to another Group entity (ERB New Europe Funding III Limited). The transactions were settled on July 22, 2013. Effectively July 24, 2013, the company repaid the borrowing of EURO 22,345,415 and interest of EUR 37,321 to Eurobank Private Bank Luxembourg S.A. and has no further outstanding debts towards this entity. Bancpost S.A. obligation as at 31.12.2012 related to a guarantee issued on December 12, 2011 in favour of ERB New Europe Funding II BV amounting to EUR 3,953,078.98 was fully paid on December 3, 2013.

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

Independent auditors report

Reference is made to the independent auditors' report hereinafter.



Independent auditor's report

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

Report on the financial statements

We have audited the accompanying financial statements 2012 as set out on pages 5 to 25 of ERB New Europe Funding II B.V., Amsterdam, which comprise the balance sheet as at 31 December 2012, the income statement, statement of comprehensive income and cash flow statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Director's responsibility

The director is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for the preparation of the report of Managing Directors, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the director is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ERB New Europe Funding II as at 31 December 2012, and of its result for the year then ended in accordance with

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International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the report of Managing Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the report of Managing Directors, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 3 February 2014
PricewaterhouseCoopers Accountants N.V.

Original has been signed by V.S. van der Reijden RA