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Report on the Audit of the Financial Statements

To the Board of Managing Directors of
ERB New Europe Funding B.V.

Opinion

We have audited the Financial Statements of ERB New Europe Funding B.V. (the “Company”) which comprise the Statement of Financial Position as at 31 December 2020, the Income Statement and Statement of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of ERB New Europe Funding B.V. as at 31 December 2020 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the 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 ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2.1 in the financial statements, which describes that the going concern basis of preparing the financial statements has not been used because the Company’s Board of Managing Directors intends to liquidate the Company. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Board of Managing Directors’ Report, but does not include the Financial Statements and our auditors’ report thereon.



Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Managing Directors and Those Charged with Governance for the Financial Statements

The Board of Managing Directors is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Managing 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 Managing 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 Managing 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 objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managing Directors.
- Conclude on the appropriateness of the Board of Managing Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Athens, Greece

04 June 2024

ERB NEW EUROPE FUNDING B.V.

Amsterdam, The Netherlands

FINANCIAL STATEMENTS 2020

ERB NEW EUROPE FUNDING B.V.

| <u>Contents</u> | <u>Page</u> |
|--|--------------------|
| Report of the board of Managing Directors | 1 |
| Statement of Financial Position as at December 31, 2020 | 7 |
| Income Statement for the financial year ended December 31, 2020 | 8 |
| Statement of comprehensive income for the financial year ended December 31, 2020 | 9 |
| Cash Flow Statement for the financial year ended December 31, 2020 | 10 |
| Statement of Changes in Equity for the financial year ended December 31, 2020 | 11 |
| Notes to the Financial Statements as at December 31, 2020 | 12 |
| Other Information | 36 |

ERB NEW EUROPE FUNDING B.V.

Amsterdam

Report of the board of Managing Directors

In accordance with the Articles of Association of ERB New Europe Funding B.V., the Board of Managing Directors herewith submits the Annual Report of ERB New Europe Funding B.V. (the Company) for the year ended 31 December 2020.

Key Activities

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

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

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

All loans and advances to third party customers, are 99% guaranteed for repayment by Eurobank S.A. All loans and advances to Eurobank Holding Group companies are 99% guaranteed by Eurobank S.A. The total combined exposure for the Company will not exceed 1% of its total loans and advances with a maximum of 2 million Euro.

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

Overview of activities

During the financial year 2020 the Company's loan portfolio remain stable (Loan portfolio decreased by 13.908.501 euro in 2019 due to repayments from customers).

Position of Eurobank Group

Macroeconomic environment

Despite the fragile international environment, the economies of Greece, Bulgaria and Cyprus remained in expansionary territory in 2023, overperforming their European Union (EU) peers. More specifically, according to provisional data by the Hellenic Statistical Authority (ELSTAT), the Greek economy expanded by 2% on an annual basis in 2023 (2022: 5.6%), driven by increases in exports of goods and services, household consumption, and fixed investment. According to its Winter Economic Forecast (February 2024), the European Commission (EC) expects a GDP growth rate of 2.3% in 2024 and 2025. Amid strong base effects and easing energy prices, the inflation rate, as measured by the annual change in the Harmonized Index of Consumer Prices (HICP) decelerated to 4.2% in 2023 from 9.3% in 2022 according to ELSTAT, with the EC forecasting further de-escalation to 2.7% in 2024, and 2% in 2025. The average quarterly unemployment rate decreased to 11.1% from 12.4% in 2022, with the International Monetary Fund forecasts for 2024 and 2025 standing at 9.2% and 8.5% in 2024 and 2025 respectively, according to its January 2024 Art. IV Country Report. On the fiscal front, according to the 2024 State Budget, the general government primary balance is expected to post primary surpluses of 1.1% and 2.1% of GDP in 2023 and 2024 respectively, up from 0.1% of GDP in 2022. The gross public debt-to-GDP ratio, having declined significantly to 172.6% in 2022 due to the strong economic recovery and the effect of the high inflation on nominal GDP, is expected to decline further to 160.3% in 2023 and 152.3% in 2024.

Growth in Greece as well as in Bulgaria and Cyprus is expected to receive a significant boost from EU-funded investment projects and reforms. Greece shall receive € 36 billion (€ 18.2 billion in grants and € 17.7 billion in loans) up to 2026 through the Recovery and Resilience Facility (RRF), Next Generation EU (NGEU)'s largest instrument, out of which € 14.7 billion (€ 7.4 billion in grants and € 7.3 billion in loans) has already been disbursed by the EU. A further € 40 billion is due through EU's long-term budget (MFF), out of which € 20.9 billion is to fund the National Strategic Reference Frameworks (ESPA 2021–2027). Moreover, following the September 2023 floods in the Thessaly region, Greece could benefit from EU support of up to € 2.65 billion, according to the EC President.

ERB NEW EUROPE FUNDING B.V.

Amsterdam

Report of the board of Managing Directors

Position of Eurobank Group (continued)

On the monetary policy front, the Governing Council of the ECB, in line with its strong commitment to its price stability mandate, proceeded with ten rounds of interest rate hikes in 2022 and in 2023 (the most recent one in September 2023), raising the three key ECB interest rates by 450 basis points on aggregate. Furthermore, although net bond purchases under the temporary Pandemic Emergency Purchase Programme (PEPP) ended in March 2022, as scheduled, the ECB will continue to reinvest principal from maturing securities at least until the end of 2024, including purchases of Greek Government Bonds (GGBs) over and above rollovers of redemptions.

In 2023, the Greek government issued or re-opened twelve bonds of various maturities (from 5 to 19 years) through the Public Debt Management Agency (PDMA), raising a total of € 11.45 billion from the international financial markets. In February 2024, the PDMA raised an additional € 4.4 billion through a new 10-year bond issue and the reopening of two past issues. Following a series of sovereign rating upgrades in the second half of 2023, Greek government's long-term debt securities were considered investment grade by four out of the five Eurosystem-approved External Credit Assessment Institutions (Fitch, Scope, S&P: BBB-, stable outlook; DBRS: BBB (low), stable outlook), and one notch below investment grade by the fifth one, Moody's (Ba1, stable outlook) as of March 2024.

Regarding the outlook for the next 12 months, the major macroeconomic risks and uncertainties in Greece and our region are associated with: (a) the open war fronts in Ukraine and the Middle East, their implications regarding regional and global stability and security, and their repercussions on the global and the European economy, including the disruption in global trade caused by the recent attacks on trading vessels in the Red Sea, (b) a potential prolongation of the ongoing inflationary wave and its impact on economic growth, employment, public finances, household budgets, firms' production costs, external trade and banks' asset quality, as well as any potential social and/or political ramifications these may entail, (c) the timeline of the anticipated interest rate cuts by the ECB and the Federal Reserve Bank, as persistence on high rates for longer may keep exerting pressure on sovereign and private borrowing costs and certain financial institutions' balance sheets, but early rate cuts entail the risk of a rebound in inflation, (d) the prospect of Greece's and Bulgaria's major trade partners, primarily the euro area, remaining stagnant or even facing a temporary downturn, (e) the persistently large current account deficits that have started to become once again a structural feature of the Greek economy, (f) the absorption capacity of the NGEU and MFF funds and the attraction of new investments in the countries of presence, especially in Greece, (g) the effective and timely implementation of the reform agenda required to meet the RRF milestones and targets and to boost productivity, competitiveness, and resilience and (h) the exacerbation of natural disasters due to the climate change and their effect on GDP, employment, fiscal balance and sustainable development in the long run.

Materialization of the above risks, would have potentially adverse effects on the fiscal planning of the Greek government, as it could decelerate the pace of expected growth and on the liquidity, asset quality, solvency and profitability of the Greek banking sector. In this context, the Group's Management and Board are continuously monitoring the developments on the macroeconomic, financial and geopolitical fronts as well as the evolution of the Group's asset quality and liquidity KPIs and have increased their level of readiness, so as to accommodate decisions, initiatives and policies to protect the Group's capital, asset quality and liquidity standing as well as the fulfilment, to the maximum possible degree, of its strategic and business goals in accordance with the business plan for 2024 - 2026.

As at 31 December 2023, the Total Adequacy Ratio (total CAD) and Common Equity Tier 1 (CET1) ratios of Eurobank Holdings Group, stood at 19.4% (31 December 2022: 19.2%) and 16.9% (31 December 2022: 16%) respectively.

With regard to asset quality, as at 31 December 2023, the Group's NPE stock stood at € 1.5 billion, following the classification of the loan portfolio of project 'Leon' as held for sale, the sale of Eurobank Direktna a.d. disposal group, and the write-offs during the year (31 December 2022: € 2.3 billion), driving the NPE ratio to 3.5% (31 December 2022: 5.2%), while the NPE coverage ratio improved to 86.4% (31 December 2022: 74.6%). The Eurobank S.A. Group's net profit attributable to shareholders for the year ended 31 December 2023 amounted to € 1,148 million (2022: € 1,353 million, restated).

In terms of liquidity, as at 31 December 2023, following the completion of the sale of Eurobank Direktna a.d. disposal group, the Group deposits stood at € 57.4 billion (31 December 2022: € 57.2 billion), while the funding from the ECB refinancing operations amounted to € 3.8 billion (31 December 2022: € 8.8 billion). During the year, the Bank proceeded with the issuance of two preferred senior notes of € 500 million each. More recently, in January 2024, the Parent Company completed the issuance of a € 300 million Subordinated Tier II debt instrument. The rise in high quality liquid assets of the Eurobank Holding Group led the respective Liquidity Coverage ratio (LCR) to 178.6% (31 December 2022: 173%). In the context of the 2024 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).

ERB NEW EUROPE FUNDING B.V.

Amsterdam

Report of the board of Managing Directors

Position of Eurobank Group (continued)

Credit Rating of Eurobank Group

On 14/12/2023 Standar & Poor's raised the credit rating Eurobank to BB from BB-, while maintaining the outlook positive

Current year results

During the year under review, the Company recorded a profit after tax of EUR 93.000 (2019: a profit after tax of EUR 117.196) which is set out in detail in the attached Income Statement.

Eurobank Ergasias Services and Holdings S.A. (the Company or Eurobank Holdings) is the parent company of Eurobank S.A. (the Bank). The Board of Directors (BoD) of Eurobank Holdings is the same as the BoD of the Bank and part of the key management personnel (KMP) of the Bank provides services to Eurobank Holdings according to the terms of the relevant agreement between the two entities.

Fairfax Group, which holds 32.93% of Eurobank Holdings voting rights as of 31 December 2023 (31 December 2022: 32,99%), is considered to have significant influence over the Company.

Risk Management

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

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

Credit risk

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

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

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

The customers which were granted loans & advances are obligated to provide the Company with irrevocable and unconditional payment guarantee issued by Eurobank A.D. Beograd or Eurobank S.A.

ERB NEW EUROPE FUNDING B.V.

Amsterdam

Report of the board of Managing Directors

Position of Eurobank Group (continued)

Market risk

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

Interest rate risk

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

Foreign currency risk

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

Liquidity risk

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

Capital management

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

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

ERB NEW EUROPE FUNDING B.V.

Amsterdam

Report of the board of Managing Directors

Position of Eurobank Group (continued)

Post balance sheet events

From 2022 the loans and advances which were granted to third parties customers and Eurobank Holding Group companies have been fully repaid or transferred internally within Eurobank Group. More specifically, in 2020 the gross book value of the loan portfolio was reduced to 37 mil and was related to two corporate loans, Metropol Palace and IMO Property Investments Beograd. Both exposures, have been transferred to another Eurobank Group subsidiary (Eurobank Cyprus) and proceeds received from the aforementioned transactions, were used to fully repay entity's borrowing towards Eurobank Private Bank Luxembourg S.A. Hence, the entity year end 2022 had nil balance in loans and advances to customers and financing borrowings from Eurobank Private Bank Luxembourg S.A.

On April 2024 the Company made a dividend distribution in the amount of EUR 2.000.000 from the respective retained earnings to the Shareholder of the Company Eurobank S.A.

Other events

Current conflict between Russia and Ukraine developments

In 2022, the geopolitical and economic upheaval caused by the Russian invasion in Ukraine, along with the persistent - albeit decelerating - inflationary pressures, high energy prices and rising borrowing costs affected negatively the global economic environment, worsened the macroeconomic outlook of the European economies, which are now confronted with a slowdown in growth and, accordingly, exacerbated economic uncertainty in the regions that the Bank operates. In this volatile environment, the Greek economy has exhibited notable resilience, mainly driven by the increase in consumption, export of services, strong performance in tourism and further acceleration of new investments supported by the RRF funds, which is expected to continue, at a slower pace though.

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

Future Developments

The Company's business strategy and activities are linked to these of Eurobank S.A., which is the direct shareholder of the Company. The assessment by the directors of the Company's ongoing business model is closely associated with the business decisions and operations of the Parent Company and its subsidiaries. The Company will not continue as going concern, since its Board of Directors intent to liquidate the Company, given that from the year 2022 all loans and advances to customers have been fully repaid / transfereed internally (with no haircut applied) within Eurobank Group.

Amsterdam, June 4, 2024

The Board of Managing Directors,

ERB New Europe Funding B.V.

Chamber of Commerce number: 34258424

S. Psychogyios

E. Zois

L.P. Elstershamis

R. Wemmi

ERB NEW EUROPE FUNDING B.V.

Statement of Financial Position as at December 31, 2020

(In EUR, after appropriation of results)

| ASSETS | <u>Notes</u> | <u>31/12/2020</u> | <u>31/12/2019</u> |
|---|--------------|--------------------------|--------------------------|
| Non-current assets | | | |
| Loans & advances to customers | 7 | 16.731.628 | 16.940.002 |
| | | <u>16.731.628</u> | <u>16.940.002</u> |
| Current assets | | | |
| Loans & advances to customers | 7 | 20.400.000 | 20.400.000 |
| Interest receivable | 8 | 147.075 | 38.561 |
| Taxation | 15 | 22.054 | 27.846 |
| Cash and cash equivalents | 10 | 621.585 | 1.090.276 |
| | | <u>21.190.714</u> | <u>21.556.683</u> |
| TOTAL ASSETS | | <u><u>37.922.342</u></u> | <u><u>38.496.685</u></u> |
| EQUITY | | | |
| | 11 | | |
| Capital and reserves attributable to equity holders of the company | | | |
| Issued and paid-up capital | | 18.000 | 18.000 |
| Share premium | | 1.982.000 | 1.982.000 |
| Other reserve | | 2.338.133 | 2.245.133 |
| TOTAL EQUITY | | <u>4.338.133</u> | <u>4.245.133</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings from ERB Luxembourg | 12 | 13.140.010 | 13.805.010 |
| | | <u>13.140.010</u> | <u>13.805.010</u> |
| Current liabilities | | | |
| Borrowings from ERB Luxembourg | 12 | 20.400.000 | 20.400.000 |
| Interest payable to ERB Luxembourg | 13 | 13.692 | 30.404 |
| Other payables | 14 | 30.507 | 16.138 |
| | | <u>20.444.199</u> | <u>20.446.542</u> |
| TOTAL LIABILITIES | | <u><u>33.584.209</u></u> | <u><u>34.251.552</u></u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>37.922.342</u></u> | <u><u>38.496.685</u></u> |

The notes to the Financial Statements on pages 12 to 36 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

Income Statement
for the financial year ended December 31, 2020
(in EUR)

| | <u>Note</u> | <u>1/1 - 31/12/2020</u> | <u>1/1 - 31/12/2019</u> |
|---|-------------|-------------------------|-------------------------|
| Financial income and expenses | | | |
| Interest income on loans & advances | | 826.040 | 1.008.372 |
| Interest expense on borrowings | | -569.550 | -852.506 |
| | | <u>256.490</u> | <u>155.867</u> |
| Impairment profit/(loss) on loans and interest receivable | 6.1 | -4.954 | 34.435 |
| Commission expenses | 16 | -39.996 | -39.996 |
| | | <u>211.540</u> | <u>150.306</u> |
| Financial income and expenses | | | |
| Other net income | 17 | 39 | 103.063 |
| General and administrative expenses | 18 | -97.421 | -117.321 |
| | | <u>114.158</u> | <u>136.048</u> |
| PROFIT/(LOSS) BEFORE TAXATION | | <u>114.158</u> | <u>136.048</u> |
| Corporate income tax | 15 | -21.158 | -18.852 |
| | | <u>93.000</u> | <u>117.196</u> |
| PROFIT/(LOSS) AFTER TAXATION | | <u>93.000</u> | <u>117.196</u> |

The notes to the Financial Statements on pages 12 to 36 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

Statement of comprehensive income
for the financial year ended December 31, 2020
(in EUR)

| | <u>Notes</u> | <u>1/1 - 31/12/2020</u> | <u>1/1 - 31/12/2019</u> |
|---|--------------|-------------------------|-------------------------|
| Profit/(loss) after taxation | | 93.000 | 117.196 |
| Other comprehensive income: | | -- | -- |
| Other comprehensive income for the year, net of tax | | -- | -- |
| Total comprehensive income/(expense) for the year | | <u>93.000</u> | <u>117.196</u> |

The notes to the Financial Statements on pages 12 to 36 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

Cash Flow Statement for the financial year ended December 31, 2020 (in EUR)

| | <u>Notes</u> | <u>1/1-31/12/2020</u> | <u>1/1-31/12/2019</u> |
|---|--------------|-----------------------|-------------------------|
| Cash flow from operating Activities: | | | |
| Profit/(loss) before taxation | | 114.158 | 136.048 |
| Adjustments for: | | | |
| Impairment (Profit)/Loss on loans and advances | 6.1 | 4.954 | 34.435 |
| Interest income | | -826.040 | -1.008.372 |
| Interest expense | | 569.550 | 852.506 |
| | | <u>-137.378</u> | <u>14.617</u> |
| Decrease in other receivables | 6.1 | 0 | 0 |
| Decrease / (Increase) in other payables | 14 | -14.369 | 50.117 |
| Other net Income/(Expenses) | | 99.860 | 13.908.501 |
| Cash generated from operations | | <u>-51.886</u> | <u>13.973.235</u> |
| Tax received | 15 | 0 | -16.636 |
| Tax paid | 15 | 15.934 | 45.559 |
| Interest received | | 747.166 | 1.005.004 |
| Interest paid | | <u>-514.904</u> | <u>-858.027</u> |
| <i>Net cash generated from operation activities</i> | | <u>196.310</u> | <u>14.149.135</u> |
| Cash flow from financing activities: | | | |
| Repayments of borrowings from group company | 12 | <u>-665.000</u> | <u>-16.980.539</u> |
| <i>Net cash used in financing activities</i> | | <u>-665.000</u> | <u>-16.980.539</u> |
| Net decrease in cash and cash equivalents | | -468.690 | -2.831.404 |
| | | 1.090.276 | 3.921.680 |
| Cash and cash equivalents at the end of the year | 10 | <u><u>621.585</u></u> | <u><u>1.090.276</u></u> |

The notes to the Financial Statements on pages 12 to 36 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

Statement of Changes in Equity for the financial year ended December 31, 2020 (in EUR)

EQUITY

As at December 31, 2020, 18.000 shares were issued and fully paid-up. The movements in EUR in the year under review can be summarized as follows:

| | Attributable to owner's parent | | | Total equity |
|--|--------------------------------|------------------|------------------|------------------|
| | Issued and paid-up capital | Share premium | Other reserve | |
| Balance as at January 1, 2019 | 18.000 | 1.982.000 | 2.127.938 | 4.127.938 |
| Profit for the year | -- | -- | 117.196 | 117.196 |
| Balance as at December 31, 2019 | 18.000 | 1.982.000 | 2.245.133 | 4.245.133 |
| Profit for the year | -- | -- | 93.000 | 93.000 |
| Balance as at December 31, 2020 | 18.000 | 1.982.000 | 2.338.133 | 4.338.133 |

The notes to the Financial Statements on pages 12 to 36 form an integral part of these financial statements

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020 (in EUR)

1 GENERAL

ERB New Europe Funding B.V. (the Company) was incorporated on October 19, 2006 and has its registered and office address at Herengracht 500, Amsterdam, the Netherlands. As of 1 January 2023 the Company changed its address to Strawinskylaan 569, 1077 XX, Amsterdam, The Netherlands. The Company is incorporated in The Netherlands and is wholly owned by Eurobank S.A. in Greece. The Company's Chamber of Commerce number is 34258424.

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

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

These financial statements were approved and authorized for issue by the Board of Managing Directors on June 4, 2024.

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 financial statements are prepared under the historical cost convention.

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 not continue as a going concern, since its Board of Directors intent to liquidate the Company. Nevertheless, the preparation on this basis did not have any significant effect on the Company's accounting policies which continue to be in accordance with IFRSs and had no impact on the amounts in its financial statements, given that from the year end 2022 all loans and advances to customers have been fully repaid / transferred internally (with no haircut applied) within Eurobank Holding Group.

2.1.1 New and amended standards and interpretations

The following new standards, amendments to standards and Conceptual Framework as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), apply as of 1 January 2020:

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" aim to align the definition of 'material' across the standards and to clarify certain aspects of the definition. According to the new definition, 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. The amendments clarify that materiality depends on the nature or magnitude of information, or both, while an entity should assess whether information is material on its own or when combined with other information. The definition of material in the Conceptual Framework was also amended in order to align with the revised definition in IAS 1 and IAS 8.

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

A number of new standards and amendments to existing standards are effective after 2020, as they have not yet been endorsed by the European Union (EU), or have not been early applied by the entity.

IAS 1, Amendments, Classification of Liabilities as Current or Non-Current (effective 1 January 2023, not yet endorsed by EU)

The amendments affect only the presentation of liabilities in the balance sheet and provide clarifications over the definition of the right to defer the settlement of a liability, while they make clear that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. In addition, it is clarified that the assessment for liabilities classification made at the end of the reporting period is not affected by the expectations about whether an entity will exercise its right to defer settlement of a liability. The Board also clarified that when classifying liabilities as current or non-current, an entity can ignore only those conversion options that are recognized as equity.

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021)

In August 2020, the IASB issued "Interest Rate Benchmark Reform: Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16", which addresses issues that affect financial reporting once an existing rate is replaced with an alternative rate (RFR) and provides specific disclosure requirements. The Phase 2 Amendments provide key reliefs related to contractual modifications due to the reform and to the hedging relationships affected by the reform.

More specifically, the amendments introduce a practical expedient if a contractual change, or changes to cash flows, result "directly" from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate, similar to changes to a floating interest rate. A similar practical expedient will apply under IFRS 16 Leases for lessees when accounting for lease modifications required by IBOR reform.

In addition, the Phase 2 amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentations without the hedging relationship being discontinued. Permitted changes include redefining the hedged risk to reference an RFR as well as redefining the description of the hedging instruments and/or the hedged items to reflect RFR.

Based on the Phase 2 amendments, when performing a retrospective hedge effectiveness assessment under IAS 39, a company may elect to reset the cumulative fair value changes of the hedged item and hedging instrument to zero immediately after ceasing to apply the Phase 1 relief on a hedge-by-hedge basis. However, actual hedge ineffectiveness will continue to be measured and recognized in full in profit or loss. The Phase 2 amendments also clarify that changes to the method for assessing hedge ineffectiveness due to the modifications required by the IBOR reform, will not result to the discontinuation of the hedge accounting.

The amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9.

Consequential amendments were made by the Phase 2 Amendments to IFRS 7, to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Annual improvement to IFRSs 2018-2020 cycle: IFRS1, IFRS9 and IFRS 16 (effective 1 January 2022, not yet endorsed by EU)

The improvements introduce changes to several standards. The amendments that are relevant to the entity's activities are set out below:

The amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result, the amendment allow entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The amendment to IFRS 9 'Financial Instruments' clarifies which fees should be included in the 10% test for derecognition of financial liabilities. The fees to be included in the assessment are only those paid or received between the borrower (entity) and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

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

IFRS 4, Amendment, Deferral of IFRS 9 (effective 1 January 2021)

In June 2020, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023, in order to align the effective dates of IFRS 9 Financial Instruments with IFRS 17 Insurance Contracts.

The amendment is not relevant to the entity's activities.

IAS 37, Amendment, Onerous Contracts – Costs of Fulfilling a Contract (effective 1 January 2022, not yet endorsed by EU)

The amendment to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" clarifies that the direct costs of fulfilling a contract include both the incremental costs and an allocation of other costs directly related to fulfilling contracts' activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

IAS 8, Amendments, Definition of Accounting Estimates (effective 1 January 2023, not yet endorsed by EU)

The amendments in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" introduced the definition of accounting estimates and include other amendments to IAS 8 which are intended to help entities distinguish changes in accounting estimates from changes in accounting policies.

The amendments clarify (a) how accounting policies and accounting estimates relate to each other by (i) explaining that accounting estimates are used in applying accounting policies and (ii) making the definition of accounting policies clearer and more concise, (b) that selecting an estimation technique, or valuation technique, used when an item in the financial statements cannot be measured with precision, constitutes making an accounting estimate, and (c) that, in applying IAS 2 Inventories, selecting the first-in, first-out (FIFO) cost formula or the weighted average cost formula for interchangeable inventories constitutes selecting an accounting policy.

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

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective 1 January 2023, not yet endorsed by EU)

IASB issued amendments to IAS 1 "Presentation of Financial Statements" to require entities to disclose their material accounting policies rather than their significant accounting policies.

According to IASB, accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Furthermore, the amendments clarify how an entity can identify material accounting policy information, while provide examples of when accounting policy information is likely to be material. The amendment to IAS 1 also clarify that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2 Making Materiality Judgements to accounting policy disclosures, in order to support the amendments to IAS 1.

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

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020

(in EUR)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Classification and measurement

IFRS 9 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).

Financial assets are 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 are 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 are 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.

Under IFRS 9, embedded derivatives in contracts where the host is a financial asset in the scope of the standard, are no longer bifurcated. Instead, the hybrid financial instrument is assessed for classification as a whole.

Under IFRS 9, 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.

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:

- the stated policies and objectives for each portfolio;
- how the performance of each portfolio is evaluated and reported;
- the risks associated with the performance of the business model and how those risks are managed;
- how managers are compensated;
- 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
- 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 Group 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 Group 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. 01/01/2018. 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:

- loans and advances to banks and customers that are measured at amortized cost under IAS 39, are also expected to be measured at amortized cost under IFRS 9;
- the majority of debt securities classified as available-for-sale under IAS 39, are expected to be measured at FVOCI;
- held-to-maturity investment securities and assets in the debt securities lending portfolio that are measured at amortized cost under IAS 39, are expected to be measured at amortized cost or FVOCI depending on the business model within which they are held;
- limited cases of debt instruments that are expected to fail the SPPI test which are measured at FVTPL;
- trading and derivative assets that are measured at FVTPL under IAS 39 are also expected to be measured at FVTPL under IFRS 9;
- equity securities classified as available-for-sale under IAS 39 are expected to be measured at FVTPL under IFRS 9; and
- Financial liabilities that are designated at FVTPL under IAS 39 (structured notes, structured deposits) are expected to be measured at amortized cost, while any embedded derivatives will be separated from the host contracts where appropriate.

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020

(in EUR)

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 Exposures to Stages

The Company will distinguish financial assets between those which are measured based on 12-month ECLs (stage 1) and those that carry lifetime ECLs (stage 2 and 3), depending on whether there has been a significant increase in credit risk as evidenced by the change in the risk of default occurring on these financial assets since initial recognition.

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 measures of default across all of its portfolios:

- 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 credit-impaired and classifies those exposures at stage 3 for financial reporting purposes.

Purchased or originated credit impaired (POCI) financial assets, which include assets purchased at a deep discount and substantially modified assets arising from derecognition of the original asset and are considered originated credit impaired, are not subject to stage allocation and are always measured on the basis of lifetime ECL. The Company will recognize interest income of financial assets at stage 3 as well as POCI by applying the effective interest rate (EIR) on their net carrying amount.

Financial assets that experience a significant increase in credit risk since initial recognition will be in stage 2. In assessing whether a financial asset has experienced a significant increase in credit risk since initial recognition, the Company intends to use a combination of quantitative, qualitative and backstop criteria including:

- relative changes on the residual lifetime probability of default;
- absolute thresholds on the residual lifetime probability of default;
- relative changes on credit risk ratings;
- watch list status;
- forbearance; and
- 30 days past due as backstop indicator.

Management may apply temporary individual or collective overlays on exposures sharing the same credit risk characteristics to take into account specific situations which otherwise would not be fully reflected in the impairment models.

Hence, upon transition, the Company, considers all performing forborne loans as stage 2, along with any performing exposures that have been assessed to have experienced a significant increase in credit risk since initial recognition.

The Company will classify all remaining financial assets which are not classified at stage 2, 3 or POCI in stage 1, measured based on 12-month ECL. The Company will recognize interest income of financial assets at stage 2 and at stage 1, by applying the EIR on their gross carrying amount.

When the criteria for stage 2 classification are no longer met and the financial asset is not credit impaired, it will be reclassified to stage 1. In addition, subsequent transfers from stage 3 to stage 2 will take place when the financial asset ceases to be credit impaired based on the assessment as described above.

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020

(in EUR)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Functional and presentation currency

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

Foreign currency

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

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

Income tax

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

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

Financial instruments

Financial assets and financial liabilities are recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of the investment. A financial asset is derecognized when the contractual cash flows of the loan expire or the Company transfers its rights to receive those cashflows in an outright sale in which substantially all the risk and rewards of ownership have been transferred. The Company classifies its financial assets and financial liabilities in the categories: loans and advances to customers and borrowings from the 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. Appropriate allowance for impairment for estimated irrecoverable amounts are recognized in the Income Statement when there is objective evidence that the asset should be impaired.

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

Cash and cash equivalents

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

Impairment

The Company 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.

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020

(in EUR)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

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.

3 CASH FLOW STATEMENT

The Cash Flow statement has been prepared in accordance with the indirect method. The presentation for the year 2020 has not changed in comparison for the year 2019.

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020

(in EUR)

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 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and judgements

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

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 cash flows 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 cash flows 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 cash flows 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.

ECL Key Inputs

The ECL calculations are based on the term structures of the probability of default (PD), the loss given default (LGD), the exposure at default (EAD) and other input parameters such as the credit conversion factor (CCF) and the prepayment rate. The PD represents the likelihood of default assessed on the prevailing economic conditions at the reporting date, adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default, over a given time horizon. Two types of PD are used for calculating ECL:

- 12-month PD, which is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial asset if this is less than 12 months). It is used to calculate 12-month ECL for Stage 1 exposures.
- Lifetime PD, which is the estimated probability of a default occurring over the remaining life of the financial asset. It is used to calculate lifetime ECL for Stage 2, Stage 3 and POCI exposures.

The Exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest and expected drawdowns on committed facilities. The EAD includes both on and off balance sheet exposures. The on balance sheet exposure corresponds to the total amount that has been withdrawn and is due to be paid, which includes the outstanding principal, accrued interest and any past due amounts. The off balance sheet exposure represents the credit that is available to be withdrawn, in excess of the on balance sheet exposure.

Furthermore, the CCF factor is used to convert the amount of a credit facility and other off-balance sheet amounts to an EAD amount. It is a modelled assumption which represents a proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring.

LGD represents the Company's expectation of the extent of loss on a defaulted exposure and it is the difference between the contractual cash flows due and those that the Company expects to receive including any amounts from collateral liquidation. LGD varies by type of counterparty, type and seniority of claim, availability of collateral or other credit support, and is usually expressed as a percentage of EAD.

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020

(in EUR)

6 FINANCIAL RISK MANAGEMENT

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

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

6.1 Credit risk

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

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

Risk grading system for wholesale clients

The rating of the borrower (and not the credit facility) is based on the following parameters:

- Financials
- Sector
- Management
- Operations

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

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

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

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

Each grade carries a defined impairment requirement.

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

Collateral

The customers which were granted loans & advances are obligated to provide the Company with irrevocable and unconditional payment guarantee issued by Eurobank A.D. Beograd or Eurobank S.A.

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

Guarantees

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

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

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

Impairment policy

The Company assesses at each reporting date whether there is objective evidence of impairment. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an allowance account for loans and advances or directly for all other financial assets, and the amount of the loss is recognized in the income statement.

Credit monitoring

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

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

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

| | <u>31/12/2020</u> | <u>31/12/2019</u> |
|---|-------------------|-------------------|
| Credit risk exposures relating to on-balance sheet assets are as follows: | | |
| Loans and advances to customers (net) | 37.131.628 | 37.340.332 |
| Allowance for impairment | 9.791 | 4.837 |
| | <u>37.141.419</u> | <u>37.345.169</u> |
| Interest receivable | 147.075 | 38.561 |
| Cash and cash equivalents | 621.585 | 1.090.276 |
| Total | <u>37.900.289</u> | <u>38.469.169</u> |
| Loans and advances are summarized as follows: | | |
| Neither past due nor impaired | 20.400.000 | 37.345.169 |
| Individually impaired | 16.741.419 | - |
| Gross | 37.141.419 | 37.345.169 |
| Less: allowance for impairment | -9.791 | -4.837 |
| Net | <u>37.131.628</u> | <u>37.340.332</u> |

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

Lending exposure to credit risk and the value of the collateral held as of December 31st 2020 is presented in the following table:

| | 31 December 2020 | | | | | | Value of collateral |
|----------------------------------|-------------------|-------------------|--------------------|----------------------|----------------|-------------------|---------------------|
| | Performing | Non-Performing | Total gross amount | Impairment allowance | | Total net amount | |
| | | | | Performing | Non-Performing | | |
| Wholesale Lending | 20.415.895 | 16.872.599 | 37.288.494 | (4.643) | (5.148) | 37.278.703 | 36.915.609 |
| - Large corporate | 20.415.895 | | 20.415.895 | (4.643) | | 20.411.252 | |
| Value of collateral | | | | | | | |
| Guarantees | 20.211.736 | | 20.211.736 | | | | 20.211.736 |
| - SMEs | | 16.872.599 | 16.872.599 | | (5.148) | 16.867.451 | |
| Value of collateral | | | | | | | |
| Guarantees | | 16.703.873 | 16.703.873 | | | | 16.703.873 |
| Total Value of collateral | 20.211.736 | 16.703.873 | 36.915.609 | | | | 36.915.609 |

| | 31 December 2019 | | | | | | Value of collateral |
|----------------------------------|-------------------|----------------|--------------------|----------------------|----------------|-------------------|---------------------|
| | Performing | Non-Performing | Total gross amount | Impairment allowance | | Total net amount | |
| | | | | Performing | Non-Performing | | |
| Wholesale Lending | 37.383.730 | - | 37.383.730 | (4.837) | | 37.378.893 | 37.010.278 |
| - Large corporate | 20.418.133 | | 20.418.133 | (4.507) | | 20.413.626 | |
| Value of collateral | | | | | | | |
| Guarantees | 20.214.133 | | 20.214.133 | | | | 20.214.133 |
| - SMEs | 16.965.597 | | 16.965.597 | (330) | | 16.965.267 | |
| Value of collateral | | | | | | | |
| Guarantees | 16.796.145 | | 16.796.145 | | | | 16.796.145 |
| Total Value of collateral | 37.010.278 | - | 37.010.278 | - | - | - | 37.010.278 |

Loans Gross Balance Movement as of December 31st 2020 is presented in the below table:

| | 31 December 2020 | | | | |
|--|-------------------|--------------|-------------------|----------|-------------------|
| | Wholesale | | | | |
| | 12-month ECL | Lifetime ECL | credit-impaired | POCI | Total |
| Gross carrying amount at 1 January | 37.383.730 | | - | - | 37.383.730 |
| New financial assets originated or purchased | - | - | - | - | - |
| Transfers: | | | | | |
| to 12-month ECLs | 108.514 | | | | 108.514 |
| to lifetime ECLs -not credit-impaired loans | (16.872.599) | | 16.872.599 | | |
| to lifetime ECLs -credit-impaired loans | | | | | |
| Financial assets derecognised during period | - | - | - | - | - |
| Amounts written-off | | | | | |
| Repayments | (203.750) | | | | (203.750) |
| Changes to contractual cash flows due to movements | - | - | - | - | - |
| Gross Carrying amount at 31 December | 20.415.895 | | 16.872.599 | - | 37.288.494 |
| Cumulative Loss Allowance | - | - | - | - | - |
| Net Carrying amount at 31 December | 20.415.895 | | 16.872.599 | - | 37.288.494 |

| | 31 December 2019 | | | | |
|--|-------------------|-------------------|-----------------|----------|-------------------|
| | Wholesale | | | | |
| | 12-month ECL | Lifetime ECL | credit-impaired | POCI | Total |
| Gross carrying amount at 1 January | 33.647.708 | 17.641.697 | 35.792 | 0 | 51.325.198 |
| New financial assets originated or purchased | - | - | - | - | - |
| Transfers: | | | | | |
| to 12-month ECLs | 16.965.597 | (16.965.597) | | | |
| to lifetime ECLs -not credit-impaired loans | | | | | |
| to lifetime ECLs -credit-impaired loans | | | | | |
| Financial assets derecognised during period | - | - | - | - | - |
| Amounts written-off | | | (35.792) | | (35.792) |
| Repayments | (13.229.575) | (676.100) | | | (13.905.675) |
| Changes to contractual cash flows due to movements | - | - | - | - | - |
| Gross Carrying amount at 31 December | 37.383.730 | | - | - | 37.383.730 |
| Cumulative Loss Allowance | - | - | - | - | - |
| Net Carrying amount at 31 December | 37.383.730 | | - | - | 37.383.730 |

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (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 |
| | (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 2020:

| 31 December 2020 | | | | | | |
|--------------------------------|------------------------|-------------------|----------------------------------|------------------------------|----------|--------------------|
| | Internal credit rating | Non Impaired | | Credit Impaired | POCI | Total gross amount |
| | | 12-month ECL | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | | |
| Large Corporate | Strong | 20.415.895 | - | - | - | 20.415.895 |
| | Satisfactory | | | | | - |
| | Watch list | - | - | - | - | - |
| | Impaired (Defaulted) | - | - | - | - | - |
| SMEs | Strong | | | | | - |
| | Satisfactory | | | | | - |
| | Watch list | - | - | - | - | - |
| | Impaired (Defaulted) | - | - | 16.872.599 | - | 16.872.599 |
| Total lending portfolio | | 20.415.895 | - | 16.872.599 | - | 37.288.494 |
| Commitments | Strong | 1.200.000 | | | | 1.200.000 |
| | Satisfactory | | | | | - |
| | Watch list | - | - | - | - | - |
| | Impaired (Defaulted) | - | - | - | - | - |
| Total commitments | | 1.200.000 | - | - | - | 1.200.000 |
| Total | | 21.615.895 | - | 16.872.599 | - | 38.488.494 |
| 31 December 2019 | | | | | | |
| | Internal credit rating | Non Impaired | | Credit Impaired | POCI | Total gross amount |
| | | 12-month ECL | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | | |
| Large Corporate | Strong | 20.418.133 | | | | 20.418.133 |
| | Satisfactory | | | | | - |
| | Watch list | - | - | - | - | - |
| | Impaired (Defaulted) | - | - | - | - | - |
| SMEs | Strong | | | | | - |
| | Satisfactory | | 16.965.597 | | | 16.965.597 |
| | Watch list | - | - | - | - | - |
| | Impaired (Defaulted) | - | - | - | - | - |
| Total lending portfolio | | 20.418.133 | 16.965.597 | - | - | 37.383.730 |
| Commitments | Strong | 1.200.000 | | | | 1,200,000 |
| | Satisfactory | | | | | - |
| | Watch list | - | - | - | - | - |
| | Impaired (Defaulted) | - | - | - | - | - |
| Total commitments | | 1,200,000 | - | - | - | 1,200,000 |
| Total | | 21.618.133 | 16.965.597 | - | - | 38.583.730 |

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at 31 December 2019 can be assessed by reference to the Company's standard grading system. The following information is based on that system:

| | 31/12/2020 | 31/12/2019 |
|--|---------------------------------------|---------------------------------------|
| | Loans and advances to customers | Loans and advances to customers |
| Grades: | | |
| Satisfactory risk (wholesale grades 1 to 6) | 20.415.895 | 37.383.730 |
| Watch list and special mention (wholesale grade 7) | - | - |
| Total | 20.415.895 | 37.383.730 |

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

I Quantitative data :

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

II Qualitative data :

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

Loans and advances past due but not impaired

| | 31/12/2020 | 31/12/2019 |
|------------------------|---------------------------------------|---------------------------------------|
| | Loans and advances to customers | Loans and advances to customers |
| Past due up to 29 days | - | - |
| Total | - | - |

Impaired loans and advances individually assessed

As at 31 December 2020 the Company has loan and advances that was individually impaired.

| | 31/12/2020 | 31/12/2019 |
|-------------------------------------|---------------------------------------|---------------------------------------|
| | Loans and advances to customers | Loans and advances to customers |
| Individually impaired loans - gross | 5.148 | - |
| Total | 5.148 | -- |

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

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

| | 2020 | 2019 |
|------------------------|---------------|---------------|
| Opening balance | -4.837 | -39.272 |
| Impairment charge | -4.954 | 34.435 |
| Closing balance | -9.791 | -4.837 |

Concentration of risks of financial assets with credit risk exposure

Geographical sectors

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

| | 31/12/2020 | 31/12/2019 |
|----------------------------------|-------------------|-------------------|
| Loans and advances to customers: | | |
| Serbia | 37.288.494 | 37.383.730 |
| Total | 37.288.494 | 37.383.730 |

Industry sectors

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

| | 31/12/2020 | 31/12/2019 |
|----------------------------------|-------------------|-------------------|
| Loans and advances to customers: | | |
| Commerce and services | 16.872.599 | 16.965.597 |
| Construction | 20.415.895 | 20.418.133 |
| Total | 37.288.494 | 37.383.730 |

Loans and Advances to Customers, Impaired Loans and Impairment Allowance by Product Line, Industry and Geographical Region as of December 31st 2020 are presented in the following table:

| 31 December 2020 | | | | | |
|-----------------------------------|-------------------|---------------------|------------------------------|----------------------|--------------|
| Rest of Europe | | | | | |
| | Gross amount | | | Impairment allowance | |
| | Lifetime ECL | | | | |
| | 12-month ECL | not credit-impaired | Lifetime ECL credit-impaired | | |
| Wholesale Lending | 20.415.895 | 16.872.599 | - | - | - |
| -Commerce and services | - | 16.872.599 | 0 | 5.148 | - |
| -Construction | 20.415.895 | - | - | 4.643 | - |
| -Other | - | - | - | - | - |
| Total Lending | 20.415.895 | - | 16.872.599 | - | 9.791 |
| Credit related Commitments | | | | | |
| Guarantees and Letters of credit | - | - | - | 0 | - |
| Commitments | 1.200.000 | - | - | 0 | - |
| Total Commitments | 1.200.000 | - | - | 0 | - |
| 31 December 2019 | | | | | |
| Rest of Europe | | | | | |
| | Gross amount | | | Impairment allowance | |
| | Lifetime ECL | | | | |
| | 12-month ECL | not credit-impaired | Lifetime ECL credit-impaired | | |
| Wholesale Lending | 37.383.730 | - | - | - | - |
| -Commerce and services | 16.965.597 | - | - | - | 330 |
| -Construction | 20.418.133 | - | - | - | 4.507 |
| -Other | - | - | - | - | - |
| Total Lending | 37.383.730 | - | - | - | 4.837 |
| Credit related Commitments | | | | | |
| Guarantees and Letters of credit | - | - | - | - | - |
| Commitments | 1.200.000 | - | - | - | - |
| Total Commitments | 1.200.000 | - | - | - | - |

Restructured loans

In order to protect from the risk of borrower default or to minimize losses arising from default, the Company undertakes the following measures in managing receivables: restructuring, repossession of assets in collection of receivables, initiation of court proceedings and other measures. The Company approves restructuring of receivables to the borrowers who experience certain setbacks in their business operations. Such loans are classified as forborne.

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

Forbearance is a modification of contract terms and conditions, which is considered as concession due to financial difficulties of the obligor. According to internal definition, the Bank distinguishes between performing and non-performing category of forborne loans as follows:

a) *Exposures are considered as Forborne Performing in the following cases (it is assumed that the exposure fulfils conditions not to be classified as Non-performing):*

- Modified contract with more favorable terms than other debtors with similar risk profile
- Total or partial refinancing of a troubled debt contract due to financial difficulties
- Modified contract which has been more than 30 days past due even if the clause was included in the original contract
- Forborne Non Performing exposures for which conditions to be treated as cured have been met, after at least one year from the date of modification.

b) *The following cases are considered as Forborne Non Performing exposure:*

- Modification of contract terms and conditions or refinancing, when the client was under Non Performing status and for at least one year after the last concession
- A Forborne Performing exposure, which during the Forborne Performing probation period met the criteria for Non Performing status
- Modifications of exposures which were Non Performing and after one year under Forborne Non Performing probation period met the criteria for entering the Forborne Performing („cured”) status, but during the Forborne Performing probation period, the exposure was either re-modified or more than 30 days past due,
- Renewals of forbearance coming from Forborne Performing exposure (less than 90 days past due and not unlikely to pay/defaulted/impaired), will be classified as Forborne Non Performing if there has been more than one additional concession during probation period.

A forborne contract is considered under probation either from the moment of forbearance, if at the time of forbearance it was not classified as non-performing and forbearance did not lead to its being classified as non-performing, or from the moment it was classified as performing.

The forbearance classification shall be discontinued when all the following conditions are met:

- a minimum 2-year probation period has passed from the date the forborne exposure was considered as performing;
- regular payments of more than an insignificant aggregate amount of principal or interest have been made during at least half of the probation period;
- none of the exposures to the debtor is more than 30 days past-due at the end of the probation period.

Segmentation of Forbearance measures (indicative):

1. **Short-term forbearance measures (duration up to 2 years):** Arrears Capitalization, Arrears Repayment Plan, Reduced Payment above interest only, Interest only, Reduced Payment below interest only and Grace Period.
2. **Long-term forbearance measures (duration > 2 years):** Interest Rate Reduction, Loan term extension, Split balance, Partial Debt Forgiveness/Write Down, Operational Restructuring and Debt/Equity Swap.

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

Credit Quality of Forborne Loans and Advances to Customers as of December 31st 2020 is depicted in the following overview:

| | 31 December 2020 | | |
|--|---------------------------|------------------------------|-----------------------------------|
| | Total loans & advances | Forborne loans & advances | % of Forborne loans & advances |
| Gross carrying amounts: | | | |
| 12-month ECL | 20.420.538 | - | 0,0% |
| Lifetime ECL not credit-impaired | | - | % |
| Lifetime ECL credit-impaired | 16.877.747 | - | 0,0% |
| Total Gross Amount | 37.298.285 | - | 0,0% |
| Cumulative ECL Loss allowance : | | | |
| 12-month ECL allowance | (4.643) | - | |
| Lifetime ECL (not credit-impaired) allowance | | - | |
| Lifetime ECL (credit-impaired) allowance of which: | (5.148) | - | |
| - Individually assessed | (5.148) | - | |
| - Collectively assessed | | - | |
| POCI | | - | |
| - Individually assessed | | - | |
| - Collectively assessed | | - | |
| | - | - | |
| Total Net carrying amount | 37.288.494 | - | 0,0% |
| Collateral received | 36.915.609 | - | |

| | 31 December 2019 | | |
|--|---------------------------|------------------------------|-----------------------------------|
| | Total loans & advances | Forborne loans & advances | % of Forborne loans & advances |
| Gross carrying amounts: | | | |
| 12-month ECL | 37.383.730 | - | 0,0% |
| Lifetime ECL not credit-impaired | | - | % |
| Lifetime ECL credit-impaired | | - | % |
| Total Gross Amount | 37.383.730 | - | 0,0% |
| Cumulative ECL Loss allowance : | | | |
| 12-month ECL allowance | (4.837) | - | |
| Lifetime ECL (not credit-impaired) allowance | | - | |
| Lifetime ECL (credit-impaired) allowance of which: | | - | |
| - Individually assessed | | - | |
| - Collectively assessed | | - | |
| POCI | | - | |
| - Individually assessed | | - | |
| - Collectively assessed | | - | |
| | - | - | |
| Total Net carrying amount | 37.378.893 | - | 0,0% |
| Collateral received | 37.378.893 | - | |

Credit risk mitigation (collaterals)

The amount and type of the requested collateral depends on estimated credit risk of a borrower or transaction. Conditions for all collaterals are determined by the analysis of the client's solvency, type of credit risk exposure, loan maturity, as well as the exposure amount.

Through its internal methodology, the Bank determined acceptable types of collateral and the parameters of their valuations.

Valuations of collaterals are performed at the time of loan origination, and generally are updated periodically in accordance with the relevant internal regulations.

The Bank monitors the movements in the collateral market value and demands additional collateral in accordance with the loan agreements (where it is applicable).

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

Collateral overview

Breakdown of Collateral and Guarantees as of December 31st 2020 is presented in the following table:

| | 31 December 2020 | | | | Guarantees received |
|-------------------|------------------------------|-----------|---------------------|-------|------------------------|
| | Value of collateral received | | | | |
| | Real Estate | Financial | Other Collateral | Total | |
| Wholesale Lending | - | - | - | - | 36.915.609 |
| Total | - | - | - | - | 36.915.609 |
| | 31 December 2019 | | | | |
| | Value of collateral received | | | | |
| | Real Estate | Financial | Other Collateral | Total | |
| Wholesale Lending | - | - | - | - | 37.010.278 |
| Total | - | - | - | - | 37.010.278 |

6.2 Market risk

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

6.3 Interest rate risk

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

6.4 Foreign currency risk

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

Sensitivity analysis

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

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

| | Sensitivity of income statement | |
|-------------------------------------|---------------------------------|-------|
| | 2020 | 2019 |
| Foreign exchange sensitivity | | |
| 10% change of EUR/CHF exchange rate | 7.651 | 8.412 |
| | 7.651 | 8.412 |

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

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Liquidity risk

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

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

ERBNEF SER Assets maturity

| 31-12-2020 | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
|--|------------------|----------------|-------------------|-----------|-------------------|-------------------|
| Loans & advances to customers | 611.250 | 0 | 20.395.357 | 0 | 16.125.021 | 37.131.628 |
| Interest receivable | 0 | 147.075 | - | - | - | 147.075 |
| Other receivables | - | - | - | - | - | 0 |
| Taxation | - | - | 22.054 | - | - | 22.054 |
| Cash and cash equivalents | 621.585 | - | - | - | - | 621.585 |
| Total Assets held for managing liquidity risk | 1.232.835 | 147.075 | 20.417.411 | 0 | 16.125.021 | 37.922.342 |

ERBNEF SER Liabilities maturity

| 31-12-2020 | Up to 1 month | 1-3 months | 4-12 months | 1-5 years | Over 5 years | Total |
|---|----------------|---------------|-------------------|-----------|-------------------|-------------------|
| Borrowings from Group companies | 611.250 | 0 | 20.400.000 | 0 | 12.528.760 | 33.540.010 |
| Interest payable to Group companies | 0 | 13.692 | - | - | - | 13.692 |
| Other payables | 30.507 | - | - | - | - | 30.507 |
| Total Liabilities held for managing liquidity risk | 641.757 | 13.692 | 20.400.000 | 0 | 12.528.760 | 33.584.209 |

31/12/2019

| 31/12/2019 | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
|--|------------------|---------------|-------------------|-----------|-------------------|-------------------|
| Loans & advances to customers | 0 | 0 | 20.395.493 | 0 | 16.944.839 | 37.340.332 |
| Interest receivable | 0 | 38.561 | - | - | - | 38.561 |
| Other receivables | - | - | - | - | - | - |
| Taxation | - | - | 27.846 | - | - | 27.846 |
| Cash and cash equivalents | 1.090.276 | - | - | - | - | 1.090.276 |
| Total Assets held for managing liquidity risk | 1.090.276 | 38.561 | 20.423.339 | 0 | 16.944.839 | 38.497.015 |

ERBNEF SER Liabilities maturity

| 31/12/2019 | Up to 1 month | 1-3 months | 4-12 months | 1-5 years | Over 5 years | Total |
|---|---------------|---------------|-------------------|-----------|-------------------|-------------------|
| Borrowings from Group companies | - | 0 | 20.400.000 | - | 13.805.010 | 34.205.010 |
| Interest payable to Group companies | - | 30.404 | - | - | - | 30.404 |
| Other payables | - | - | - | - | - | 0 |
| Total Liabilities held for managing liquidity risk | 0 | 30.404 | 20.400.000 | 0 | 13.805.010 | 34.235.414 |

6.6 Fair values of financial assets and liabilities

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

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

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

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

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Fair values of financial assets and liabilities (continued)

Assessment of financial instruments

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

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

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

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

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

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

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

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

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

| In EUR | 31-12-2020 | | 31-12-2019 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Book value | Fair value | Book value | Fair value |
| Financial (monetary) assets | | | | |
| Cash and cash equivalents | 621.585 | 621.585 | 1.090.276 | 1.090.276 |
| Loans and advances from customers | 37.131.628 | 37.131.628 | 37.340.332 | 37.340.332 |
| Other assets | - | - | - | - |
| Total | 37.753.214 | 37.753.214 | 38.430.608 | 38.430.608 |
| Financial (monetary) liabilities | | | | |
| Borrowings | 33.540.010 | 33.540.010 | 34.205.010 | 34.205.010 |
| Other liabilities | 13.692 | 13.692 | 30.404 | 30.404 |
| Total | 33.553.702 | 33.553.702 | 34.235.414 | 34.235.414 |

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

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Fair values of financial assets and liabilities (continued)

| In EUR | Fair value | | | |
|-----------------------------------|------------|---------|-------------------|-------------------|
| 31-12-2020 | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Loans and advances from customers | - | | 37.131.628 | 37.131.628 |
| Total | - | - | 37.131.628 | 37.131.628 |
| Liabilities | | | | |
| Borrowings | - | - | 33.540.010 | 33.540.010 |
| Total | - | - | 33.540.010 | 33.540.010 |
| | | | | |
| 31-12-2019 | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Loans and advances from customers | - | - | 37.340.002 | 37.340.002 |
| Total | - | - | 37.340.002 | 37.340.002 |
| Liabilities | | | | |
| Borrowings | - | - | 34.205.010 | 34.205.010 |
| Total | - | - | 34.205.010 | 34.205.010 |

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

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

Assets whose fair value approximates their book value.

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

Financial instruments with fixed rate.

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

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

6.7 Capital management

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

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

The capital of the Company is presented below:

| | 31/12/2020 | 31/12/2019 |
|----------------------------|------------------|------------------|
| Issued and paid-up capital | 18.000 | 18.000 |
| Share premium | 1.982.000 | 1.982.000 |
| Other reserve | 2.338.133 | 2.245.133 |
| Total equity | 4.338.133 | 4.245.133 |

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

7 LOANS & ADVANCES TO CUSTOMERS

| | 31-12-2020 | 31/12/2019 |
|--|------------|------------|
| Loans to Serbian corporate clients | 37.141.419 | 37.340.332 |
| (Less) / Added: allowance for impairment | -9.791 | -4.837 |
| | 37.131.628 | 37.335.495 |
| Loan repayments due: | | |
| Up to 1 month | 611.250 | - |
| 1-3 months | - | - |
| 4-12 months | 20.395.357 | 20.400.000 |
| | 21.006.607 | 20.400.000 |
| 1-5 years | - | - |
| Over 5 years | 16.125.021 | 16.944.839 |
| | 16.125.021 | 16.944.839 |

Loans bear variable interest ranging from 1 month to 3 month Euribor/Libor plus a spread ranging from a minimum 2.00% to a maximum of 3.15% and according to the client specific Credit Facility Agreements. 99% of the loan value is secured by a guarantee from either Eurobank A.D. Beograd, in Serbia, (under Master and Guarantee Agreement dated December 4, 2006) or by the Company's shareholder, Eurobank S.A.

8 INTEREST RECEIVABLE

| | 31-12-2020 | 31/12/2019 |
|--|------------|------------|
| Interest on loans to Serbian corporate clients | 147.075 | 38.561 |
| | 147.075 | 38.561 |

10 CASH AND CASH EQUIVALENTS

| <u>Description</u> | | 31-12-2020 | 31/12/2019 |
|---------------------------------------|-----|------------|------------|
| Eurobank Privatebank Luxembourg S.A. | EUR | 456.566 | 934.683 |
| Eurobank Privatebank Luxembourg S.A. | CHF | 84.156 | 84.117 |
| | | 540.722 | 1.018.800 |
| Eurobank Private Bank Luxembourg S.A. | EUR | 37.290 | 27.903 |
| Eurobank S.A. | EUR | 43.235 | 43.235 |
| Eurobank Serbia | RSD | 338 | 338 |
| | | 621.585 | 1.090.276 |

The total balance of cash and cash equivalents consists of a total balance in euro of EUR 537.430 (2019: EUR 1.006.159) and in Swiss Franc of CHF 91.250 (2019: CHF 91.250).

The outlook of the credit ratings of the Eurobank Privatebank Luxembourg S.A. and Eurobank S.A. can be classified as 'Stable'. There are no restrictions on the availability of cash and cash equivalents. These are readily available.

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

11 EQUITY

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

As at December 31, 2020, 18.000 shares were issued and fully paid-up. For the movements in the Equity we refer to the Statement of Equity on page 10 of this report. ERB New Europe Funding B.V. is a subsidiary of Eurobank S.A., a Bank incorporated in Greece and listed on the Athens Stock Exchange.

LIABILITIES

12 BORROWINGS FROM GROUP COMPANY

| | 31-12-2020 | 31/12/2019 |
|--|-------------------|-------------------|
| Financing borrowings from Group Company: | | |
| Eurobank Private Bank Luxembourg S.A. | 33.540.010 | 34.205.010 |
| | 33.540.010 | 34.205.010 |
| Repayment due: | | |
| Up to 1 month | 611.250 | - |
| 4-12 months | 20.400.000 | 20.400.000 |
| | 21.011.250 | 20.400.000 |
| 1-5 years | - | - |
| Over 5 years | 12.528.760 | 13.805.010 |
| | 12.528.760 | 13.805.010 |

Borrowings bear variable interest ranging from 1 month to 3 month Euribor/Libor plus 2%; From 01.01.2020 the G-ALCO rate is amended to 1,65%.

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

13 INTEREST PAYABLE TO GROUP COMPANY

| | 31-12-2020 | 31/12/2019 |
|--------------------------|-------------------|-------------------|
| Default interest payable | 13.692 | 30.404 |
| | 13.692 | 30.404 |

Repayments are due within 3 months.

14 OTHER PAYABLES

| | 2020 | 2019 |
|--|---------------|---------------|
| Accrued audit fees | 30.000 | 15.000 |
| Several services and fees due to Eurobank S.A. | 507 | 507 |
| Other payables | - | 631 |
| | 30.507 | 16.138 |

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

15 Corporate Income Tax

For the year ended as at December 31, 2020, this item can be detailed as follows:

| | 2020 | 2019 |
|--|---------|----------|
| Profit/(Loss) before income tax | 114.158 | 136.048 |
| Less: Tax free or non-taxable income: | | |
| - Non-deductable costs | | - |
| - Exemptions | 14.074 | (39.478) |
| Taxable profit | 128.232 | 96.570 |
| Statutory tax rate 16.5% up to 200.000 for 2020 (19% for 2019) | 21.158 | 18.348 |
| Corporate Income tax current year | 21.158 | 18.348 |
| | 21.158 | 18.348 |
| Effective tax rate | 19% | 13% |

The movements in the Taxation are as follows:

| | 2020 | 2019 |
|---|---------------|---------------|
| Opening balance as at 1 January | 27.846 | 44.433 |
| Final receipt of the CIT 2016 from preliminary assessment | - | |
| Final receipt of the CIT 2017 from preliminary assessment | | (16.636) |
| Release of the rest CIT 2017 payable accrual | - | |
| Payments made via preliminary assessment 2018 | | |
| Payments made via preliminary assessment 2019 | | 29.690 |
| Payments made via preliminary assessment 2020 | | |
| Partial return of preliminary CIT 2018 | (15.934) | (8.310) |
| Paybale CIT 2018 (20%) | | |
| Paybale CIT 2019 (19%) | | -18.348 |
| Paybale CIT 2020 (19%) | (5.546) | |
| The movement in the Value Added Tax reclaimable | 15.688 | 15.869 |
| Final payment CIT 2019 | | (18.852) |
| Balance as at December 31, 2020 | 22.054 | 27.846 |

The nominal Corporate income tax rate in the Netherlands is 16,5% for the first EUR 200.000 and 25% for the remaining taxable result. Based upon the taxable result of the Company during the year under review, the effective Corporate income tax is 19%.

16 COMMISSION EXPENSES

| | 2020 | 2019 |
|---|--------|--------|
| Introduction fee to Eurobank A.D. Beograd | 39.996 | 39.996 |
| | 39.996 | 39.996 |

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

17 OTHER NET (EXPENSES)/INCOME

| | 2020 | 2019 |
|------------------------------|------|---------|
| Other income | | 99.989 |
| Foreign exchange gain/(loss) | 39 | 3.074 |
| | 39 | 103.063 |

18 GENERAL AND ADMINISTRATIVE EXPENSES

| | 2020 | 2019 |
|----------------------------------|--------|---------|
| Management and domiciliation fee | 69.998 | 70.000 |
| Tax advisory fee | 7.572 | 6.629 |
| Audit fees | 15.000 | - |
| Other | 4.851 | 4.899 |
| Write off loans / bad debts | - | 35.792 |
| | 97.421 | 117.321 |

The audit fees of EUR 15.000 (2019: EUR 15.000) solely comprises the fees of external independent auditor KPMG Certified Auditors S.A. for the statutory audit of the financial statements. The external independent auditor has not charged any fees relating to other assurance related services, tax, consulting or any other consulting services.

19 RELATED PARTY TRANSACTIONS

Eurobank Ergasias Services and Holdings S.A. (the Company or Eurobank Holdings) is the parent company of Eurobank S.A. (the Bank). The Board of Directors (BoD) of Eurobank Holdings is the same as the BoD of the Bank and part of the key management personnel (KMP) of the Bank provides services to Eurobank Holdings according to the terms of the relevant agreement between the two entities.

Fairfax Group, which holds 32.93% of Eurobank Holdings voting rights as of 31 December 2023 (31 December 2022: 32.99%), is considered to have significant influence over the Company.

Transactions with related parties for the year ended on 31 December 2020 are presented in the table below:

| | 2020 | 2019 |
|---|----------|----------|
| Interest income on loans & advances IMO Property Investments AD Beograd | 369.580 | 393.267 |
| Interest expense on borrowings | -569.550 | -852.506 |
| Commission expenses | -39.996 | -39.996 |
| | -239.966 | -499.235 |

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

| | 31-12-2020 | 31/12/2019 |
|---|-------------|-------------|
| Loans & advances to customers IMO Property Investments AD Beograd | 20.400.000 | 20.400.000 |
| Current account with Eurobank Private Bank Luxembourg S.A. | 540.722 | 1.018.800 |
| Current account with Eurobank S.A. | 43.235 | 43.235 |
| Borrowings from group Company | -33.540.010 | -34.205.010 |
| Interest payable to group Company | -13.692 | -30.404 |
| Other payables | -507 | -1.138 |
| | -12.570.252 | -12.774.517 |

20 COMMITMENTS AND CONTINGENCIES

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

The EUR 0.2 mln guarantee provided by Eurobank S.A. has been cancelled as of 16 May 2016 since the residual credit risk not covered by Eurobank A.D Beograd is covered by the Company's capital amounting to EUR 2 mln.

21 OTHER INFORMATION ON GENERAL AND ADMINISTRATIVE EXPENSES

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

22 DIRECTORS

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

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

23 OTHER INFORMATION

POSITION OF EUROBANK GROUP

Macroeconomic environment

Despite the fragile international environment, the economies of Greece, Bulgaria and Cyprus remained in expansionary territory in 2023, overperforming their European Union (EU) peers. More specifically, according to provisional data by the Hellenic Statistical Authority (ELSTAT), the Greek economy expanded by 2% on an annual basis in 2023 (2022: 5.6%), driven by increases in exports of goods and services, household consumption, and fixed investment. According to its Winter Economic Forecast (February 2024), the European Commission (EC) expects a GDP growth rate of 2.3% in 2024 and 2025. Amid strong base effects and easing energy prices, the inflation rate, as measured by the annual change in the Harmonized Index of Consumer Prices (HICP) decelerated to 4.2% in 2023 from 9.3% in 2022 according to ELSTAT, with the EC forecasting further de-escalation to 2.7% in 2024, and 2% in 2025. The average quarterly unemployment rate decreased to 11.1% from 12.4% in 2022, with the International Monetary Fund forecasts for 2024 and 2025 standing at 9.2% and 8.5% in 2024 and 2025 respectively, according to its January 2024 Art. IV Country Report. On the fiscal front, according to the 2024 State Budget, the general government primary balance is expected to post primary surpluses of 1.1% and 2.1% of GDP in 2023 and 2024 respectively, up from 0.1% of GDP in 2022. The gross public debt-to-GDP ratio, having declined significantly to 172.6% in 2022 due to the strong economic recovery and the effect of the high inflation on nominal GDP, is expected to decline further to 160.3% in 2023 and 152.3% in 2024.

Growth in Greece as well as in Bulgaria and Cyprus is expected to receive a significant boost from EU-funded investment projects and reforms. Greece shall receive € 36 billion (€ 18.2 billion in grants and € 17.7 billion in loans) up to 2026 through the Recovery and Resilience Facility (RRF), Next Generation EU (NGEU)'s largest instrument, out of which € 14.7 billion (€ 7.4 billion in grants and € 7.3 billion in loans) has already been disbursed by the EU. A further € 40 billion is due through EU's long-term budget (MFF), out of which € 20.9 billion is to fund the National Strategic Reference Frameworks (ESPA 2021–2027). Moreover, following the September 2023 floods in the Thessaly region, Greece could benefit from EU support of up to € 2.65 billion, according to the EC President.

On the monetary policy front, the Governing Council of the ECB, in line with its strong commitment to its price stability mandate, proceeded with ten rounds of interest rate hikes in 2022 and in 2023 (the most recent one in September 2023), raising the three key ECB interest rates by 450 basis points on aggregate. Furthermore, although net bond purchases under the temporary Pandemic Emergency Purchase Programme (PEPP) ended in March 2022, as scheduled, the ECB will continue to reinvest principal from maturing securities at least until the end of 2024, including purchases of Greek Government Bonds (GGBs) over and above rollovers of redemptions.

In 2023, the Greek government issued or re-opened twelve bonds of various maturities (from 5 to 19 years) through the Public Debt Management Agency (PDMA), raising a total of € 11.45 billion from the international financial markets. In February 2024, the PDMA raised an additional € 4.4 billion through a new 10-year bond issue and the reopening of two past issues. Following a series of sovereign rating upgrades in the second half of 2023, Greek government's long-term debt securities were considered investment grade by four out of the five Eurosystem-approved External Credit Assessment Institutions (Fitch, Scope, S&P: BBB-, stable outlook; DBRS: BBB (low), stable outlook), and one notch below investment grade by the fifth one, Moody's (Ba1, stable outlook) as of March 2024.

Regarding the outlook for the next 12 months, the major macroeconomic risks and uncertainties in Greece and our region are associated with: (a) the open war fronts in Ukraine and the Middle East, their implications regarding regional and global stability and security, and their repercussions on the global and the European economy, including the disruption in global trade caused by the recent attacks on trading vessels in the Red Sea, (b) a potential prolongation of the ongoing inflationary wave and its impact on economic growth, employment, public finances, household budgets, firms' production costs, external trade and banks' asset quality, as well as any potential social and/or political ramifications these may entail, (c) the timeline of the anticipated interest rate cuts by the ECB and the Federal Reserve Bank, as persistence on high rates for longer may keep exerting pressure on sovereign and private borrowing costs and certain financial institutions' balance sheets, but early rate cuts entail the risk of a rebound in inflation, (d) the prospect of Greece's and Bulgaria's major trade partners, primarily the euro area, remaining stagnant or even facing a temporary downturn, (e) the persistently large current account deficits that have started to become once again a structural feature of the Greek economy, (f) the absorption capacity of the NGEU and MFF funds and the attraction of new investments in the countries of presence, especially in Greece, (g) the effective and timely implementation of the reform agenda required to meet the RRF milestones and targets and to boost productivity, competitiveness, and resilience and (h) the exacerbation of natural disasters due to the climate change and their effect on GDP, employment, fiscal balance and sustainable development in the long run.

Materialization of the above risks, would have potentially adverse effects on the fiscal planning of the Greek government, as it could decelerate the pace of expected growth and on the liquidity, asset quality, solvency and profitability of the Greek banking sector. In this context, the Group's Management and Board are continuously monitoring the developments on the macroeconomic, financial and geopolitical fronts as well as the evolution of the Group's asset quality and liquidity KPIs and have increased their level of readiness, so as to accommodate decisions, initiatives and policies to protect the Group's capital, asset quality and liquidity standing as well as the fulfilment, to the maximum possible degree, of its strategic and business goals in accordance with the business plan for 2024 - 2026.

As at 31 December 2023, the Total Adequacy Ratio (total CAD) and Common Equity Tier 1 (CET1) ratios of Eurobank Holdings Group, stood at 19.4% (31 December 2022: 19.2%) and 16.9% (31 December 2022: 16%) respectively.

With regard to asset quality, as at 31 December 2023, the Group's NPE stock stood at € 1.5 billion, following the classification of the loan portfolio of project 'Leon' as held for sale, the sale of Eurobank Direktna a.d. disposal group, and the write-offs during the year (31 December 2022: € 2.3 billion), driving the NPE ratio to 3.5% (31 December 2022: 5.2%), while the NPE coverage ratio improved to 86.4% (31 December 2022: 74.6%). The Eurobank S.A. Group's net profit attributable to shareholders for the year ended 31 December 2023 amounted to € 1,148 million (2022: € 1,353 million, restated).

In terms of liquidity, as at 31 December 2023, following the completion of the sale of Eurobank Direktna a.d. disposal group, the Group deposits stood at € 57.4 billion (31 December 2022: € 57.2 billion), while the funding from the ECB refinancing operations amounted to € 3.8 billion (31 December 2022: € 8.8 billion). During the year, the Bank proceeded with the issuance of two preferred senior notes of € 500 million each. More recently, in January 2024, the Parent Company completed the issuance of a € 300 million Subordinated Tier II debt instrument. The rise in high quality liquid assets of the Eurobank Holding Group led the respective Liquidity Coverage ratio (LCR) to 178.6% (31 December 2022: 173%). In the context of the 2024 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).

ERB NEW EUROPE FUNDING B.V.

Notes to the Financial Statements as at December 31, 2020
(in EUR)

OTHER INFORMATION (CONTINUED)

Post balance sheet events

From 2022 the loans and advances which were granted to third parties customers and Eurobank Holding Group companies have been fully repaid or transferred internally within Eurobank Group. More specifically, in 2020 the gross book value of the loan portfolio was reduced to 37 mil and was related to two corporate loans, Metropol Palace and IMO Property Investments Beograd. Both exposures, have been transferred to another Eurobank Group subsidiary (Eurobank Cyprus) and proceeds received from the aforementioned transactions, were used to fully repay entity's borrowing towards Eurobank Private Bank Luxembourg S.A. Hence, the entity year end 2022 had nil balance in loans and advances to customers and financing borrowings from Eurobank Private Bank Luxembourg S.A.

On April 2024 the Company made a dividend distribution in the amount of EUR 2.000.000 from the respective retained earnings to the Shareholder of the Company Eurobank S.A.

Other events

Current conflict between Russia and Ukraine developments

In 2022, the geopolitical and economic upheaval caused by the Russian invasion in Ukraine, along with the persistent - albeit decelerating - inflationary pressures, high energy prices and rising borrowing costs affected negatively the global economic environment, worsened the macroeconomic outlook of the European economies, which are now confronted with a slowdown in growth and, accordingly, exacerbated economic uncertainty in the regions that the Bank operates. In this volatile environment, the Greek economy has exhibited notable resilience, mainly driven by the increase in consumption, export of services, strong performance in tourism and further acceleration of new investments supported by the RRF funds, which is expected to continue, at a slower pace though.

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

The Board of Managing Directors,

S. Psychogyios

E. Zois

L.P. Elstershamis

R. Wemmi

Amsterdam, June 4, 2024

ERB NEW EUROPE FUNDING B.V.

Amsterdam

Other Information

Statutory provision regarding appropriation of Result

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

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

Appropriation of result

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

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

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

Independent auditor's report

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