

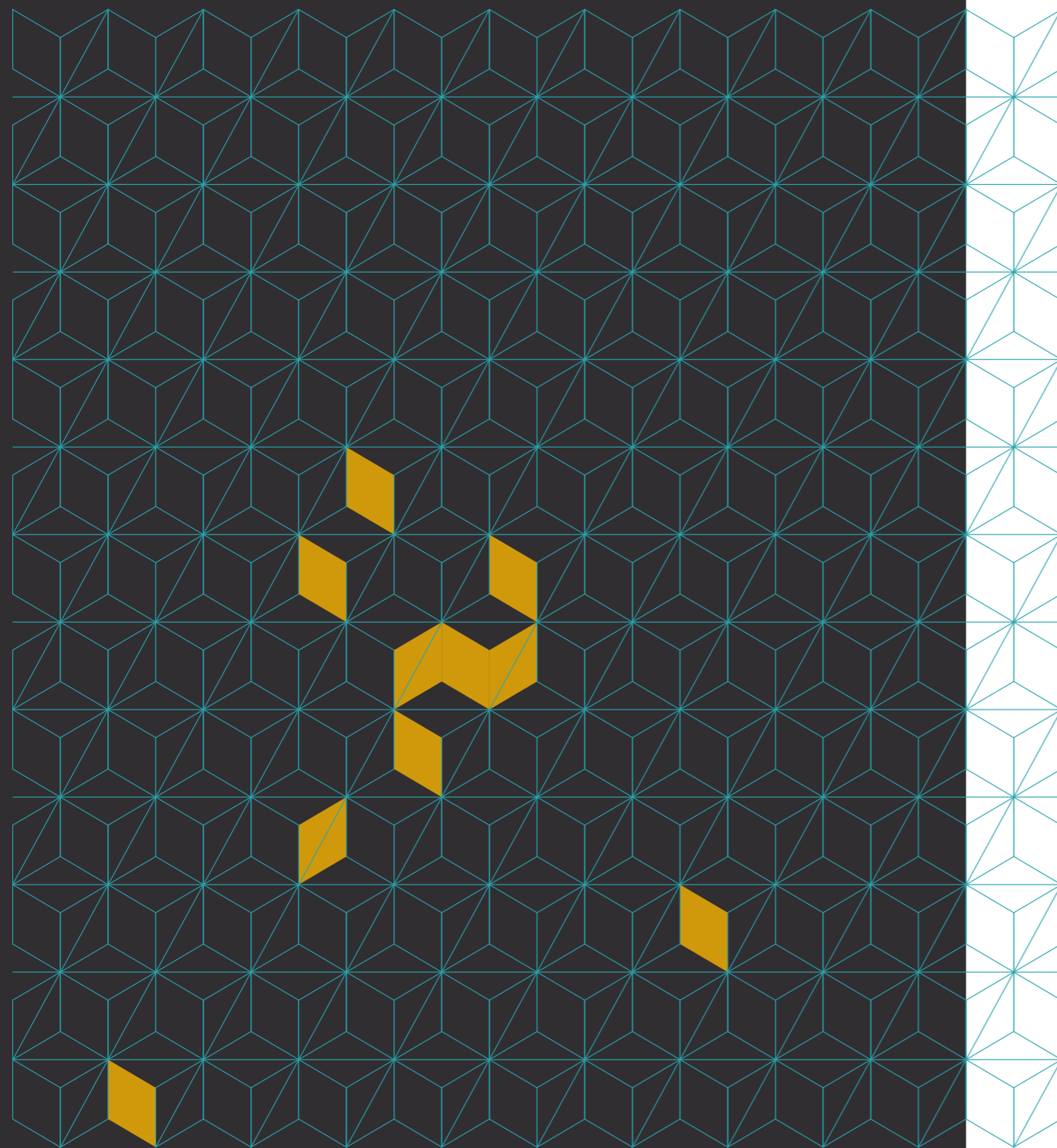


Annual Report 2017



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INTRODUCTION

Eurobank Private Bank Luxembourg is an autonomous bank incorporated under Luxembourg law and supervised by the Commission de Surveillance du Secteur Financier in Luxembourg (CSSF), the European Central Bank (ECB) and, for our London Branch, the Prudential Regulation Authority in the United Kingdom (PRA). Throughout 2017 our Bank's capital adequacy and liquidity buffers remained very high, with Basel II solvency ratio at 45.17% and liquidity coverage ratio of 652%, as of the end of 2017. Furthermore, in the context of our conservative risk approach, interbank exposure to European periphery was kept to a minimum. Our Bank's strong capital, ample liquidity and operational independence, combined with Luxembourg's AAA rating, provide our clients with the necessary peace of mind to pursue their Private Banking and Wealth Management goals. Whether through our headquarters in Luxembourg or our London branch, our highly experienced and dedicated teams offer an array of exclusive services with transparency and discretion.



Luxembourg

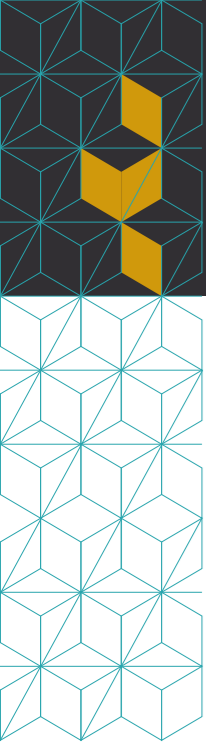
Our bank in Luxembourg, with more than thirty years in operation, focuses on private banking, investment fund services as well as selected corporate banking services. Our comprehensive offering extends beyond traditional wealth management to wealth structuring, alternative investment strategies, and financing of various types of assets, from securities and funds to real estate. Recognising that our clients have diverse needs and aspirations, we take a highly personalised approach in developing individual solutions and fostering long lasting relationships of trust.



United Kingdom

Our London branch, acquired three years ago, brings our offering to the center of global finance. Through our UK presence, we are addressing private clients with local and international banking needs, as well as companies with international activities. From residential and commercial property lending to wealth management mandates, our London clients enjoy the same high level of individual attention that our Bank has been known for over the years.

Overall, Luxembourg's ranking as Eurozone's top private banking hub and second biggest center for investment funds worldwide, combined with London's global reach allow our clients to benefit from an ever expanding range of possibilities, while still enjoying the exclusive service that our Bank excels in.



AS OF 31 MARCH 2018

DIRECTORS' REPORT

Board of Directors

| | |
|------------------------------|--|
| Mr. François RIES | Chairman |
| Mr. George A. PROVOPOULOS | Vice Chairman |
| Mr. Dimosthenis ARCHONTIDIS | Vice Chairman |
| Mr. Konstantinos TSIVERIOTIS | Managing Director, CEO |
| Mr. Fokion KARAVIAS | Director |
| Mr. Christos ADAM | Director |
| Mr. Michalis LOUIS | Director |
| Mrs. Yasmine RALLI | Director |
| Mr. Vincenzo LOMONACO | Secretary to the Board and General Manager |

Management

| | |
|------------------------------|------------------------|
| Mr. Konstantinos TSIVERIOTIS | Managing Director, CEO |
| Mr. Vincenzo LOMONACO | General Manager |

Senior Officers

| | |
|--------------------------|----------------|
| Mr. George CALLIGAS | Director |
| Mrs. Evangelia PITTAOULI | Director |
| Mrs. Athina DASKAGIANNI | Vice President |
| Mrs. Helen FOTINEAS | Vice President |
| Mr. Markos FOURMOUZIS | Vice President |
| Mr. Ion KAPPAS | Vice President |
| Mr. Christophe LANGUE | Vice President |
| Mrs. Danielle MARC | Vice President |
| Mr. Menelaos MENELAOU | Vice President |

The euro area and EU economies, according to recent data, are both estimated to have grown by 2.4% in 2017, the fastest pace in a decade in spite of the flurry of geopolitical changes and political upheaval. The US presidential transition, difficult EU-UK negotiations on Brexit, the backlash against globalization, the drumbeat of nationalist rhetoric worldwide and growing uncertainty about security in Asia driven by the actions of North Korea were unable to dent the economic sentiment of the euro area.

On the Luxembourg front, GDP growth is estimated to have reached 3.4% in 2017, up from 3.1% in 2016. After a weak performance in the first quarter of last year, economic activity gained momentum

in the second and third quarters. The latest indicators suggest that this trend likely continued in the final quarter of the year.

Throughout 2017 our Bank's capital adequacy and liquidity buffers remained very high, with Basel III solvency ratio at 45.17% and liquidity buffers at EUR 0.74 bn, as of the end of 2017. The strong financial position of our Bank, its conservative risk posture, its operational independence and its stable and growing client base have kept it ring-fenced from lingering risks in peripheral Europe and beyond. We are pleased to present our report for the year ending December 31, 2017.

2017 Global Overview

The global economy completed its best 7-year growth performance in 2017, accelerating to 3.7% from 3.2% in 2016. Mirroring robust domestic demand in developed economies and improved economic fundamentals in China and other large emerging economies, the global expansion benefitted from a sizeable global investment upswing, which has spurred stronger manufacturing activity across the globe. Key factors contributing to the global growth pickup in 2017 were a wider commodities' rebound, the US shale oil production and the Chinese property market. In addition, global monetary policy and financial conditions remained remarkably accommodative, as core Central Banks seemed determined to normalize monetary policy only gradually.

US economic growth accelerated to an annual rate of 2.3% in 2017, from 1.5% in 2016, enjoying one of the longest recoveries on record. The trend of robust consumer spending growth has been helped by improving labour market conditions and supportive financial conditions, while faster global growth and higher commodity prices have led to increased fixed investment by businesses. On the flipside, residential investment slowed significantly in 2017, marking its weakest year of growth since 2011, while net exports remained a drag on overall growth for the fourth consecutive year. Continuing the normalization of its overall monetary policy stance, the Fed hiked rates three times in 2017 by 0.75% cumulatively, taking the target range for the fed funds rate to 1.25-1.50%, and began its long-awaited normalization of its balance sheet in October. On the fiscal front, US general budget deficit as a percent of GDP is projected to decline slightly to -4.3% from a 4-year high of -4.4% in 2016, according to October 2017 IMF data.

Euro area economic growth surpassed initial expectations, rising by a decade high 2.5% in 2017, from 1.8% in 2016. Private consumption benefitted from

improving labour market conditions and the associated increase in consumer sentiment. Investment picked up thanks to favourable monetary and financial conditions and strengthening global growth. Despite continuing economic recovery, price pressures were well contained reflecting muted wage growth, mainly held back by the significant degree of remaining labour market slack. Mostly affected by higher energy prices, headline HICP reached a five-year high of 1.5%YoY, still below the ECB's inflation target, while core inflation rose at a slower pace, averaging 1.0%YoY. In terms of monetary policy, the ECB announced on 26 October 2017 a further extension of its asset purchase programme by nine months to September 2018. Furthermore, it decided to cut monthly purchases by half to EUR30bn as of January 2018, citing positive growth momentum and growing confidence in the inflation outlook. Mainly thanks to strong economic growth, the headline government balance is projected to improve in the majority of euro area member states with the general government deficit to GDP ratio falling close to 1.0%, the lowest in the last decade, from 1.5% in 2016.

Greece's real GDP growth for 2017 is expected at 1.4% from -0.2% in 2016. The unemployment rate in November 2017 was 20.9%, based on ELSTAT data, from 23.4% in December 2016. For FY 2017, according to European Commission's 2018 Winter Forecast, unemployment is expected at 21.8%, significantly lower than its peak of 27.5% in 2013. According to the 2018 Budget, the primary fiscal balance for 2017 is expected at 2.44% from 3.77% of GDP in 2016, outperforming Program targets for both years (by 0.50% and 1.75% of GDP in 2016 and 2017, respectively). The conclusion of the second program review and the continuation of the public sector's arrears clearance contributed to the significant reduction of uncertainty, and led to a series of credit rating upgrades and the successful issuance of a 5-year bond.

For Luxembourg, the latest data suggests that the third quarter's stronger economic performance was sustained in the final quarter of 2017 and Luxembourg's GDP growth is estimated to have reached

3.4% in 2017, up from 3.1% in 2016. As of October, annual growth in industrial output soared, and retail sales contracted at a significantly softer pace compared to the previous 12 months. Slowing inflation boosted consumers' purchasing power, likely translating into a pick-up in private consumption. Moreover, economic sentiment in the fourth quarter was on average slightly more upbeat than in the third quarter with October marking a 17-year high. Finally, the latest ECB projections indicate Luxembourg's inflation rate was 1.5% in 2017, compared to 1.6% in 2016.

Key Financials

Review of financial statements 2017

a) Balance Sheet

The Bank's total assets at year-end 2017 decreased by 13% compared to 2016 and amounted to EUR 2 335.8 mn. This can be explained by the decrease of Loans and advances to credit institutions by 28% to EUR 639.7 mn, vis-à-vis EUR 884.4 mn, as a result of the deposits' decrease. The Loans and advances to customers which represent the 64% of Total Assets have been also decreased by 7% from EUR 1 613.9 mn in 2016 to EUR 1 505.1 mn in 2017.

Customer deposits at year-end 2017 decreased by 14% compared to 2016, from EUR 1 289.5 mn to EUR 1 102.5 mn.

The total capital base stands at EUR 267 million (all Tier 1)

b) Income Statement

The Bank's net profit after taxation for the financial year 2017 increase by 13% compared to 2016 and amounted to EUR 13.4 mn. The main item contributing to this better performance is the Net Commission income which has increased by 27% from EUR 6.4 mn in 2016 to EUR 8.1 mn in 2017. In addition the Net Interest Income has slightly increased by 2% compared to 2016 and amounted to EUR 25.1 mn whereas the Other Administrative Expenses have decreased by 8% and amounted to EUR 6.8 mn.

Distribution of Profits:

The Board of Directors proposes that the 2017 annual accounts are approved, and that the Total Net Profit available for distribution be appropriated as follows:

| | | |
|---|-----|-------------|
| Profit for the financial year 31/12/2017 | EUR | 13,402,301 |
| Profit brought forward | EUR | 157,508,573 |
| Total net profit available for distribution | EUR | 170,910,874 |
| Allocation to Legal Reserve | EUR | - |
| Allocation from Special Reserve | EUR | -1,127,489 |
| Profit carried forward | EUR | 172,038,363 |

Risk Management Overview

The Board of Directors considers Risk Management as an integral part of the Bank's 3-lines-of defence Model that ensures sound and prudent business management, including the risks inherent in them:

- The 1st line of defence consists of the Business Units (Private Banking, Corporate, Funds, Treasury) that take or acquire risks under predefined controls and limits, and carry out the first level of controls as described in their respective procedures.
- The 2nd line of defence is formed by the Support Functions (Finance/Accounting, IT, Back Office, Loans Administration), and the Control Functions (Risk, Compliance) which exercise independent controls.
- The 3rd line of defence consists of the Internal Audit Function, which

DIRECTORS' REPORT

independently, objectively and critically reviews the functions of the first 2 lines of defence.

The aim is to ensure that all risks assumed in the context of the Bank's business are recognized instantaneously and are properly managed. We achieve this by fully integrating risk management into daily business activities and developing our business consistently with a defined risk appetite, allowing us to achieve sustained growth in a controlled environment.

The strategy of the Bank is based on its core activities: Private Banking, Investment Fund Administration business, Treasury and General Banking (Corporate Loan referrals, Shipping Loans and London Branch). Our Bank continuously identifies the risks inherent in its operations and has adopted processes for how they are to be managed.

The risk process also provides a clear description of the Bank's risk profile, which serves as the basis for the internal capital adequacy assessment process. This process, in turn, is an evaluation based on capital needed to support the Bank's overall risk level and business strategy. The aim is to ensure efficient use of capital and at the same time ensure that the Bank, even in adverse market conditions, will meet the minimum legal capital requirement.

The system for measurement of risks is an essential part of risk management. Market risks are quantified by using Value-at-Risk (VaR) complemented by various types of sensitivity measures. Credit risks are quantified through the internal rating system in combination with assessments based on local competence. The Bank, in direct compliance with Group policies, has adopted an IFRS 9 Impairment methodology, which will apply as of 01/01/18, and will be used to calculate the Expected Credit Loss of its exposures, and respective Provisions, on an on-going basis. As all risks, operational risks are evaluated on the basis of the likelihood that an event will occur and the financial consequence of such an event.

The Bank's risk appetite is determined by

the Board of Directors which aims for a balance between risk/return and capital. The risk appetite can be described in terms of a number of overall statements. These statements applied and were honoured, under all situations in 2017 and in particular to both, risk and business positioning of the Bank.

The Bank has adopted a Risk Management Framework that complies with the provisions of Circular CSSF 12/552, as amended, on "Central administration, internal governance and risk management".

The Bank is a member of the Eurobank Group, and to that effect all specific Risk Policies must abide by local regulations, be approved by the Board of Directors, but also be compliant with Group Policies. As such, and in order to assist the Board of Directors in approving the Bank's risk-taking and associated capital assessment, the Capital, Risk and Liquidity Policy, as well as Credit approval limits and accepted collateral, must first be ratified by the Group and then approved by the Board of Directors. Moreover, the Internal Audit of the Bank is delegated to Group Audit and the Chief Internal Auditor is a senior member of Group Audit.

The degree of control and influence exercised by the headquarter and the group, formally or informally, is effective in identifying and mitigating risks, as there are regular controls of all of the Bank's activities (including Risk Management, Compliance, Finance, Investment Strategy and Products). Group standards are implemented and used in all of the activities (including products and services) of the Bank.

The Risk Management of the Bank is the responsibility of the Chief Risk Officer (CRO), who is aided in this function by a dedicated Risk Department. The Risk Department reports to the CRO, and has a direct reporting line to Group Risk. The remuneration of the Department's staff is not linked to the performance of the activities monitored and controlled. The Bank's risk management function covers the measures for early identification of risk, risk control and risk monitoring with regard to banking risks.

The Bank has in place a contingency plan, where all strategies and actions are in place in order to be able to respond to any extreme adverse scenario coming from a financial turmoil and European Sovereign debt crisis.

Global Economic Outlook for 2018

Global economic recovery is set to continue in 2018, with real GDP growth gaining further momentum to 3.9%, from 3.7% in 2017, supported by broadly accommodative monetary policies, more expansionary fiscal policy in a number of developed economies, continuing strong consumer spending and a further acceleration in global trade. Global growth is not only expected to gain further momentum but also to broaden across advanced and emerging economies, except for China, where structural reforms are set to lead to a moderate slowdown. In advanced economies, the overhaul of the US tax code will likely boost US GDP growth, while the Eurozone is expected to continue growing above potential on the back of a supportive monetary and fiscal mix with solid global demand likely offsetting currency appreciation.

In the US, real GDP growth is projected to accelerate to 2.6% in 2018, from 2.3% in 2017, with the overhaul of the tax code expecting to add about 0.5bp to overall GDP growth. The pace of consumption growth may decelerate somewhat amid weaker employment gains and higher inflation. Nevertheless, business fixed investment is likely to accelerate significantly, as the energy-related rebound in 2017 is gradually replaced by a temporary boost from capex-friendly tax changes. Net trade is expected to continue being a drag on growth as stronger projected business equipment investment will likely lead to a wider trade deficit, given that equipment spending is the most import-intensive part of final demand. A more protectionist stance in US trade policy that could weigh on global trade and cross-border investment flows constitutes

one of the biggest risks in 2018. With balance-sheet normalization underway, the interest rate hike cycle in 2018 will be largely dependent on the underlying trend rate of inflation, with at least three more hikes likely coming in the March, June, September or December meetings that are accompanied with updated economic projections and a press conference with the FOMC Chairman.

Broad-based economic recovery in the euro area is expected to continue in 2018, with real GDP growing by 2.5%, the same rate of change as in 2017 and above potential for the second year in a row. Domestic demand will probably remain a key growth driver, supported by continuing employment gains and growing household wealth. Business investment should continue to strengthen on the back of favourable financing conditions and rising corporate profitability, while solid global growth should provide a good buffer against FX-related headwinds. As the euro area recovery continues, headline HICP is expected to pick up to 1.7%YoY in 2018, from 1.5%YoY in 2017, remaining though below the ECB's inflation target for the fifth consecutive year. In terms of monetary policy, the ECB has committed to continue its asset purchase programme at least until September 2018 and keep interest rates stable "well past" the horizon of the programme. Apart from a possible breakdown in Brexit negotiations, downside risks on the euro area mainly stem from the March 4 general election in Italy, one of the most sensitive big euro area economies, currently facing sluggish economic growth, banking system challenges and high public debt.

For 2018, Greece's real GDP growth market consensus is currently at 2.1%. Unemployment is expected at 20.4% as per the European Commission's 2018 Winter Forecast. According to the 2018 Budget, the 2018 primary fiscal balance is expected at 3.82% of GDP against a target of 3.50% of GDP in the Third Economic Adjustment Program. The successful conclusion of the third program review in 2018 paves the way for an agreement on debt relief measures and on the post-programme relation of Greece with its official creditors by July 2018.

Luxembourg's economic growth is set to accelerate in 2018 on the back of robust exports performance and recovering domestic demand. Private consumption is projected to continue growing moderately, mainly supported by stronger employment for residents and some income gains from the wage indexation expected in the first half of 2018. However, household high indebtedness might be affecting consumption growth. Construction investment is set to continue increasing strongly, sustained by growing private building and large public infrastructure projects. The external sector is expected to remain solid, aided by an improved external environment, especially in the euro area. Overall, GDP is forecast to grow by 3.9% in 2018 and STATEC maintains its inflation forecast at 1.4% for 2018.



Business Outlook 2018

Eurobank group is active in five countries, with total assets of €60 billion and over 13,000 employees, offering a comprehensive range of financial products and services to its retail and corporate customers. Eurobank is one of the four systemic banks in Greece and has a regional presence in Bulgaria, Serbia, Cyprus, Luxembourg and London.

In 2017, Eurobank strengthened its balance sheet and improved its operating performance: The capital ratios were up, client deposits increased, Eurosystem funding decreased, the stock of non-performing exposures (NPEs) was reduced according to the revised plan agreed with the Supervisor and profits were generated. For 2018, Eurobank group aims to continue executing its NPE reduction plan and strengthening further its financial position.

Luxembourg is the premier private banking centre in the Eurozone and the second largest fund centre in the world. The success of the financial centre is founded on the social and political stability of the Grand Duchy, its AAA rating and on a modern legal and regulatory framework that is continuously updated, inspired

by regular consultation between the government, the legislator and the private sector. This legal framework, combined with Luxembourg's openness to the world and strategic location, has attracted international banks, insurance companies, investment fund promoters and specialist service providers.

The Luxembourg financial centre is characterised by a strong culture of investor protection and rigorous anti money-laundering policies. Its specialist teams are multilingual and multicultural, with a long tradition of financial expertise and extensive knowledge of the needs of an international clientele. The Luxembourg financial centre is an ideal hub for private and institutional investors from all over the world. As confirmed by the latest Global Financial Centres Index (GFCI 22), once again Luxembourg is one of the leading financial centres in the EU, together with London and Frankfurt. Climbing by four places, Luxembourg now ranks 14th out of 92 global financial centres, overall. Furthermore, the Luxembourg financial centre scores particularly well in the industry sub-indices 'Human Capital' and 'Government & Regulatory', ranking 10th and 5th, respectively. Categorized as one of two 'Global Specialists', Luxembourg is also one of only two European centres likely to become more significant in the future. 'Global specialists' are centres with a special depth in the industry sectors of investment management, banking, insurance, professional services, and government and regulatory. It is in these areas of specialization that our Bank also engages in.

On the other hand, the next two years will be challenging for the UK, as Brexit negotiations and implementation will have a significant impact on the country and especially London as a global financial center. This is expected to affect our London Branch's activity, presenting both challenges, in terms of operating under a dual regulatory regime (PRA and SSM) and continuing to finance investments in the UK real estate sector, but also opportunities, as the UK may become an attractive non-EU jurisdiction for some of our clients.

Overall, our Bank is entering 2018 maintaining a strong position. In particular:

1. Our Bank, an autonomous organization incorporated under Luxembourg law and regulated by the European Central Bank (ECB) and the "Commission de Surveillance du Secteur Financier" (CSSF), is armoured with an exceptionally strong capital position, ample excess liquidity, a self-sufficient operating model and an asset book of EUR 2.3bn.
2. Through our thirty years plus experience and a focused business model, we offer a comprehensive range of world class products and personalized services in Private Banking, Wealth Structuring and Management, and Funds Administration, as well as selected corporate banking services
3. With locations in Luxembourg and London, and presence in Greece, our Bank is positioned to cover clients in a wide geographical area, especially in Southeast Europe and the UK. Luxembourg's strength as Eurozone's top Private Banking centre, combined with London's global reach, afford our clients access to an especially broad realm of possibilities.

While increased regulation, diminishing margins and negative EUR interest rates remain key challenges for most banks in Europe, our plan for 2018 builds on our particular strengths and niche advantages to grow our business and profitability, while making our Bank even stronger. More specifically, our efforts for the current year will focus in six main directions:

- i. We intend to attract more clients and funds under management through our exclusive and innovative offering, our broad geographical footprint and our expanding relationship and referral network. Our Wealth Management services will be further enhanced with more choices in Investment Advisory under MiFID II, while our Private Banking clients will benefit

from a revamped offering from our Family Office unit.

- ii. Lending will also remain a key area of growth, where bespoke investment and real estate loans in private and commercial banking, as well as selected shipping loans will deepen our client relationships and increase and diversify our asset profitability. As in past years, conservative collateral standards will be applied throughout this activity, while specific Risk Appetite metrics, per Business area, have been set in our Risk Policy.
- iii. Our new digital platform will be deployed and promoted throughout the year, improving the overall service and communication experience for our clients. On the bank side, these initiatives will allow for further streamlining and automation of our operations.
- iv. We will continue improving our operational efficiency and reduce the Bank's costs through process automations, systems integration and optimization of our premises. We will fully migrate to a single core banking system within the year, completing the operational integration of our London Branch. The expansion of our Athens premises will also be completed early in the year. Furthermore, with the purchase of our own building in Luxembourg early in 2018, the process of relocating our Luxembourg operations has started with the goal of housing most of our headquarters in the new building by the end of the year. The completion of these initiatives, together with last year's relocation of our London Branch, will fully address our needs in our three locations and support the Bank's undisrupted growth.
- v. We will follow through with our plans for a smooth transition of our London Branch to the post-Brexit era. We are in continuous contact with our EU and UK regulators and plan to apply for an incoming



DIRECTORS' REPORT

branch licence in the UK in the first half of the year.

- vi. Finally, we will continue with the diligent implementation of the regulatory changes becoming effective throughout 2018, while thoroughly addressing their impact on our business, systems and operations.

On behalf of the Board of Directors, we would like to express to our customers our deep appreciation for their loyalty to the Bank and to the management and personnel our gratitude for their enthusiasm, consistency and dedication.

5 March 2018



François Ries
Chairman



Konstantinos Tsiveriotis
CEO & Managing Director



AUDIT REPORT

To the Board of Directors of Eurobank Private Bank Luxembourg S.A.



Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of Eurobank Private Bank Luxembourg S.A. (the Bank) as at 31 December 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

What we have audited

The Bank's annual accounts comprise:

- The balance sheet as at 31 December 2017;

- The profit and loss account for the year then ended; and
- The notes to the annual accounts, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements" section of our report.

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

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014.

The non-audit services that we have provided to the Bank, in the period from 1st January 2017 to 31 December 2017, are disclosed in the Note 14.5 to the annual accounts.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud). These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the Key audit matter |
|---|--|
| <p>Valuation of loans and advances to customers (value adjustment process)</p> <p>Loans and advances to customers are one of the significant items on the Bank's balance sheet representing 64% of total assets. The Bank's customer lending operations primarily consist of corporate loans that are focused on companies, which are already customers of the Eurobank Group and loans to Private Banking clients which are granted internationally and supported by mortgages in and/or, and financial securities. 72% of loans to customers is guaranteed, in total or partially, by Letter of Guarantee (LG) and/or Pledge on Funding (PF) by the (the "Parent Bank" (Eurobank Ergasias S.A.) 28% of the Bank's loan portfolio is therefore retained at the Bank's own credit risk (of which however the majority is relating to Lombard loan activities, where the Bank has liquid collateral above 100%).</p> <p>As it relates to its credit activities, there is a considerable inherent risk because measurement of loans and receivables is based on estimates of the borrower's credit risk. However, the Bank has a low record of non-performing loans since its incorporation.</p> <p>The majority of Bank's borrowers are exposed to the Greek and UK specific sector conditions (primarily real estate, where the Bank is however lending with conservative Loan To Value ratios). Adverse market conditions in those aforementioned countries may worsen a large part the quality of credit and in particular those not covered by LG or PF. This matter was of particular importance during our audit.</p> <p>The Bank's disclosures on the accounting policy for value adjustments in respect of loans and advances are provided in Note 2.3 within the notes to the annual accounts.</p> | <p>We first tested and assessed the Bank's relevant internal control system with respect to the valuation of loans and advances to customers. We considered the respective business organisation, IT systems and valuation models.</p> <p>We tested for a selection of dates the controls regarding the loan origination, loan monitoring and credit assessment processes.</p> <p>We also tested and assessed the Bank's processes on credit assessment and valuation of loans and advances to customers as part of our credit review testing. We tested the relevant IT applications.</p> <p>Regarding substantive testing, the following audit procedures were performed:</p> <ul style="list-style-type: none"> • Overall analytical procedures of the portfolio of loans and advances to customers by comparison to prior years to identify trends and areas of particular risk. • Inspecting underlying documents relating to the loan provisioning process. • For referred loans, inspecting the authorisations as per credit policy, obtaining evidence on the existence and accuracy of pledged funding/letter of guarantees provided by the Parent Bank and assessing of the creditworthiness of the Parent Bank to honour its commitments towards the Bank. • For own credit risk loan portfolio, obtaining and reviewing the conclusions of latest credit reviews, the appropriateness of internal credit ratings, the late payment reports, the independent valuations of the underlying collaterals (on a sample basis) and assessing the counterparty's creditworthiness by referring to external sources. • Credit assessment for a sample of items representing groups of related borrowers, covering at least the following: <ul style="list-style-type: none"> - Doubtful loans; - Large exposures; - Additional sampling for own credit risk portfolio; - Sample relating to unpredictability procedures. |

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management report, but does not include the annual accounts and our audit report thereon.

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

In connection with our audit of the annual accounts, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts 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 Directors and those charged with governance for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 annual accounts.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, 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 Bank's internal control.

AUDIT REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts 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 audit report. However, future events or conditions may cause the annual accounts to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

*PricewaterhouseCoopers, Société coopérative
Represented by*



Fabrice Goffin

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The Management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We were first appointed as "Réviseur d'entreprises agréé" of the Bank on August 1990. Our appointment has been renewed annually by Board of Directors resolution representing a total period of uninterrupted engagement appointment of 28 years.

Luxembourg, 05 March 2018

BALANCE SHEET AS AT DECEMBER 31, 2017

(expressed in euro)

| ASSETS | Note(s) | 2017 EUR | 2016 EUR |
|---|-------------------------|----------------------|----------------------|
| Cash in hand, balances with central banks and post office banks | 3.2, 4 | 76,766,194 | 62,531,000 |
| <i>Loans and advances to credit institutions</i> | | | |
| - repayable on demand | 3.2, 6 | 91,309,500 | 69,163,875 |
| - other loans and advances | 3.2, 6 | 548,348,816 | 815,225,216 |
| | | 639,658,316 | 884,389,091 |
| <i>Loans and advances to customers</i> | | | |
| | 2.3, 3.2, 6 | 1,505,053,554 | 1,613,865,332 |
| <i>Bonds and other fixed-income transferable securities:</i> | | | |
| - issued by public bodies | 2.4, 3.2, 5.1, 5.3, 5.4 | - | - |
| - issued by other borrowers | 2.4, 3.2, 5.1, 5.3, 5.4 | 91,510,000 | 91,610,000 |
| | | 91,510,000 | 91,610,000 |
| Participating interests | 2.5, 3.2, 5.2, 7 | 4,958 | 4,958 |
| Shares in affiliated undertakings | 2.5, 3.2, 5.2, 7 | 104 | 104 |
| Intangible assets | 2.7, 7 | 1,034,614 | 852,690 |
| Tangible assets | 2.7, 7 | 842,002 | 331,507 |
| Other assets | 6, 8 | 139,794 | 7,689,718 |
| Prepayments and accrued income | 6 | 20,870,853 | 18,261,214 |
| Total assets | | 2,335,880,389 | 2,679,535,614 |

The accompanying notes form an integral part of these annual accounts.

| LIABILITIES | Note(s) | 2017 EUR | 2016 EUR |
|---|---------|----------------------|----------------------|
| <i>Amounts owed to credit institutions:</i> | | | |
| - repayable on demand | 3.2, 6 | 23,949,387 | 25,767,032 |
| - with agreed maturity dates or periods of notice | 3.2, 6 | 915,571,063 | 1,037,248,229 |
| | | 939,520,450 | 1,063,015,261 |
| <i>Amounts owed to customers:</i> | | | |
| - other debts | | | |
| • repayable on demand | 3.2, 6 | 745,363,421 | 854,888,992 |
| • with agreed maturity dates or periods of notice | 3.2, 6 | 357,170,773 | 434,600,988 |
| | | 1,102,534,194 | 1,289,489,980 |
| <i>Other liabilities</i> | 6 | 742,540 | 444,138 |
| <i>Accruals and deferred income</i> | 6 | 5,583,938 | 3,792,768 |
| <i>Provisions:</i> | | | |
| - provisions for taxation | | 6,771,107 | 4,866,377 |
| - other provisions | 13,3 | 2,297,636 | 2,898,867 |
| | | 9,068,743 | 7,765,244 |
| Subordinated liabilities | 6 | - | 20,000,000 |
| Subscribed capital | 9, 11 | 70,000,000 | 70,000,000 |
| Reserves | 10, 11 | 37,519,650 | 27,593,800 |
| Profit brought forward | 11 | 157,508,573 | 185,534,627 |
| Profit for the financial year | | 13,402,301 | 11,899,796 |
| Total liabilities | | 2,335,880,389 | 2,679,535,614 |

The accompanying notes form an integral part of these annual accounts.

OFF BALANCE SHEET AS AT DECEMBER 31, 2017

(expressed in euro)

| | Note(s) | 2017 EUR | 2016 EUR |
|---|---------|-------------|-------------|
| Contingent Liabilities | | | |
| of which: | 13.1 | 16,411,908 | 12,849,095 |
| - guarantees and assets pledged as collateral security | | 16,411,908 | 12,849,095 |
| Commitments | | | |
| of which: | 13.2 | 642,859,814 | 760,054,269 |
| - commitments arising from sale and repurchase transactions | | 497,830,698 | 622,630,888 |
| Fiduciary Transactions | 13.2 | 391,336,424 | 499,213,837 |

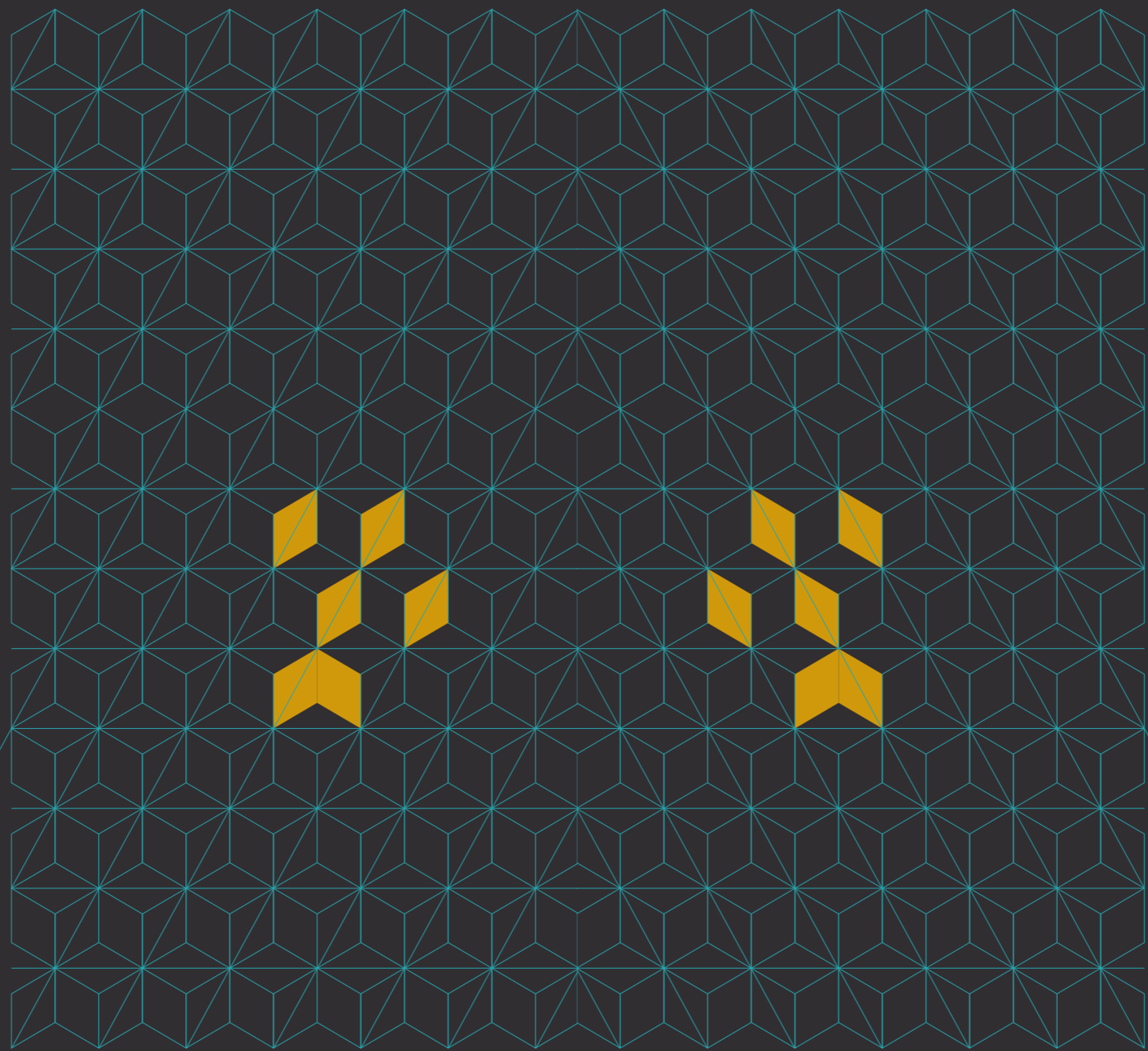
The accompanying notes form an integral part of these annual accounts.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2017

(expressed in euro)

| | Note(s) | 2017 EUR | 2016 EUR |
|---|---------|--------------|--------------|
| Interest receivable and similar income | | 56,451,304 | 69,522,833 |
| of which: | | | |
| arising from fixed-income transferable securities | | 571,841 | 837,845 |
| Interest payable and similar charges | | (31,378,390) | (44,908,074) |
| Income from transferable securities | | | |
| - income from participating interests | | - | - |
| Commissions receivable | | 12,137,120 | 9,886,127 |
| Commissions payable | | (4,256,149) | (3,521,951) |
| Net profit on financial operations | 14.3 | 671,892 | 1,544,445 |
| Other operating income | | 322,932 | 198,366 |
| General administrative expenses | | | |
| - staff costs | | (10,184,285) | (10,241,731) |
| of which: | | | |
| • wages and salaries | | (8,383,406) | (8,184,036) |
| • social security costs | | (1,477,395) | (1,502,321) |
| of which: pension costs | | (1,004,968) | (1,003,289) |
| - other administrative expenses | | (6,766,561) | (7,350,494) |
| Value adjustments in respect of intangible and tangible assets | 7 | (682,778) | (801,238) |
| Other operating charges | | (1,132,736) | (916,861) |
| Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments | | (253,085) | (139,386) |
| Value re-adjustments in respect of loans and advances and provisions for contingent liabilities and commitments | | 376,366 | - |
| Tax on profit on ordinary activities | 14.2 | (1,903,329) | (1,372,240) |
| Profit on ordinary activities after tax | | 13,402,301 | 11,899,796 |
| Profit for the financial year | | 13,402,301 | 11,899,796 |

The accompanying notes form an integral part of these annual accounts.





NOTES TO THE ANNUAL ACCOUNTS AS AT DECEMBER 31, 2017

Note 1 - General

Eurobank Private Bank Luxembourg S.A. (the "Bank") was incorporated in Luxembourg on August 26, 1986, as a "Société Anonyme" under the name of Banque de Dépôts (Luxembourg) S.A.. The Extraordinary General Meeting of Shareholders held on August 6, 1997 resolved to change the name of the Bank to EFG Private Bank (Luxembourg) S.A. with effect from September 10, 1997.

The Extraordinary General Meeting of Shareholders held on September 17, 2008 resolved to change the name of the Bank to Eurobank EFG Private Bank Luxembourg S.A. with effect from October 1, 2008.

As part of the rebranding project of the Group, the new coordinated status dated September 18, 2012 resolved to change the name of the Bank to Eurobank Private Bank Luxembourg S.A. with immediate effect.

The Bank is engaged in the business of providing private banking, investment and advisory services for corporate and

private clients as well as administrative and custody services for investment funds. The Bank is active in the money markets, deposit taking and lending and engages in spot and forward foreign exchange business as well as undertaking transactions in securities and off balance sheet instruments, both for its own account and on behalf of customers.

At the beginning of June 2015, the Bank acquired the former Eurobank Ergasias S.A. London Branch in the United Kingdom, Eurobank Private Bank Luxembourg - London Branch ("Eurobank London"). Eurobank London provides an array of services to companies with international activities, especially in Central and South-Eastern Europe and to individual clients with local and international banking needs. Furthermore, Eurobank London serves as an extension of the Bank's Private Banking platform to London based clients.

Eurobank Private Bank Luxembourg S.A. is included in the consolidated annual accounts of Eurobank Ergasias S.A., whose registered office is in Athens (8 Othonos Street, 10557 Athens, Greece) where the consolidated annual accounts are available.

Note 2 - Summary of significant accounting policies

2.1 Basis of presentation

These annual accounts have been prepared in conformity with accounting principles generally accepted in the banking sector in the Grand Duchy of Luxembourg. The accounting policies and the principles of valuation are determined and applied by the Board of Directors, except those, which are defined by Luxembourg law and regulations.

On the basis of the criteria set out by the Luxembourg law, the Bank is exempted from preparing consolidated annual accounts. In accordance with the amended law of June 17, 1992, the present annual accounts are consequently prepared on an unconsolidated basis for approval by the Annual General Meeting of Shareholders.

2.2 Foreign currencies

The Bank has adopted a multicurrency accounting system, as a result of which assets and liabilities are recorded in the currencies in which they have occurred. For the preparation of the annual accounts, amounts in foreign currencies are translated into euro (EUR) on the following basis:

2.2.1 Spot transactions

Assets and liabilities in foreign currencies are translated into euro at exchange rates applicable at the balance sheet date.

Income, charges and purchases of fixed assets are recorded in the currency in which they are collected or disbursed and are translated into euro at rates approximating those ruling at the time of the transaction.

Exchange gains and losses arising from the Bank's net open currency spot position are taken to the profit and loss account in the current year.

Unsettled spot foreign exchange transactions are translated into euro at the spot rate of exchange prevailing on the balance sheet date.

Foreign exchange gains and losses resulting from spot transactions hedged by forward transactions are neutralised through "prepayments and accrued income" and "accruals and deferred income" accounts. Premiums or discounts arising due to the difference between spot and forward exchange rates are amortised in the profit and loss account on a pro-rata basis.

2.2.2 Forward transactions

Unsettled forward exchange transactions are translated into euro at the forward rate prevailing on the balance sheet date for the remaining maturity.

Unrealised exchange losses on unhedged forward exchange contracts are recognised in the profit and loss account at the forward rate prevailing on the balance sheet date for the remaining term of the contract. Unrealised exchange gains on forward exchange contracts are not included, and are only recognised when ultimately realised, except when such contracts form an economic unit with offsetting foreign exchange transactions.

2.2.3 Swaps

Gains and losses on currency swap transactions are accrued on the straight-line basis over the period of the swap contract and are included in interest receivable or payable in the profit and loss account, as appropriate.

2.3 Loans and advances

Loans and advances are stated at disbursement value less repayment made and any value adjustments required. Accrued interests are recorded in balance sheet caption "prepayments and accrued income".

The policy of the Bank is to establish specific value adjustments for doubtful debts in accordance with the circumstances and for amounts specified by the Board of Directors. These value adjustments are deducted from the appropriate asset account balances.

2.4 Valuation of bonds and other fixed-income transferable securities

The Bank has divided its portfolio of bonds and other fixed-income transferable securities into three categories for valuation purposes:

2.4.1 Investment portfolio of financial fixed assets

This portfolio comprises bonds and other fixed-income transferable securities, which are intended to be held on a continuing basis in the normal course of the Bank's activities.

Principle of valuation at acquisition cost

Bonds and other fixed-income transferable securities are recorded at historical acquisition cost in their original currency. The acquisition cost includes the costs to purchase the asset. A value adjustment is made where the market value at the balance sheet date is lower than the acquisition cost and when the Board of Directors considers the depreciation to be permanent.

The premium resulting from the purchase of fixed-income transferable securities having the characteristics of financial fixed assets, at a price exceeding the amount repayable at maturity, is included in the profit and loss account on an amortised basis over the period remaining until final repayment.

The discount resulting from the acquisition of bonds and other fixed-income transferable securities having the characteristics of financial fixed assets, at a price less than the amount repayable at maturity, is released to income in instalments over the period remaining until repayment.

2.4.2 Trading portfolio

This portfolio comprises bonds and other fixed-income transferable securities purchased with the intention of selling them in the short term. These securities are traded on a market whose liquidity can be assumed to be certain and their market price is at all times available to third parties. These securities are valued at the lower of their acquisition cost and their market value.

During the year, the Bank did not hold any trading portfolio.

2.4.3 Structural portfolio

This portfolio comprises bonds and other fixed-income transferable securities

and asset swaps purchased for their investment return or yield or held to establish a particular asset structure or a secondary source of liquidity. It also includes bonds and other fixed-income transferable securities not contained in the other two categories.

Securities in this portfolio are valued at the lower of their amortised acquisition cost and their market value. The value adjustments, corresponding to the negative difference between the market value and the amortised acquisition cost, are not maintained if the reasons for which the value adjustments were made no longer exist.

Premiums / discounts included in the acquisition cost and resulting from the purchase of bonds and other fixed-income transferable securities included in this portfolio at a price exceeding / lower than the amount repayable at maturity are amortised in the profit and loss account over the period remaining until repayment.

Asset swaps held in this portfolio are packaged deals made of a bond or other fixed-income transferable security and an interest rate swap, swapping the respective interest rates (floating/fixed) received and paid. Consequently, asset swaps held in the structural portfolio are booked at their par value and maintained at their par value.

2.5 Valuation of variable-yield transferable securities

Participating interests and shares in affiliated undertakings are recorded in the balance sheet at their acquisition cost in their original currency. The acquisition cost includes the costs to purchase the assets. A value adjustment is made if the Board of Directors considers that a permanent impairment exists in their carrying value at the balance sheet date.

Companies in which the Bank directly and indirectly exercises a significant influence are considered to be affiliated undertakings. Participating interests comprise rights in the capital of other undertakings, the purpose of which is to contribute to the activity of the company through a durable link.

2.6 Sale and repurchase agreements

In case of sale and repurchase agreements, the assets transferred are clients assets and therefore are shown in the off balance sheet of the Bank.

2.7 Intangible and tangible fixed assets

Fixed assets other than financial fixed assets are valued at historical acquisition cost. The acquisition cost includes the costs to purchase the assets. The acquisition cost of intangible and tangible assets whose use is limited in time are depreciated on a straight-line basis over the estimated useful life or at the rates specified below.

In case of durable reduction in value, intangible and tangible assets are subject to value adjustments, regardless of whether their utilisation is limited. The valuation at the inferior value is not maintained if the reasons for which the value adjustments were made no longer exist.

2.7.1 Intangible assets

The core banking system is amortized on a straight line basis over 8 years whereas the remaining intangible assets over 4 years.

2.7.2 Tangible assets

Tangible assets are used by the Bank for its own operations. Tangible assets are valued at cost less depreciation to date. Depreciation is calculated on a straight-line basis over the life of the assets concerned. The rates used for this purpose are:

| | 2017 |
|-------------------------|-------------|
| | % |
| Furniture | 18 |
| Machinery and equipment | 25 |
| Vehicles | 20 |
| Hardware and software | 25 |
| Premises fixtures | 10 |

Premises fixtures in leased offices are amortised over the lower of 10 years or the remaining lease period.

2.8 Derivative instruments

2.8.1 Interest rate swaps

Interest on interest rate swaps is included in the balance sheet captions "prepayments and accrued income" and "accruals and deferred income". It is credited or charged to interest receivable or payable in the profit and loss account.

Interest rate swaps, which are not held for hedging purposes, are marked to market. Provisions are made for unrealised valuation losses whereas unrealised valuation gains are not taken into account until maturity. Interest rate swaps entered into for hedging purposes are not valued (refer to note 2.4.3).

2.8.2 Forward exchange transactions

Valuation rules for forward exchange contracts are explained in note 2.2.2 above.

2.8.3 Options

For the options traded over the counter and unallocated to given assets or liabilities, the premiums received or paid appear on the balance sheet until the exercise or the expiration date of the option, if the option is not exercised before that date. Commitments on written options are booked off-balance sheet.

Options not used for hedging purposes are marked-to-market. The unrealised losses are booked in the profit and loss account whereas unrealised gains are ignored.

Option contracts entered into for hedging a balance sheet item (asset or liability) are booked as follows: unrealised result on the premiums is accounted for in the profit or loss account in "Net profit or net loss on financial operations". Unrealised results arising from the evaluation of the hedge item (asset or liability) is accounted for in the profit or loss in "Net profit or net loss in financial operations". These bookings are presented in net by compensation profit or loss effects.

Option contracts traded on a regulated market and entered into for the purpose of hedging identical reverse options also traded on a regulated market are booked as follows: as the position on

these instruments is closed, the result arising from premiums received and paid is accounted for in the profit and loss account.

2.9 Lump-sum provision

A general reserve for potential risks on balance sheet and off balance sheet items has been booked. This tax-deductible provision is deducted from the corresponding assets. The lumpsum provision calculated on off balance sheet items is booked under the item "Provision: other provisions".



Note 3 - Analysis of financial instruments

3.1 Strategy in using financial instruments

The Bank's treasury activities are primarily related to the use of financial instruments including derivatives. Since the end of the year 2012 all treasury activities of the Bank are carried out internally in Luxembourg.

Asset/Liability Management of the Bank is taking into account other banking activities including private banking client accounts, investment funds and inter-bank activity mainly with Eurobank Ergasias S.A.

The Bank aims to use funds from customer operations, investment funds operations and other market deposits that have been raised at fixed and floating rates and for various periods seeking to earn profitable margins by investing these funds in high quality assets. Such operations are only executed following the limits, as well as defined products determined with the approval of the Board of Directors. Limits are currently set in such a way that restricts the Treasury and Foreign Exchange department of the Bank from taking large exposures.

During periods of falling interest rates, the Bank seeks to increase its margins by favouring short-term funding and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all

claims that might fall due. During periods of increasing interest rates, the Bank aims to increase these margins by lending and borrowing in the short term and by hedging its assets and liabilities.

Related issues and decisions are taken by the Asset and Liability Committee of the Bank.

The Bank also raises its interest margin by obtaining profitable margins through lending to wholesale and retail borrowers with a good credit standing. Loans are given when adequate collateral exists and after the approval of the Credit Committee of the Bank. The Bank also enters into guarantees and other commitments such as letters of credit and letters of guarantee.

The monitoring of limits and margins is carried out by the Risk department of the Bank on the basis of the daily positions provided by the IT department. These reports are communicated daily amongst others to Local Management and the Head of Group Treasury in Athens.

When limits are exceeded and margins not respected, Local Management as well as the responsible Manager are informed for immediate action. The excesses are also reported to the Board of Directors on a quarterly basis.

The Bank hedges part of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate assets denominated both in local and foreign currencies using interest rate swaps.

The Bank hedges a proportion of foreign exchange risk it expects to assume as a result of cash flows from debt securities using forward exchange transactions.

3.2 Analysis of financial instruments
3.2.1 Information on primary financial instruments

The table here after analyses the level of primary financial instruments (primary non-trading instruments) of the Bank, in terms of carrying amounts, into relevant maturity groupings based on the remaining period at balance sheet date to

the contractual maturity date. Additional indication of aggregate fair values of trading instruments is disclosed where they differ materially from the amounts at which they are included in the accounts.

"Fair value" is understood as being the amount at which an asset could be exchanged or a liability settled as part of an ordinary transaction entered into under normal terms and conditions between independent, informed and willing parties, other than in a forced or liquidation sale.

3.2.1.1 Analysis of financial instruments - Primary non-trading instruments (at carrying amount - EUR)

| Figures as at December 31, 2017 | Less than 3 months | > 3 months to 1 year | > 1 year to 5 years | > 5 years | No maturity | Total |
|---|----------------------|----------------------|---------------------|--------------------|----------------------|----------------------|
| Instrument class (financial assets) | | | | | | |
| Cash in hand, balances with central banks and post office banks | 65,000,000 | - | - | - | 11,766,194 | 76,766,194 |
| Loans & advances to credit institutions | 565,025,210 | - | - | - | 74,633,106 | 639,658,316 |
| Loans & advances to customers | 606,782,206 | 492,648,671 | 302,773,211 | 77,099,424 | 25,750,042 | 1,505,053,554 |
| Bonds and other fixed-income transferable securities | - | - | - | 91,510,000 | - | 91,510,000 |
| Shares in affiliated undertaking and participating interests | - | - | - | - | 5,062 | 5,062 |
| Total financial assets | 1,236,807,416 | 492,648,671 | 302,773,211 | 168,609,424 | 112,154,404 | 2,312,993,126 |
| Non financial assets | - | - | - | - | 22,887,263 | 22,887,263 |
| Total Assets | 1,236,807,416 | 492,648,671 | 302,773,211 | 168,609,424 | 135,041,667 | 2,335,880,389 |
| Instrument class (financial liabilities) | | | | | | |
| Amounts owed to credit institutions: | | | | | | |
| Repayable on demand | 17,927,821 | - | - | - | 6,021,566 | 23,949,387 |
| With agreed maturity dates or periods of notice | 424,747,908 | 376,748,127 | 81,135,628 | 32,939,400 | - | 915,571,063 |
| Amounts owed to customers: | | | | | | |
| Repayable on demand | 3,824,038 | - | - | - | 741,539,383 | 745,363,421 |
| Repayable at term or with notice | 288,282,255 | 68,888,518 | - | - | - | 357,170,773 |
| Total financial liabilities | 734,782,022 | 445,636,645 | 81,135,628 | 32,939,400 | 747,560,949 | 2,042,054,644 |
| Non financial liabilities | - | - | - | - | 293,825,745 | 293,825,745 |
| Total liabilities | 734,782,022 | 445,636,645 | 81,135,628 | 32,939,400 | 1,041,386,694 | 2,335,880,389 |

As at December 31, 2017, the Bank held no primary trading financial instruments. Eurobank Private Bank Luxembourg S.A.

NOTES TO THE ANNUAL ACCOUNTS

3.2.1.1 Analysis of financial instruments - Primary non-trading instruments (at carrying amount - EUR) (cont.)

| Figures as at December 31, 2016 | Less than 3 months | > 3 months to 1 year | > 1 year to 5 years | > 5 years | No maturity | Total |
|---|----------------------|----------------------|---------------------|--------------------|--------------------|----------------------|
| Instrument class (financial assets) | | | | | | |
| Cash in hand, balances with central banks and post office banks | 50,000,000 | - | - | - | 12,531,000 | 62,531,000 |
| Loans & advances to credit institutions | 165,069,728 | 650,155,488 | - | - | 69,163,875 | 884,389,091 |
| Loans & advances to customers | 934,662,664 | 374,130,748 | 183,059,367 | 59,864,986 | 62,147,567 | 1,613,865,332 |
| Bonds and other fixed - income transferable securities | - | 100,000 | - | 91,510,000 | - | 91,610,000 |
| Shares in affiliated undertaking and participating interests | - | - | - | - | 5,062 | 5,062 |
| Total financial assets | 1,149,732,392 | 1,024,386,236 | 183,059,367 | 151,374,986 | 143,847,504 | 2,652,400,485 |
| Non financial assets | - | 40,026 | 512,695 | 20,381 | 26,562,027 | 27,135,129 |
| Total Assets | 1,149,732,392 | 1,024,426,262 | 183,572,062 | 151,395,367 | 170,409,531 | 2,679,535,614 |

Instrument class (financial liabilities)

| | | | | | | |
|---|----------------------|--------------------|-------------------|-------------------|----------------------|----------------------|
| Amounts owed to credit institutions: | | | | | | |
| Repayable on demand | 21,040,495 | - | - | - | 4,726,537 | 25,767,032 |
| With agreed maturity dates or periods of notice | 680,894,147 | 316,342,420 | 26,937,972 | 13,073,690 | - | 1,037,248,229 |
| Amounts owed to customers: | | | | | | |
| Repayable on demand | - | - | - | - | 854,888,992 | 854,888,992 |
| Repayable at term or with notice | 354,251,234 | 80,349,754 | - | - | - | 434,600,988 |
| Total financial liabilities | 1,056,185,876 | 396,692,174 | 26,937,972 | 13,073,690 | 859,615,529 | 2,352,505,241 |
| Non financial liabilities | 18,344 | 7,836 | - | - | 327,004,193 | 327,030,373 |
| Total liabilities | 1,056,204,220 | 396,700,010 | 26,937,972 | 13,073,690 | 1,186,619,722 | 2,679,535,614 |

As at December 31, 2017, the Bank held no primary trading financial instruments.

3.2.1.2 Description of derivative financial instruments used

The Bank enters into the following derivative financial instruments:

- **Forward exchange transactions** represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.
- **Interest rate swaps** are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (for example, fixed rate for floating rate).
- **Options** are financial derivatives representing a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date).

3.2.1.3 Analysis of derivative financial instruments

The table below analyses the level of derivative financial instruments of the Bank, broken down in terms of notional amount, into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The Bank held only OTC derivative financial instruments as at December 31, 2017.

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

Derivatives non-trading instruments OTC as at December 31, 2017 (in EUR)

| Figures as at December 31, 2017 | Nominal amounts | | | | | Net fair value | |
|---------------------------------|--------------------|----------------------|---------------------|-----------|--------------------|-----------------|--|
| | Less than 3 months | > 3 months to 1 year | > 1 year to 5 years | > 5 years | Total | Total | |
| Interest rate: | | | | | | | |
| - Swaps | - | - | - | - | - | - | |
| Foreign exchange: | | | | | | | |
| - Forwards, Spots, Swaps | 361,342,763 | 22,037,690 | - | - | 383,380,453 | (23,446) | |
| Options: | | | | | | | |
| - Options | 2,082,569 | - | - | - | 2,082,569 | (11,241) | |
| Total | 363,425,332 | 22,037,690 | - | - | 385,463,022 | (34,687) | |

Derivatives non-trading instruments OTC as at December 31, 2016 (in EUR)

| Figures as at December 31, 2015 | Nominal amounts | | | | | Net fair value |
|---------------------------------|--------------------|----------------------|---------------------|-----------|-------------------|----------------|
| | Less than 3 months | > 3 months to 1 year | > 1 year to 5 years | > 5 years | Total | Total |
| Interest rate: | | | | | | |
| - Swaps | - | - | - | - | - | - |
| Foreign exchange: | | | | | | |
| - Forwards, Spots, Swaps | 48,319,507 | 4,400,530 | - | - | 52,720,037 | 119,712 |
| Options: | | | | | | |
| - Options | 15,920,617 | - | - | - | 15,920,617 | (90,980) |
| Total | 64,240,124 | 4,400,530 | - | - | 68,640,654 | 28,732 |

The Bank held no exchange-traded derivative financial instrument as at December 31, 2017.

3.3 Credit risk

3.3.1 Description of credit risk

The Bank takes on exposure to credit risk. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers, and to geographical segments. Such risks are monitored on a revolving basis and subject to monthly reviews. Limits are approved by the Board of Directors and reviewed at least annually. Under delegation of the Board of Directors, Management has the possibility to approve country limits up to a predetermined level. The Board of Directors also determines who has the authority to approve excesses and up to what level. The exceeding amounts and tenor defined within Group Risk Guidelines are immediately reported to Local Management and the Group Risk Unit in Greece.

The exposure to any borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is primarily managed by obtaining collateral and corporate and personal guarantees.

The Group Risk Unit is setting types of collateral as well as minimum margins. The Bank imposes more strict collateral rules than those set by the group based on careful analysis, internal policies and the market environment. The Bank has a clear procedure to approve "eligible" collateral and it periodically reviews approved collateral.

On currency and interest rate swaps, the Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

3.3.2 Measures of credit risk exposure

Information on credit risk as it relates to financial instruments is disclosed on the basis of the carrying amount that best represents the maximum credit risk exposure at the balance sheet date without taking account of any collateral.

With respect to derivative instruments not dealt on a recognised, regulated market (OTC), the carrying amount (principal or notional amount) does not reflect the maximum risk exposure. The maximum exposure to credit risk is determined by the value of the overall replacement cost.

The table below discloses the level of credit exposure on OTC derivative instruments in terms of notional amounts, replacement cost, potential future

credit exposure and net risk exposure adjusted for any collateral, broken down by the degree of creditworthiness of the counterparty based on internal or external ratings.

Credit Risk Exposure on OTC derivative instruments (use of market risk method) as at December 31, 2017 (in EUR)

| | Notional amount | Current Replacement cost | Potential future replacement cost | Overall replacement cost | Collateral | Net risk exposure |
|---|-----------------|--------------------------|-----------------------------------|--------------------------|----------------------|-------------------|
| <i>Counterparty solvency (based on external/internal ratings)</i> | (1) | (2) | (3) | (4)=(2) + (3) -Provision | (5) | (6) = (4) - (5) |
| External rating (Fitch): | | | | | | |
| A | 215,223,879 | 1,537,769 | 2,152,239 | 3,690,008 | - | 3,690,008 |
| C | 1,763,705 | - | 17,637 | 17,637 | - | 17,637 |
| | | | | | Sub - total 1 | 3,707,645 |
| Internal Rating: | | | | | | |
| - Customer & Fund | | | | | | |
| 2 | 5,307,283 | 2,976 | 53,073 | 56,049 | - | 56,049 |
| 4 | 161,076,967 | 645,001 | 1,610,770 | 2,255,771 | - | 2,255,771 |
| 5 | - | - | - | - | - | 0 |
| | | | | | Sub - total 2 | 2,311,820 |
| | | | | | TOTAL | 6,019,465 |

Credit Risk Exposure on OTC derivative instruments (use of market risk method) as at December 31, 2016 (in EUR)

| | Notional amount | Current Replacement cost | Potential future replacement cost | Overall replacement cost | Collateral | Net risk exposure |
|---|-----------------|--------------------------|-----------------------------------|--------------------------|----------------------|-------------------|
| <i>Counterparty solvency (based on external/internal ratings)</i> | (1) | (2) | (3) | (4)=(2) + (3) -Provision | (5) | (6) = (4) - (5) |
| External rating (Fitch): | | | | | | |
| A | 40,587,820 | 353,027 | 405,878 | 758,905 | - | 758,905 |
| C | 13,466 | - | 135 | 135 | - | 135 |
| | | | | | Sub - total 1 | 759,040 |
| Internal Rating: | | | | | | |
| - Customer & Fund | | | | | | |
| 2 | 1,879,056 | - | 18,791 | 18,791 | - | 18,791 |
| 4 | 8,591,809 | 11,524 | 85,918 | 97,442 | - | 97,442 |
| 5 | 1,760,000 | - | 17,600 | 17,600 | - | 17,600 |
| | | | | | Sub - total 2 | 133,833 |
| | | | | | TOTAL | 892,873 |

The internal credit rating for "Customer & Fund" goes from 1 (best rating) to 10 (worst rating).

3.3.3 Concentration of credit risk

The tables below shows credit risk concentration as it relates to financial instruments from on- and off balance sheet exposures by geographic location and economic sector. In order to enhance the

true and fair view of the financial position the tables present the OTC derivatives by the value of the overall replacement cost and to that extend the comparative figures have been adjusted accordingly.

Geographic credit risk concentrations (in EUR)

| Geographical zone (by country or zone) | Credits and other balance sheet items | | OTC derivatives | | Commitments | |
|---|--|----------------------|------------------|----------------|--------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Luxembourg | 235,865,882 | 258,519,630 | 2,260,816 | 101,757 | 1,744,604 | 76,848,035 |
| Other European Monetary Union (EMU) countries | 1,048,272,253 | 1,218,136,130 | 24,185 | 19,876 | 87,332,008 | 52,196,846 |
| Other countries | 955,853,093 | 1,124,769,477 | 3,734,464 | 771,240 | 55,952,504 | 8,378,500 |
| Total | 2,239,991,228 | 2,601,425,237 | 6,019,465 | 892,873 | 145,029,116 | 137,423,381 |

As the Bank is mainly active on the European markets, it has a significant concentration of credit risk with other European financial institutions. In total, credit risk exposure is estimated to

EUR 2 391 039 809 at December 31, 2017 (2016: EUR 2 739 741 491) of which EUR 6 019 465 (2016: EUR 892 873) consisted of derivative financial instruments.

Economic sector credit risk concentrations (in EUR)

The table here after discloses the concentration of the credit risk linked to

financial instruments, for both on and off balance sheet exposures, by geographical location and economic sector.

| Economic sector | Credits and other balance sheet items | | OTC derivatives | | Commitments | |
|--|--|----------------------|------------------|----------------|--------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Credit institutions | 735,603,040 | 978,838,808 | 3,707,645 | 759,040 | - | - |
| Households | 54,005,828 | 51,723,291 | 51,004 | 32,076 | 15,235,314 | 8,244,769 |
| Investment funds | 64,481,932 | 44,701,398 | 2,260,816 | 101,757 | 1,000,000 | 70,974,335 |
| Activity ancillary to financial intermediation and insurance | 605,611,778 | 688,606,327 | - | - | 71,682,982 | - |
| Non financial corporations | 406,622,917 | 475,256,009 | - | - | 42,339,859 | 47,163,407 |
| Governments | - | - | - | - | - | - |
| Central banks | - | - | - | - | - | - |
| Financial holding companies | 155,306,854 | 277,783,268 | - | - | 1,040,233 | 6,314,546 |
| Others | 218,358,879 | 84,516,136 | - | - | 13,730,728 | 4,726,324 |
| Total | 2,239,991,228 | 2,601,425,237 | 6,019,465 | 892,873 | 145,029,116 | 137,423,381 |

3.4 Market risk

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Interest rate risk is monitored daily and reported to local management and the Head of Group Treasury.

On a monthly basis, the Bank applies a "value at risk" (VAR) methodology to estimate the market risk of positions held and the potential maximum losses expected. The Board of Directors sets limits on the value of risk that may be accepted, which is monitored as deemed appropriate.

The Bank's market risk reporting and the limit structure is based on a measure of potential loss under normal market conditions. The parameters used are:

- A 99% one tailed confidence level. This means that the potential loss amount is the maximum amount that could be lost, on average, on 99% of trading days. Conversely it is the minimum loss that should be expected on 1% of trading days;
- A 10-day holding period. This means that the Bank measures risk assuming that exposures could not be hedged or unwound in less than 10 working days; and
- A 180-day time series of changes in market variables. This means that a 6-month history of market movements is used to estimate likely changes in market risk factors (volatilities and correlations).

Since VAR constitutes an integral part of the Bank's market risk control system, VAR limits are established by the Board of Directors on all portfolio operations including interest rate, foreign exchange rate and equities.

Foreign exchange rate risk is calculated against local base currency, its measurement incorporates factors corresponding to individual foreign

currencies in which the Bank has material positions.

Interest rate risk measurement includes a set of risk factors corresponding to interest rates in each of the currencies in which the Bank has material interest rate sensitive positions. For each currency, the yield curve is divided into a number of maturity segments in order to capture the variation in volatility of interest rates at different points on the yield curve.

Equity prices risk measurement includes risk factors corresponding to each of the national markets in which the Bank has a material position, irrespectively, in listed or unlisted securities. A market index captures market-wide movement in equity prices.

**Note 4 -
Cash in hand, balances
with central banks and
post office banks**

| | 2017 EUR | 2016 EUR |
|------------------------------|-------------------|-------------------|
| Cash in Hand | 168,311 | 185,516 |
| Mandatory Minimum Reserve | 11,597,883 | 12,345,484 |
| Other cash balances | 65,000,000 | 50,000,000 |
| Total | 76,766,194 | 62,531,000 |

In accordance with the requirements of the European Central Bank, Central Bank of Luxembourg has implemented, effective January 1, 1999, a system of mandatory minimum reserves which applies to all Luxembourg credit institutions. The minimum reserve balance as at December 31, 2017 held by the Bank with the Luxembourg Central Bank amounted to EUR 11 597 883 (2016: EUR 12 345 484).

Note 5 - Transferable securities

5.1 Listed securities

| <i>Bonds and other fixed-income transferable securities:</i> | 2017 EUR | 2016 EUR |
|--|-------------------|-------------------|
| - public sector issues | - | - |
| - other issues | 91,510,000 | 91,610,000 |
| Total | 91,510,000 | 91,610,000 |

5.2 Unlisted securities

| | 2017 EUR | 2016 EUR |
|-----------------------------------|-------------|-------------|
| Participating interests | 4,958 | 4,958 |
| Shares in affiliated undertakings | 104 | 104 |

5.3 Bonds and other fixed-income transferable securities

- Bonds and other fixed-income transferable securities matured or repaid before maturity as at December 31, 2017 amount to EUR 100 000 (2016: EUR 76 463 652).

- Bonds and other fixed-income transferable securities amount to EUR 91 510 000 (2016: EUR 91 610 000). Of these, EUR 10 000 are classified in the Bank's structural portfolio and EUR 91 500 000 are classified in the Bank's investment portfolio.

5.4 Bonds eligible for refinancing with a central bank of the Euro zone

The market value of bonds eligible for refinancing with a central bank of the Euro zone included in the heading "bonds and other fixed-income transferable securities" is EUR 96 432 060 (2016: EUR 94 877 240).

The Bank does not hold any Greek Government Bonds, neither in the investment nor in the structural portfolio as at December 31, 2017.

5.5 Sale and Repurchase transactions

As at December 31, 2017, the Bank is committed in reverse repurchase agreements for a total amount of EUR 465 807 325 (2016: EUR 610 103 922).

Note 6 - Assets and Liabilities balances with Affiliated Undertakings

| | 2017 EUR | 2016 EUR |
|---|----------------------|----------------------|
| Assets | | |
| Loans and advances to credit institutions | 479,193,853 | 658,267,333 |
| Loans and advances to customers | 653,220,985 | 744,062,752 |
| Prepayments and Accrued Income | 2,879,840 | 3,463,491 |
| Other Assets | - | 290 |
| | 1,135,294,678 | 1,405,793,866 |
| Liabilities | | |
| Amounts owed to credit institutions | 938,888,762 | 1,062,974,998 |
| Amounts owed to customers | 23,083,691 | 67,821,386 |
| Subordinated liabilities | - | 20,000,000 |
| Accruals and Deferred Income | 903,646 | 1,445,620 |
| Other Liabilities | 167,225 | 165,856 |
| | 963,043,324 | 1,152,407,860 |

Note 7 - Movements in fixed assets

| | Cost | | | Value adjustments | | | Net |
|--|---|----------------|----------------|---|--|----------------------------------|-------------------|
| | Gross value at the beginning of the financial year 2017 | Additions | Disposals | Gross value at the end of the financial year 2017 | Cumulative adjustments at the beginning of the financial year 2017 | Reversal of value of adjustments | |
| Amounts (in EUR) | | | | | | | |
| <i>Debt Securities including fixed income transferable securities held as financial fixed assets</i> | 91,500,000 | - | - | 91,500,000 | - | - | 91,500,000 |
| <i>Long term investments including:</i> | 91,500,000 | - | - | 91,500,000 | - | - | 91,500,000 |
| Participating interests | 8,058 | - | - | 8,058 | (3,100) | - | 4,958 |
| Shares in affiliated undertaking | 410 | - | - | 410 | (306) | - | 104 |
| | 8,468 | - | - | 8,468 | (3,406) | - | 5,062 |
| <i>Intangible fixed assets</i> | | | | | | | |
| Software and Consultancy | 5,271,359 | 634,268 | - | 5,905,627 | (4,418,669) | (452,344) | 1,034,614 |
| | 5,271,359 | 634,268 | - | 5,905,627 | (4,418,669) | (452,344) | 1,034,614 |
| <i>Tangible fixed assets including:</i> | | | | | | | |
| Other fixtures and fittings, tools and equipment | 5,952,214 | 648,204 | - | 6,600,418 | (5,779,427) | (168,506) | 652,485 |
| Technical equipment and machinery | 1,042,276 | 100,505 | (8,190) | 1,134,591 | (883,556) | (61,928) | 189,517 |
| | 6,994,490 | 748,709 | (8,190) | 7,735,009 | (6,662,983) | (230,434) | 842,002 |

**Note 8
- Other Assets**

An outstanding balance of receivable of EUR 7.4 million has been settled in 2017 following an out-of-court procedure.

**Note 9
- Subscribed capital**

The authorised and paid-up share capital of the Bank amounts to EUR 70 000 000.

The Bank's capital is comprised by 500 000 shares with Nominal value EUR 140 at the end of the year:

**Note 10
- Reserves**

10.1 Legal reserve

In accordance with Luxembourg law, the Bank is required to transfer at least 5% of its annual profit to the legal reserve until

this equals 10% of subscribed capital. The legal reserve is not available for distribution to shareholders.

10.2 Special reserve

In accordance with the tax law, the Bank reduces the Net Wealth Tax liability by deducting it from itself. In order to comply with the tax law, the Bank allocates under non-distributable reserves (item "special reserve") an amount that corresponds to five times the amount of reduction of the Net Wealth Tax. This reserve is non-distributable for a period of five years from the year following the one during which the Net Wealth Tax was reduced.

10.3 Interim dividend

In accordance with article 20 of the Articles of Association of the Bank, the meeting of the Board of Directors dated 24 July 2017 approved the distribution of an interim dividend amounting to EUR 30 000 000 which was paid on 28 July 2017.

Note 11 - Changes in Shareholders' equity

The movements of shareholders' equity of the Bank may be summarised as follows:

| | Reserves | | | | Profit brought forward EUR | Current year profit EUR | Total EUR |
|-------------------------------------|------------------------|-------------------|---------------------|-------------------|----------------------------|-------------------------|--------------------|
| | Subscribed Capital EUR | Legal Reserve EUR | Special Reserve EUR | Total Reserve EUR | | | |
| Balance at December 31, 2016 | 70,000,000 | 7,000,000 | 20,593,800 | 27,593,800 | 185,534,627 | 11,899,796 | 295,028,223 |
| Interim Dividend | - | - | - | - | (30,000,000) | - | (30,000,000) |
| Transfer to legal reserve | - | - | - | - | - | - | - |
| Transfer to special reserve | - | - | 9,925,850 | 9,925,850 | (9,925,850) | - | - |
| Profit brought forward | - | - | - | - | 11,899,796 | (11,899,796) | - |
| Current year Profit | - | - | - | - | - | 13,402,301 | 13,402,301 |
| Balance at December 31, 2017 | 70,000,000 | 7,000,000 | 30,519,650 | 37,519,650 | 157,508,573 | 13,402,301 | 278,430,524 |

The appropriation of the 2016 result was approved by the Annual General Meeting of Shareholders on March 14, 2017.

Note 12 - Assets and liabilities denominated in foreign currencies

| | 2017 EUR | 2016 EUR |
|---|-------------|-------------|
| Total assets in foreign currencies | 358,176,136 | 455,152,096 |
| Total liabilities in foreign currencies | 381,020,175 | 467,291,485 |

Note 13 - Contingent liabilities and commitments

13.1 Contingent liabilities

As at December 31, 2017 the contingent liabilities include guarantees and other direct substitutes for credit and amount to EUR 16 411 908 (2016: EUR 12 849 095).

13.2 Other off balance sheet commitments

| | 2017 EUR | 2016 EUR |
|--|----------------------|----------------------|
| Assets held on behalf of third parties | 3,961,301,457 | 4,573,788,935 |
| Credits confirmed but not used | 145,029,116 | 137,423,381 |
| Repurchase agreements | 497,830,698 | 622,630,888 |
| Forward foreign exchange transactions | 383,380,453 | 52,720,037 |
| Fiduciary operations | 391,336,424 | 499,213,837 |
| Options | 2,082,569 | 15,920,617 |
| | 5,380,960,717 | 5,901,697,695 |

13.3 Deposit Guarantee Scheme

The Law of December 18, 2015 on the resolution, reorganisation and winding-up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes transposed the Bank Recovery and Resolution Directive (Directive 2014/59/UE) and the Deposit Guarantee Schemes Directive (Directive 2014/49/UE). The Deposit Guarantee and Investors Compensation Schemes set up by l'Association pour la Garantie des Dépôts Luxembourg (AGDL) is now replaced by an ex-ante contribution scheme.

The aggregate eligible deposits of each depositor is covered up to EUR 100 000 (Luxembourg Deposit Guarantee Schemes) and the aggregate eligible investment transactions of each investor is covered up to the amount of EUR 20 000 (Luxembourg Investors Compensation Schemes). Deposits resulting from private real estate transactions that serve social purposes or linked to the payment of insurance benefits or compensation for criminal injuries or wrongful conviction is covered over EUR 100 000 for 12 months at the maximum.

At December 31, 2017, the Bank has a provision of EUR 195 983 (2016: EUR 939 418) in relation to the deposit guarantee and investor compensation scheme (AGDL). The provision which has been created will be used accordingly against the contributions of the banks to the new Luxembourg banking resolution fund "Fonds de resolution Luxembourg" (FRL), and the new Luxembourg deposit guarantee fund "Fonds de garantie des dépôts Luxembourg" (FGDL).

The funded amount of the FRL will reach by the end of 2024 at least 1% of covered deposits, as defined in Article 1 number 36 of the Law, of all authorized credit institutions in all participating Member States. This amount is collected from the credit institutions through annual contributions during the years 2015 to 2024.

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The target level of funding of the FGDL is set at 0.8% of covered deposits, as defined in Article 163 number 8 of the Law, of the relevant credit institutions and is to be reached by the end of 2018 through annual contributions. The contributions are made in the form of annual payments during the years 2016 to 2018. When the level of 0.8% is reached, the Luxembourgish credit institutions are to continue to contribute for 8 additional years in order to constitute an additional safety buffer of 0.8% of covered deposits as defined in Article 163 number 8 of the Law.

13.4 Management and fiduciary services

The Bank has provided the following management and fiduciary services to third parties in the course of the financial year:

- Investment management and advice;
- Safekeeping and administration of securities;
- Fiduciary services;
- Agency services.

Note 14

- Profit and loss account

14.1 Sources of income by geographical region (OECD)

By application of Article 69 of the amended law of June 17, 1992 on the annual accounts of credit institutions, sources of income have not been analysed by geographical region.

14.2 Tax charge

The Bank is liable to taxes on income, capital and net assets. The Luxembourg tax authorities have issued assessments for the years up to and including 2014. Tax liabilities, net of tax advances, are recorded under "provisions for taxation" in the balance sheet.

14.3 Net profit on financial operations

Net profit on financial operations at December 31, 2017 mainly includes gain on foreign exchange transactions.

14.4 Return on assets

The return on assets of the Bank for the year ended December 31, 2017 stands to 0.57% (2016: 0.44%). The return on assets is calculated as being the net profit divided by the total balance sheet.

14.5 Independent Auditor's fees

For the year ending December 31, 2017, independent auditor's fees are as follows:

| | 2017 EUR | 2016 EUR |
|------------------|----------------|----------------|
| Audit fees | 202,500 | 195,000 |
| Tax related fees | - | 32,619 |
| Other fees | 3,000 | 37,160 |
| | 205,500 | 264,779 |

Note 15 - Staff and directors

15.1 Staff

Number of Bank's employees (including London Branch) at the end of the financial year 2017:

| | 2017 EUR | 2016 EUR |
|----------------------------------|-------------|-------------|
| Senior Management and Management | 12 | 12 |
| Employees | 82 | 81 |
| | 94 | 93 |

15.2 Information relating to Management

Senior Management and Management received emoluments in respect of their duties totaling to EUR 1 776 953 (2016: EUR 1 713 385).

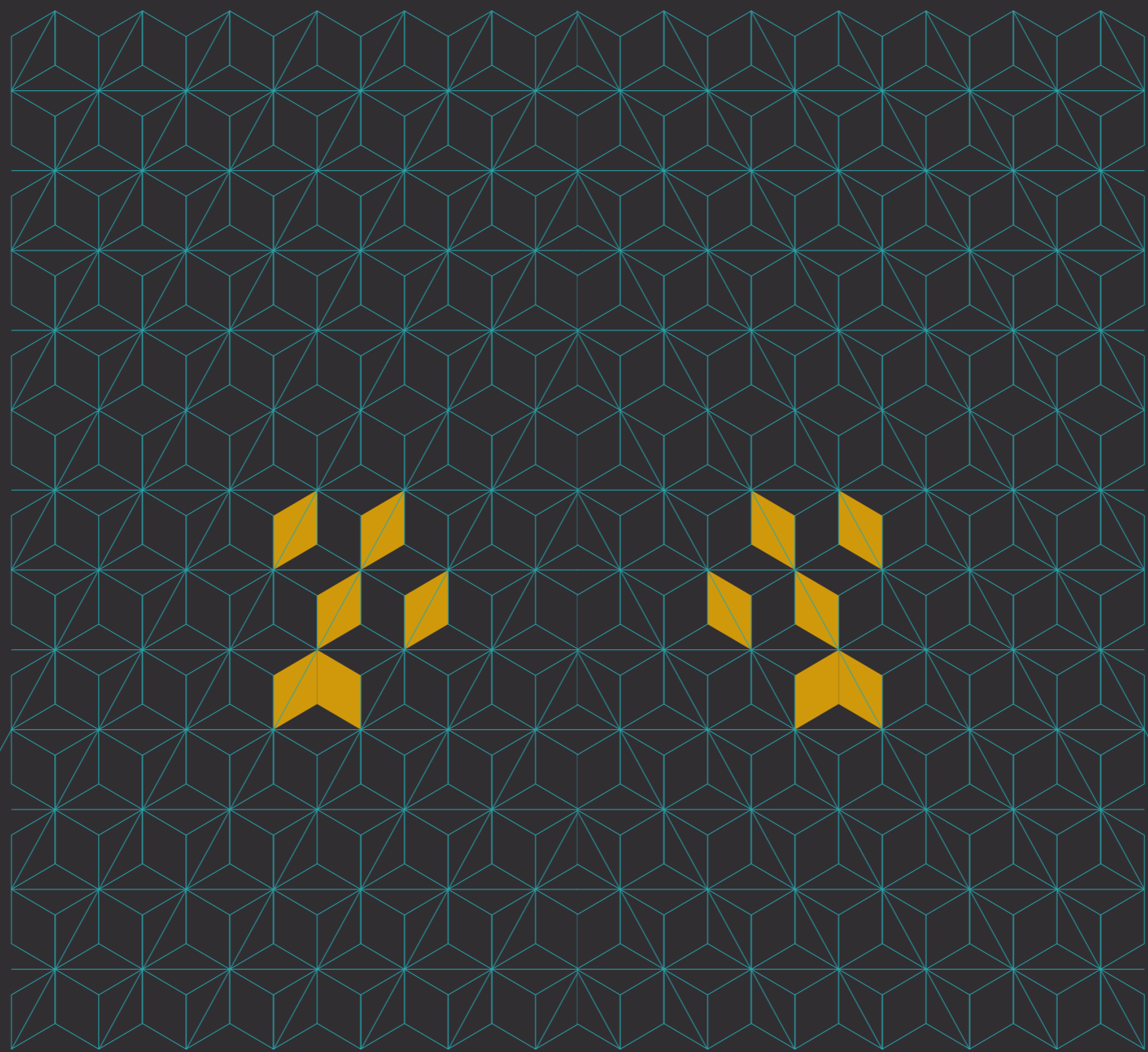
Board members received emoluments in respect of their duties totaling to EUR 163 036 (2016: EUR 150 085).

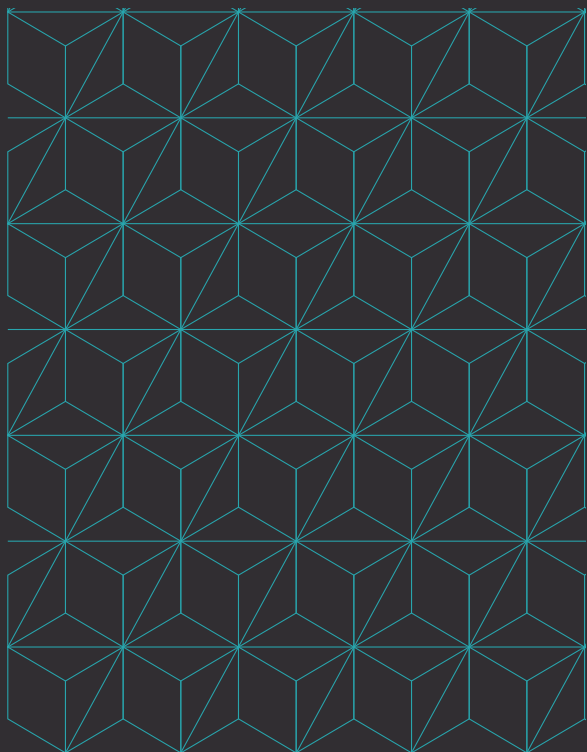
As at December 31, 2017, loans totaling EUR 1 513 807 were granted to 5 members of Senior Management and Management (2016: EUR 1 638 856).

Guarantees (EUR 29 450) for the rent of apartments have been given on behalf of the Bank to 5 members of the Management and Senior Management (2016: EUR 29 450).

Note 16 - Subsequent Events

On January 30, 2018, the Bank signed a Sale Purchase Agreement for the acquisition of a building through the share purchase of the company BHF Lux Immo S.A.. On the same day, an extraordinary general assembly was held to change the name of the company to ERB Lux Immo S.A. and appoint the new directors.





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