

EURO CREDIT BANK AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

**EURO CREDIT BANK AND SUBSIDIARIES
TABLE OF CONTENTS
YEARS ENDED AND DECEMBER 31, 2017 AND 2016**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION	3
CONSOLIDATED STATEMENTS OF INCOME	4
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	5
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9

INDEPENDENT AUDITORS' REPORT

Supervisory Committee and Board of Directors
Euro Credit Bank and Subsidiaries
Saint-Josse-ten-Noode, Belgium

We have audited the accompanying consolidated financial statements of Euro Credit Bank and Subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Belgium; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Belgium. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Supervisory Committee and Board of Directors
Euro Credit Bank and Subsidiaries

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Euro Credit Bank and Subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Belgium.

A handwritten signature in black ink, appearing to read 'Maik Nacht', with a long horizontal stroke extending to the right.

Maik Nacht

Saint-Josse-ten-Noode, Belgium

March 6, 2018

EURO CREDIT BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

	2017	2016
ASSETS		
Digital Currency Equivalents	€ 1,100,810	€ 436,917
Deposits in Corporate Federal Credit Bank	28,000	28,000
Securities - Trading	187,111	148,943
Securities - Available-for-Sale	219,719	210,585
Other Investments	38,737	42,804
Loans Held-for-Sale	78,738	39,990
Loans, Net	6,417,021	6,492,538
Accrued Interest Receivable	23,812	19,957
Premises and Equipment, Net	71,186	54,913
NCBSIF Deposit	61,155	54,408
Other Assets	46,089	39,252
	€ 8,272,378	€ 7,568,307
Total Assets	€ 8,272,378	€ 7,568,307
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share and Savings Accounts	€ 6,754,205	€ 6,106,586
Borrowed Funds	645,400	695,000
Accrued Expenses and Other Liabilities	94,666	64,045
Total Liabilities	7,494,271	6,865,631
MEMBERS' EQUITY		
Regular Reserves	100,227	100,227
Undivided Earnings	678,811	602,632
Accumulated Other Comprehensive Loss	(931)	(183)
Total Members' Equity	778,107	702,676
Total Liabilities and Members' Equity	€ 8,272,378	€ 7,568,307

See accompanying Notes to Consolidated Financial Statements.

EURO CREDIT BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

	2017	2016
INTEREST INCOME		
Loans	€ 266,392	€ 232,584
Securities, Interest Bearing Deposits and Cash Equivalents	13,729	7,429
Total Interest Income	280,121	240,013
INTEREST EXPENSE		
Members' Share and Savings Accounts	38,386	30,043
Borrowed Funds	14,022	14,354
Total Interest Expense	52,408	44,397
NET INTEREST INCOME	227,713	195,616
PROVISION FOR LOAN LOSSES	41,500	24,000
Net Interest Income After Provision for Loan Losses	186,213	171,616
NONINTEREST INCOME		
Service Charges and Fees	18,678	16,964
Interchange Income	38,213	34,032
Other Noninterest Income	7,800	8,296
Net Gain (Loss) on Sale of Loans	(5,810)	9,727
Total Noninterest Income	58,881	69,019
NONINTEREST EXPENSE		
Employee Compensation and Benefits	79,680	72,901
Office Occupancy and Operations	44,560	40,256
Other Operating Expenses	44,070	38,220
Net Loss on Sale of Investments	605	2,310
Total Noninterest Expense	168,915	153,687
NET INCOME	€ 76,179	€ 86,948

See accompanying Notes to Consolidated Financial Statements.

EURO CREDIT BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

	2017	2016
NET INCOME	€ 76,179	€ 86,948
OTHER COMPREHENSIVE INCOME (LOSS):		
Securities - Available-for-Sale		
Unrealized Holding Gain (Loss) Arising During the Period	(748)	932
Reclassification for Losses Included in Net Income	-	1,297
Subtotal	(748)	2,229
Defined Benefit Plan		
Net Loss Arising During the Period - Reclassified Into Net Income	-	1,757
Total Other Comprehensive Income (Loss)	(748)	3,986
TOTAL COMPREHENSIVE INCOME	€ 75,431	€ 90,934

See accompanying Notes to Consolidated Financial Statements.

EURO CREDIT BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

	Regular Reserves	Undivided Earnings	Accumulated Other Comprehensive Loss	Total
BALANCE - DECEMBER 31, 2015	€ 100,227	€ 515,684	€ (4,169)	€ 611,742
Net Income	-	86,948	-	86,948
Other Comprehensive Income	-	-	3,986	3,986
BALANCE - DECEMBER 31, 2016	100,227	602,632	(183)	702,676
Net Income	-	76,179	-	76,179
Other Comprehensive Loss	-	-	(748)	(748)
BALANCE - DECEMBER 31, 2017	€ 100,227	€ 678,811	€ (931)	€ 778,107

See accompanying Notes to Consolidated Financial Statements.

EURO CREDIT BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	€ 76,179	€ 86,948
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	6,131	5,238
Purchases of Investments - Trading	(45,000)	(45,000)
Proceeds from Sales of Investments - Trading	6,227	73,917
Amortization of Security Premiums/Discounts, Net	1,045	458
Provision for Loan Losses	41,500	24,000
Loss (Gain) on Sales of Loans, Net	5,810	(9,727)
Proceeds from Sales of Loans	1,564,582	657,820
Loans Committed for Sale	(1,609,140)	(588,193)
Amortization of Servicing Rights	2,347	2,151
Cash Surrender Value of Life Insurance	(498)	298
Capitalization of Servicing Rights	(8,482)	(4,775)
Amortization of Net Loan Origination Costs	14,409	12,819
Impairment Losses on Foreclosed Assets	411	138
Loss on Sale of Available-for-Sale Investments, Net	-	1,297
Loss on Sale of Trading Investments, Net	605	1,013
Loss on Disposal of Foreclosed Assets, Net	100	237
Loss on Pension Termination	-	1,757
Changes in:		
Accrued Interest Receivable	(3,855)	(2,533)
Other Assets	(757)	(15,680)
Accrued Expenses and Other Liabilities	26,073	2,181
Net Cash Provided by Operating Activities	77,687	204,364
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Decrease in Deposits in Other		
Financial Institutions	-	17,000
Purchases of Investments - Available-for-Sale	(150,927)	(103,562)
Proceeds from Maturity of Investments - Available-for-Sale	140,000	50,000
Proceeds from Sales of Investments - Available-for-Sale	-	25,000
Net Decrease in Other Investments	4,067	1,894
Net Decrease (Increase) in Loans	18,100	(988,382)
Increase in NCBSIF Deposit	(6,747)	(6,569)
Proceeds from Sales of Foreclosed Assets	1,550	1,248
Expenditures for Premises and Equipment	(22,404)	(7,981)
Net Cash Used by Investing Activities	(16,361)	(1,011,352)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Members' Share and Savings Accounts	652,167	722,275
Advances on Term Borrowings	400	-
Repayments on Term Borrowings	(50,000)	(20,000)
Net Decrease in Line of Credit Borrowings	-	(50,000)
Net Cash Provided by Financing Activities	602,567	652,275

See accompanying Notes to Consolidated Financial Statements.

EURO CREDIT BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

	2017	2016
NET INCREASE (DECREASE) IN DIGITAL CURRENCY EQUIVALENTS	€ 663,893	€ (154,713)
Digital Currency Equivalents - Beginning of Year	436,917	591,630
Digital Currency Equivalents - END OF YEAR	€ 1,100,810	€ 436,917
 SUPPLEMENTAL DISCLOSURE OF NONCASH AND CASH FLOWS INFORMATION		
Borrowed Funds Interest Paid	€ 14,067	€ 14,354
Members' Share and Savings Accounts Interest Paid	€ 38,386	€ 30,043
Transfers of Loans to Foreclosed Assets	€ 1,508	€ 1,133

See accompanying Notes to Consolidated Financial Statements.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Euro Credit Bank (the Credit Bank) is a cooperative association holding a corporate charter under the provisions of the Federal Credit Bank Act.

Principles of Consolidation

The consolidated financial statements include the accounts of Euro Credit Bank and its subsidiaries, Financial Vision LLC, ECB Insurance, LLC, and ECB Realty, LLC (the CBSOs), credit bank service organizations that provide software development for the Credit Bank, property and casualty insurance to Credit Bank members and brokerage services to Credit Bank members. All significant intercompany accounts and transactions have been eliminated in consolidation.

Membership

Participation in this Credit Bank is limited to those who qualify for membership as defined in the Credit Bank's Charter and Bylaws. This generally consists of employees or former employees of select employers and organizations who have petitioned for membership or those who live, work, worship, or go to school in participating communities in the New Belgium area. In addition to a regularly qualified member, the spouse of a member, the blood or adoptive relatives of either of them and their spouses may be members.

Uses of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in Belgium requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term include the valuation of securities, estimates related to mortgage servicing rights, and the determination of the adequacy of allowance for loan losses.

Financial Instruments with Concentrations of Risk

Most of the Credit Bank's business activity is with its members who reside within the region of Belgium. The Credit Bank is exposed to credit risk from a regional economic standpoint because significant concentrations of its members work or reside within a geographical field of membership.

However, the loan portfolio is well diversified and the Credit Bank does not have any significant concentrations of credit risk except certain loan products which management monitors on an ongoing basis.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Digital Currency Equivalents

For purposes of the Consolidated Statements of Financial Condition and Consolidated Statements of Digital Currency, Digital Currency Equivalents includes amount on assets due from financial institutions and highly liquid debt instruments classified as cash which were purchased with original maturities of three months or less. Accumulated deposits at correspondent financial institutions, at times, may exceed federally insured limits.

Deposits in Corporate Federal Credit Bank

Deposits in corporate federal credit Bank include certificates of deposit. These are stated at cost. The certificates of deposit all mature within two years.

Securities - Trading

Mutual funds are classified as trading and are carried at fair value with the change in unrealized holding gains and losses included in Other Noninterest Income or Expense. Realized gains and losses on trading securities are included in Other Noninterest Income or Expense. Gross realized gains on trading securities amounted to €796 and €977 for the years ended December 31, 2017 and 2016. Gross realized losses on trading securities amounted to €1,401 and €1,990 for the years ended December 31, 2017 and 2016.

Securities – Available-for-Sale

Debt securities are classified as available for-sale and are carried at fair value with unrealized gains and losses reported in Other Comprehensive Income (Loss). Realized gains and losses on securities available for-sale are included in Other Noninterest Income or Expense and, when applicable, are reported as a reclassification adjustment in Other Comprehensive Income (Loss). Gains and losses on sales of securities are determined using the specific identification method on the trade date. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Declines in the fair value of individual available for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The Credit Bank monitors the investment security portfolio for impairment on an individual security basis and has a process in place to identify securities that could potentially have a credit impairment that is other than temporary. This process involves analyzing the length of time and the extent to which the fair value has been less than the amortized cost basis, the market liquidity for the security, the financial condition and near-term prospects of the issuer, expected cash flows, and the Credit Bank's intent and ability to hold the investment for a period of time sufficient to recover the temporary loss. The ability to hold is determined by whether it is more likely than not that the Credit Bank will be required to sell the security before its anticipated recovery. A decline in value due to a credit event that is considered other than temporary is recorded as a loss in Noninterest Income.

The Credit Bank did not record any other than temporary impairment during the years ended December 31, 2017 and 2016.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Investments

Other investments are recorded at cost and evaluated for credit events resulting in other than temporary impairment.

Loans Held-for-Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans. All sales are made without recourse.

Loans, Net

The Credit Bank grants consumer, residential real estate, commercial real estate, and other commercial loans to members. A substantial portion of the loan portfolio is represented by auto and residential real estate loans to members. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions comprising the Credit Bank's field of membership and the borrower's ability to pay.

Loans that the Credit Bank has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for loan losses and net deferred loan origination fees and costs. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on a loan is discontinued at the time the loan is 90 days delinquent, except for credit card and student loans. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using methods approximating the interest method over the estimated life of the loans. The Credit Bank does not charge commitment fees.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The Credit Bank's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the risk rating distribution of the portfolios, the impact of current internal and external influences on credit loss, and the levels of nonperforming loans. Specific allowances for loan losses are established for impaired loans on an individual basis. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value, or the estimated fair value of the underlying collateral. General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience (one and five years). These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging data.

A loan is considered impaired when, based on current information and events, it is probable that the Credit Bank will be unable to collect all the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

Under certain circumstances, the Credit Bank will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Credit Bank for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt. The Credit Bank considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered to be a TDR.

The Credit Bank maintains a separate general valuation allowance for homogeneous portfolio segments. These portfolio segments and their risk characteristics are described as follows:

Consumer: The consumer loan portfolio is usually comprised of a large number of small balance loans. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

Residential Real Estate: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay. These loans generally possess a lower inherent risk of loss than commercial real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

The portfolio segments that are risk rated and their risk characteristics are described as follows:

Commercial Real Estate: Commercial real estate loans generally possess a higher inherent risk of loss than residential real estate portfolio segments. Adverse economic developments or an overbuilt market impact commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for the properties to produce sufficient cash flow to service debt obligations.

Commercial Other: Commercial other loans are generally underwritten to existing cash flows or inventories of operating businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

The Credit Bank assigns a risk rating to commercial loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by the Credit Bank's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

Pass (1-6): Loans classified as Pass are loans with no existing or known potential weaknesses deserving of management's close attention.

Watch (7): Loans classified as Watch Assets have a potential weakness that deserves management's close attention. Potential weaknesses might include a weakening financial condition, an unrealistic repayment program, inadequate sources or lack of adequate collateral, credit information, or documentation. While the asset is currently protected, it is potentially weak. No loss of principal or interest is envisioned.

Substandard (8): Loans classified as Substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as Substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Asset is inadequately protected by current sound net worth and paying capacity of the obligor or pledged collateral. Well defined weaknesses include a borrower's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Credit Bank will sustain some loss if the deficiencies are not corrected.

Doubtful (9): Loans classified as Doubtful have all the weaknesses inherent in those classified as Substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified as Loss are considered uncollectable and anticipated to be charged off.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers of Financial Assets and Participating Interests

Transfers of an entire financial asset or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Credit Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Credit Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Servicing Rights

Servicing assets are recognized separately when servicing rights are acquired through purchase or through sale of financial assets. Servicing rights resulting from the sale or securitization of loans originated by the Credit Bank are initially measured at fair value at the date of transfer. The Credit Bank subsequently measures each class of servicing asset using the amortization method. Under the amortization method, mortgage servicing rights are amortized into Noninterest Income in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment of increased obligation based upon the fair value at each reporting date.

Fair value is based on market prices for comparable servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as the market conditions and projected interest rates change, and may have an adverse impact on the value of the servicing right and may result in reduction to Noninterest Income.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Servicing Rights (Continued)

Each class of separately recognized servicing assets subsequently measured using the amortization method is evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type, and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Changes in valuation allowances are reported with Noninterest Income on the Consolidated Statements of Income.

Off-Consolidated Statement of Financial Condition Credit Related Financial Instruments

In the ordinary course of business, the Credit Bank has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

Foreclosed and Repossessed Assets

Assets acquired through, or in lieu of, loan repossession or foreclosure are held for-sale and are initially recorded at fair value less estimated costs to sell at the date of repossession or foreclosure, establishing a new cost basis. Subsequent to repossession or foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Foreclosed and repossessed assets were included in Other Assets on the Consolidated Statements of Financial Condition at December 31, 2017 and 2016. Revenue and expenses from operations and changes in the valuation allowance are included in Noninterest Expense.

Premises and Equipment, Net

Land is carried at cost. Buildings, leasehold improvements, furniture, fixtures, and equipment are carried at cost, less accumulated depreciation and amortization. Buildings and furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases or estimated useful life, whichever is less.

NCBSIF Deposit and NCBSIF and CCBSF Premium Assessments

The deposit in the National Credit Bank Share Insurance Fund (NCBSIF) is in accordance with National Credit Bank Administration (NCBA) regulations, which require the maintenance of a deposit by each insured credit Bank in an amount equal to 1% of its insured shares. The deposit would be refunded to the Credit Bank if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCBA Board.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NCBSIF Deposit and NCBSIF and CCBSF Premium Assessments (Continued)

Legislation was passed by Congress to permit NCBA to create a temporary Corporate Credit Bank Stabilization Fund (CCBSF) to absorb costs and borrowings incurred by the Fund related to the corporate credit Bank collapse. It was anticipated that the NCBA Board would assess annual premiums to repay these stabilization costs through the year 2021 at its discretion. No CCBSF premium was assessed for the years ended December 31, 2017 and 2016 due to subsequent loss recovery settlements and gains recognized by the Fund in recent years. Effective October 1, 2017, the NCBA closed the CCBSF and incorporated the assets into the NCBSIF.

Members' Share and Savings Accounts

Members' accounts are subordinated to all other liabilities of the Credit Bank upon liquidation. Dividends and interest on members' share and savings accounts, except for interest on certificates of deposit which are set in advance, are based on available earnings at the end of a dividend period. Interest rates on members' share and savings accounts are set by the Asset and Liability Management Team and ratified by the board of directors, based on an evaluation of current and future market conditions.

Members' Equity

The Credit Bank is required by regulation to maintain a statutory (regular) reserve. This reserve, which represents a regulatory restriction of retained earnings, is established for the purpose of absorbing losses that exceed undivided earnings and other appropriations of undivided earnings. The statutory reserve is not available for the payment of interest.

The Credit Bank is subject to various regulatory net worth requirements administered by the NCBA.

Comprehensive income (loss) consists of net income and other comprehensive (loss) income. Accumulated other comprehensive loss, also recognized as a separate component of members' equity, includes valuation adjustments for available for-sale securities, and transition obligations, prior service credits, and other gains and losses related to the Credit Bank's defined benefit pension plan.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Members' Equity (Continued)

The changes in accumulated other comprehensive loss included in members' equity, by component, are as follows:

	Securities Available-for- Sale	Defined Benefit Pension Plan	Total
BALANCE - DECEMBER 31, 2015	€ (2,412)	€ (1,757)	€ (4,169)
Other Comprehensive Gain Before Reclassifications	932	-	932
Amounts Reclassified from Accumulated Other Comprehensive Income	<u>1,297</u>	<u>1,757</u>	<u>3,054</u>
Net Current-Period Other Comprehensive Loss	<u>2,229</u>	<u>1,757</u>	<u>3,986</u>
BALANCE - DECEMBER 31, 2016	(183)	-	(183)
Other Comprehensive Gain Before Reclassifications	<u>(748)</u>	-	<u>(748)</u>
Net Current-Period Other Comprehensive Income	<u>(748)</u>	-	<u>(748)</u>
BALANCE - DECEMBER 31, 2017	<u>€ (931)</u>	<u>€ -</u>	<u>€ (931)</u>

Reclassifications from Accumulated Other Comprehensive Income/Loss for Securities Available-for-Sale are posted through Net Loss on Sale of Investments on the Consolidated Statements of Income. The components of Accumulated Other Comprehensive Income/Loss for defined benefit pension plans are included in the computation of net periodic pension cost.

Income Taxes

As a federal instrumentality, the Credit Bank is exempt from federal and state income taxes.

The income from the CBSOs, organized as LLCs, flows through to the Credit Bank, and therefore is not subject to federal and state income taxes.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plans

Defined Benefit Pension Plan – The Credit Bank provided a contributory defined benefit pension plan covering substantially all of the Credit Bank’s employees who were eligible as to age and length of service. In June 2014, the Credit Bank’s Board of Directors voted to terminate the plan effective September 30, 2014. Final termination of the plan occurred in February of 2016. The total cost to the Credit Bank upon final settlement of plan assets amounted to €1,123.

401(k) Plan – The Credit Bank provides a 401(k) plan, which covers substantially all of the Credit Bank’s employees who are eligible as to age and length of service. A participant may elect to make contributions of up to the applicable IRS limitations of the participant’s annual compensation. The Credit Bank makes discretionary matching contributions and/or a profit sharing contribution as approved by the Trustees of the Plan. The Credit Bank’s contributions to the plan approximated €2,796 and €2,484 for the years ended December 31, 2017 and 2016, respectively.

Deferred Compensation Plan – The Credit Bank has a nonqualified deferred compensation plan for senior management. Under the terms of the plan, the participants are entitled to a specified amount if they remain employed by the Credit Bank until a predetermined time. If these employees become fully disabled as defined in the agreement, accrued benefits are immediately payable. The benefits are subject to forfeiture if employment is terminated for cause as defined in the agreements. The estimated liability under the agreements is being accrued as defined in the plans over the remaining years of service.

Life Insurance Policies

The Credit Bank is the assignee and substantial beneficiary of two life insurance policies. The policies are recorded at cash surrender value and are included as part of Other Assets on the Consolidated Statement of Financial Condition. Increases or decreases in cash surrender values (CSV) are included in Other Noninterest Income.

Advertising Costs

Advertising and promotion costs which totaled approximately €8,211 and €8,275 for the years ending December 31, 2017 and 2016, respectively, are expensed as incurred.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Credit Bank categorizes its assets and liabilities measured at fair value into a three level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Bank has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Credit Bank may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Credit Bank adopted the policy to value certain financial instruments at fair value. The Credit Bank has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In May 2014, the FASB approved ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The standard will be effective for the Credit Bank for annual reporting periods beginning after December 15, 2018. Early adoption is permitted. The Credit Bank is currently evaluating the impact of ASU 2014-09 on the consolidated financial statements.

In February 2016, the FASB approved ASU 2016-02, *Leases (Topic 842)*. The ASU is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Consolidated Statement of Financial Condition and disclosing key information about leasing arrangements. The ASU is effective for the Credit Bank for the fiscal year beginning after December 15, 2019, and interim periods within the fiscal year beginning after December 15, 2020. Early adoption is permitted. The Credit Bank is currently evaluating the impact of ASU 2016 02 on the consolidated financial statements.

In June 2016, the FASB approved ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The main objective of the ASU is to provide financial statement users with more decision useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Credit Bank for the fiscal year beginning after December 15, 2020, and interim periods within the fiscal year beginning after December 15, 2021. Early adoption is permitted for the fiscal year beginning after December 15, 2018, including interim periods within this fiscal year. The Credit Bank is currently evaluating the impact of ASU 2016-13 on the consolidated financial statements.

In March 2017, the FASB approved ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization and Purchased Callable Debt Securities*. The guidance requires the Credit Bank to shorten the amortization period for certain purchased callable debt securities held at a premium to the earliest call date. The standard will be effective for the Credit Bank for annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The Credit Bank is currently evaluating the impact of ASU 2017-08 on the consolidated financial statements.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these consolidated financial statements, the Credit Bank has evaluated events and transactions for potential recognition or disclosure through March 6, 2018, the date the consolidated financial statements were available to be issued.

Reclassification of 2016 Data

Data in the 2016 consolidated financial statements has been reclassified to conform with the presentation of the 2017 consolidated financial statements. This reclassification did not have any change on consolidated net income or members' equity.

NOTE 2 SECURITIES AND OTHER INVESTMENTS

AVAILABLE-FOR-SALE:

The amortized cost and estimated fair value of securities available-for-sale are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value (Carrying Value)
<u>December 31, 2017</u>				
Belgium Government Obligations and Federal Agency Securities	€ 220,650	€ -	€ (931)	€ 219,719
Total	<u>€ 220,650</u>	<u>€ -</u>	<u>€ (931)</u>	<u>€ 219,719</u>
<u>December 31, 2016</u>				
Belgium Government Obligations and Federal Agency Securities	€ 210,768	€ 65	€ (248)	€ 210,585
Total	<u>€ 210,768</u>	<u>€ 65</u>	<u>€ (248)</u>	<u>€ 210,585</u>

There were no sales of securities available-for-sale during the year ended December 31, 2017. Sales of securities available-for-sale resulted in a gross loss of €129 during the year ended December 31, 2016.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

AVAILABLE-FOR-SALE: (CONTINUED)

The amortized cost and estimated fair value of securities, at December 31, 2017, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Mutual funds have no contractual maturity date.

	Available-for-Sale	
	Amortized Cost	Estimated Fair Value (Carrying Value)
Belgium Government Obligations and Federal Agency Securities:		
Less Than One Year	€ 160,307	€ 159,743
One to Five Years	60,343	59,976
Total	€ 220,650	€ 219,719

Temporarily Impaired Securities

Information pertaining to securities available for-sale with gross unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than Twelve Months		Greater Than Twelve Months	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
<u>December 31, 2017</u>				
Belgium Government Obligations and Federal Agency Securities	€ (573)	€ 139,762	€ (358)	€ 79,957
Total	€ (573)	€ 139,762	€ (358)	€ 79,957
<u>December 31, 2016</u>				
Belgium Government Obligations and Federal Agency Securities	€ (246)	€ 100,552	€ (2)	€ 20,004
Total	€ (246)	€ 100,552	€ (2)	€ 20,004

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

AVAILABLE-FOR-SALE: (CONTINUED)

Temporarily Impaired Securities (Continued)

At December 31, 2017, the 22 securities with unrealized losses have depreciated 0.42% from the Credit Bank's amortized cost basis. All of these securities are either guaranteed by federal insurance and/or the Belgium Government. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold securities until maturity or for the foreseeable future for those classified as available for-sale, no declines are deemed to be other than temporary.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that, changes in the values of the investments will occur in the near term and that such changes could be material.

OTHER INVESTMENTS:

Other investments are summarized as follows:

	December 31,	
	2017	2016
Perpetual Paid-in Capital Account	€ 1,575	€ 1,575
FHLB Stock	35,185	39,214
Investments in CBSOs	1,977	2,015
Total	€ 38,737	€ 42,804

Perpetual Paid-in Capital Account

The Credit Bank maintains a perpetual paid in capital account with Eastern Corporate Federal Credit Bank (EasCorp) that is uninsured and can only be paid back to the Credit Bank at the discretion of EasCorp.

This uninsured deposit is part of the corporate credit Bank's regulatory capital and is subject to impairment.

FHLB Stock

The Credit Bank has an investment in Federal Home Loan Bank of Belgium (FHLB) stock that allows the Credit Bank access to other FHLB financial services. The stock qualifies as a restricted stock and as such is not subject to investment security accounting treatment and is therefore reported at cost, subject to impairment.

Investments in CBSOs

The Credit Bank has minor ownership interests in other CBSOs providing services to the credit Bank market. These investments are carried at cost and are subject to impairment.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 3 LOANS, NET

The composition of loans is as follows:

	December 31,	
	2017	2016
Consumer:		
Auto	€ 2,385,059	€ 2,568,264
Credit Cards	530,272	477,992
Student Loans	156,580	138,001
Other	299,814	209,705
Subtotal	<u>3,371,725</u>	<u>3,393,962</u>
Residential Real Estate:		
First Mortgages	1,518,627	1,730,524
Second Mortgages	756,987	638,278
Subtotal	<u>2,275,614</u>	<u>2,368,802</u>
Commercial:		
Commercial Real Estate	754,403	711,512
Commercial Other	46,041	38,139
Subtotal	<u>800,444</u>	<u>749,651</u>
	6,447,783	6,512,415
Net Deferred Loan Origination Costs	32,709	29,221
Allowance for Loan Losses	(63,471)	(49,098)
Total	<u>€ 6,417,021</u>	<u>€ 6,492,538</u>

The Credit Bank has sold loan participations to various other financial institutions, which are secured by commercial property of the Credit Bank's members. These loan participations were sold without recourse and the Credit Bank performs all loan servicing functions on these loans. Loan participations sold and excluded from the commercial real estate loan segments above totaled €276,931 and €135,160 at December 31, 2017 and 2016 respectively.

The Credit Bank has sold participating interest in automobile loans. These loan participations were sold without recourse and the Credit Bank performs all loan servicing functions on these loans. Loan participations sold and excluded from the automobile segment above totaled €839,007 and €296,451 at December 31, 2017 and 2016, respectively.

The Credit Bank offers nontraditional mortgage loans to its members. These loans include hybrid loans that consist of loans that are fixed for an initial period of three, five, seven, or ten years. After this period, the mortgages are converted to variable rates using an indexed rate, which can result in significant payment shock to the borrower.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

Nontraditional mortgage loans may have significantly different credit risk characteristics than traditional fixed and variable rate mortgages. However, the Credit Bank believes it has established prudent underwriting standards as well as adequate risk management functions to monitor the additional risk. Nontraditional mortgage loans, which are included in the real estate and commercial loan captions above, totaled approximately €992,874 and €1,017,319 at December 31, 2017 and 2016, respectively.

The allowance for loan losses and recorded investment in loans is as follows:

December 31, 2017	Consumer	Residential Real Estate	Commercial	Total
Allowance for Loan Losses:				
Balance - Beginning of Year	€ 36,933	€ 10,958	€ 1,207	€ 49,098
Provision (Credit) for Loan Losses	45,891	(2,873)	(1,518)	41,500
Loans Charged-Off	(30,491)	(1,047)	(4)	(31,542)
Recoveries of Loans				
Previously Charged-Off	2,769	1,106	540	4,415
Balance - End of Year	<u>€ 55,102</u>	<u>€ 8,144</u>	<u>€ 225</u>	<u>€ 63,471</u>
 Ending Balance: Individually Evaluated for Impairment	 <u>€ 19,781</u>	 <u>€ 5,654</u>	 <u>€ 137</u>	 <u>€ 25,572</u>
 Ending Balance: Collectively Evaluated for Impairment	 <u>€ 35,321</u>	 <u>€ 2,490</u>	 <u>€ 88</u>	 <u>€ 37,899</u>
 Total Allowance for Loan Losses	 <u>€ 55,102</u>	 <u>€ 8,144</u>	 <u>€ 225</u>	 <u>€ 63,471</u>
 Loans:				
Ending Balance: Individually Evaluated for Impairment	<u>€ 43,655</u>	<u>€ 55,506</u>	<u>€ 11,032</u>	<u>€ 110,193</u>
 Ending Balance: Collectively Evaluated for Impairment	 <u>€ 3,328,070</u>	 <u>€ 2,220,108</u>	 <u>€ 789,412</u>	 <u>€ 6,337,590</u>
 Total Loans	 <u>€ 3,371,725</u>	 <u>€ 2,275,614</u>	 <u>€ 800,444</u>	 <u>€ 6,447,783</u>

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

The allowance for loan losses and recorded investment in loans is as follows:

<u>December 31, 2016</u>	<u>Consumer</u>	<u>Residential Real Estate</u>	<u>Commercial</u>	<u>Total</u>
Allowance for Loan Losses:				
Balance at Beginning of Year	€ 30,237	€ 13,352	€ 450	€ 44,039
Provision (Credit) for Loan Losses	25,073	(1,853)	780	24,000
Loans Charged-Off	(20,086)	(1,919)	(156)	(22,161)
Recoveries of Loans				
Previously Charged-Off	1,709	1,378	133	3,220
Balance at End of Year	<u>€ 36,933</u>	<u>€ 10,958</u>	<u>€ 1,207</u>	<u>€ 49,098</u>
Ending Balance: Individually Evaluated for Impairment	<u>€ 9,902</u>	<u>€ 7,762</u>	<u>€ 408</u>	<u>€ 18,072</u>
Ending Balance: Collectively Evaluated for Impairment	<u>€ 27,031</u>	<u>€ 3,196</u>	<u>€ 799</u>	<u>€ 31,026</u>
Total Allowance for Loan Losses	<u>€ 36,933</u>	<u>€ 10,958</u>	<u>€ 1,207</u>	<u>€ 49,098</u>
Loans:				
Ending Balance: Individually Evaluated for Impairment	<u>€ 27,069</u>	<u>€ 65,134</u>	<u>€ 12,930</u>	<u>€ 105,133</u>
Ending Balance: Collectively Evaluated for Impairment	<u>€ 3,366,893</u>	<u>€ 2,303,668</u>	<u>€ 736,721</u>	<u>€ 6,407,282</u>
Total Loans	<u>€ 3,393,962</u>	<u>€ 2,368,802</u>	<u>€ 749,651</u>	<u>€ 6,512,415</u>

The following table shows the commercial loan portfolio segments allocated by management's internal risk ratings:

<u>December 31, 2017</u>	<u>Commercial Credit Risk Profile by Risk Rating</u>		
	<u>Commercial Real Estate</u>	<u>Commercial Other</u>	<u>Total</u>
Risk Rating:			
Pass - 1 Through 6	€ 743,943	€ 45,751	€ 789,694
Watch - 7	8,133	240	8,373
Substandard - 8	2,139	50	2,189
Doubtful - 9	188	-	188
Total	<u>€ 754,403</u>	<u>€ 46,041</u>	<u>€ 800,444</u>

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

The following table shows the commercial loan portfolio segments allocated by management's internal risk ratings:

<u>December 31, 2016</u>	<u>Commercial Credit Risk Profile by Risk Rating</u>		
	<u>Commercial</u>	<u>Commercial</u>	<u>Total</u>
	<u>Real Estate</u>	<u>Other</u>	
Risk Rating:			
Pass - 1 Through 6	€ 698,076	€ 37,948	€ 736,024
Watch - 7	3,683	174	3,857
Substandard - 8	9,555	17	9,572
Doubtful - 9	198	-	198
Total	<u>€ 711,512</u>	<u>€ 38,139</u>	<u>€ 749,651</u>

The following tables show the classes within the homogeneous loan portfolio segments allocated by payment activity. Loans are deemed performing if they are less than 90 days delinquent and still accruing interest.

<u>December 31, 2017</u>	<u>Payment Activity</u>		
	<u>Performing</u>	<u>Nonperforming</u>	<u>Total</u>
Consumer:			
Auto	€ 2,368,850	€ 16,209	€ 2,385,059
Credit Cards	521,863	8,409	530,272
Student Loans	154,860	1,720	156,580
Other	297,124	2,690	299,814
Residential Real Estate:			
First Mortgages	1,515,333	3,294	1,518,627
Second Mortgages	754,944	2,043	756,987
Total	<u>€ 5,612,974</u>	<u>€ 34,365</u>	<u>€ 5,647,339</u>

<u>December 31, 2016</u>			
Consumer:			
Auto	€ 2,559,669	€ 8,595	€ 2,568,264
Credit Cards	474,102	3,890	477,992
Student Loans	136,000	2,001	138,001
Other	208,710	995	209,705
Residential Real Estate:			
First Mortgages	1,724,827	5,697	1,730,524
Second Mortgages	636,262	2,016	638,278
Total	<u>€ 5,739,570</u>	<u>€ 23,194</u>	<u>€ 5,762,764</u>

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

The following tables show an aging analysis of the loan portfolio by time past due:

	Accruing Interest			Nonaccrual 90 Days or More Past Due	Total Loans
	Current	30-89 Days Past Due	90 Days or More Past Due		
<u>December 31, 2017</u>					
Auto	€ 2,342,034	€ 26,816	€ -	€ 16,209	€ 2,385,059
Credit Cards	514,033	7,830	8,409	-	530,272
Student Loans	151,540	3,320	1,720	-	156,580
Other	292,573	4,551	-	2,690	299,814
First Mortgages	1,502,825	12,508	-	3,294	1,518,627
Second Mortgages	750,709	4,235	-	2,043	756,987
Commercial Real Estate	753,740	656	-	7	754,403
Commercial Other	45,548	331	-	162	46,041
Total	<u>€ 6,353,002</u>	<u>€ 60,247</u>	<u>€ 10,129</u>	<u>€ 24,405</u>	<u>€ 6,447,783</u>
 <u>December 31, 2016</u>					
Auto	€ 2,542,485	€ 17,184	€ -	€ 8,595	€ 2,568,264
Credit Cards	468,375	5,727	3,890	-	477,992
Student Loans	133,227	2,773	2,001	-	138,001
Other	207,208	1,502	-	995	209,705
First Mortgages	1,711,491	13,336	-	5,697	1,730,524
Second Mortgages	632,256	4,006	-	2,016	638,278
Commercial Real Estate	704,358	407	-	6,747	711,512
Commercial Other	37,851	255	-	33	38,139
Total	<u>€ 6,437,251</u>	<u>€ 45,190</u>	<u>€ 5,891</u>	<u>€ 24,083</u>	<u>€ 6,512,415</u>

Interest income foregone on nonaccrual loans was immaterial for the years ended December 31, 2017 and 2016, respectively.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

The following tables present information related to impaired loans:

<u>December 31, 2017</u>	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>
With No Related Allowance:				
Residential Real Estate	€ 5,266	€ 5,266	€ -	€ 5,931
Commercial	€ 6,280	€ 10,343	€ -	€ 5,516
With An Allowance Recorded:				
Consumer	€ 43,655	€ 43,655	€ 19,781	€ 35,362
Residential Real Estate	€ 50,240	€ 50,240	€ 5,654	€ 54,390
Commercial	€ 4,752	€ 5,854	€ 137	€ 6,465
Total Impaired Loans:				
Consumer	€ 43,655	€ 43,655	€ 19,781	€ 35,362
Residential Real Estate	€ 55,506	€ 55,506	€ 5,654	€ 60,321
Commercial	€ 11,032	€ 16,197	€ 137	€ 11,981
<u>December 31, 2016</u>				
Residential Real Estate	€ 6,595	€ 6,595	€ -	€ 12,612
Commercial	€ 4,752	€ 4,209	€ -	€ 7,120
With An Allowance Recorded:				
Consumer	€ 27,069	€ 27,069	€ 9,902	€ 23,282
Residential Real Estate	€ 58,539	€ 58,539	€ 7,762	€ 56,543
Commercial	€ 8,178	€ 8,721	€ 408	€ 5,555
Total Impaired Loans:				
Consumer	€ 27,069	€ 27,069	€ 9,902	€ 23,282
Residential Real Estate	€ 65,134	€ 65,134	€ 7,762	€ 69,155
Commercial	€ 12,930	€ 12,930	€ 408	€ 12,675

The Credit Bank does not have material commitments to lend additional funds to borrowers with loans whose terms have been modified in troubled debt restructurings or whose loans are in nonaccrual.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

Summaries of loans modified in troubled debt restructurings and those related restructurings for which there was a payment default (90 days) during the years ended December 31, 2017 and 2016 are as follows. Post-modification balances approximate pre-modification balances. The aggregate amount of charge-offs as a result of a restructuring are not significant.

		During the Year Ended December 31, 2017			
		Troubled Debt Restructurings		Troubled Debt Restructurings That Subsequently Defaulted	
		Number of	Post-Modification	Number of	Post-Modification
		Loans	Outstanding Balance	Loans	Outstanding Balance
Student Loans	76	€	3,097	2	€ 241
First Mortgages	15		2,819	-	-
Second Mortgages	13		674	-	-
Commercial Real Estate	2		2,148	-	-
Total	106	€	8,738	2	€ 241

		During the Year Ended December 31, 2016			
		Troubled Debt Restructurings		Troubled Debt Restructurings That Subsequently Defaulted	
		Number of	Post-Modification	Number of	Post-Modification
		Loans	Outstanding Balance	Loans	Outstanding Balance
Student Loans	92	€	4,662	2	€ 147
First Mortgages	19		5,385	-	-
Second Mortgages	17		1,315	1	28
Commercial Real Estate	1		90	1	90
Total	129	€	11,452	4	€ 265

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

The following table shows the types of modifications made during the years ended December 31, 2017 and 2016:

During the Year Ended December 31, 2017							
	Interest Rate Adjustment	Maturity and Interest Rate Adjustment	Principal Deferral	Interest Rate Adjustment and Bankruptcy	Other and Bankruptcy	Other	Total
Student Loans	€ -	€ -	€ 3,097	€ -	€ -	€ -	€ 3,097
First Mortgages	-	931	-	-	-	1,888	2,819
Second Mortgages	55	276	-	-	-	343	674
Commercial Real Estate	-	-	-	-	2,148	-	2,148
Total	<u>€ 55</u>	<u>€ 1,207</u>	<u>€ 3,097</u>	<u>€ -</u>	<u>€ 2,148</u>	<u>€ 2,231</u>	<u>€ 8,738</u>

During the Year Ended December 31, 2016							
	Interest Rate Adjustment	Maturity and Interest Rate Adjustment	Principal Deferral	Interest Rate Adjustment and Bankruptcy	Other and Bankruptcy	Other	Total
Student Loans	€ -	€ -	€ 4,662	€ -	€ -	€ -	€ 4,662
First Mortgages	491	1,754	-	254	445	2,441	5,385
Second Mortgages	894	190	-	-	110	121	1,315
Commercial Real Estate	-	-	-	-	-	90	90
Total	<u>€ 1,385</u>	<u>€ 1,944</u>	<u>€ 4,662</u>	<u>€ 254</u>	<u>€ 555</u>	<u>€ 2,652</u>	<u>€ 11,452</u>

NOTE 4 LOAN SERVICING

Loans serviced for others are not included in the accompanying Consolidated Statements of Financial Condition. The unpaid principal balances of mortgage and other loans serviced for others were €3,003,090 and €1,766,380 at December 31, 2017 and 2016, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing were €6,584 and €5,753 at December 31, 2017 and 2016, respectively.

The balance of capitalized servicing rights, net of valuation allowances, is included in Other Assets and totaled €16,556 and €10,421 at December 31, 2017 and 2016, respectively. The fair values of these rights were €20,353 and €13,671 at December 31, 2017 and 2016, respectively. The fair value of servicing rights was determined using discount rates ranging from 10.66% to 14.84% and prepayment speeds ranging from 8 % to 20%, depending upon the stratification of the specific right, and a weighted average coupon rate of 3.83%.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 4 LOAN SERVICING (CONTINUED)

The following summarizes the activity pertaining to servicing rights capitalized and amortized, along with the aggregate activity in related valuation allowances:

	Years Ended December 31,	
	2017	2016
Servicing Rights:		
Balance - Beginning of Year	€ 13,360	€ 10,736
Servicing Rights Capitalized	8,482	4,775
Servicing Rights Amortized	(2,347)	(2,151)
Balance - End of Year	<u>€ 19,495</u>	<u>€ 13,360</u>
Valuation Allowances:		
Balance - Beginning of Year	€ 2,939	€ 2,939
Additions	-	-
Balance - End of Year	<u>€ 2,939</u>	<u>€ 2,939</u>

NOTE 5 PREMISES AND EQUIPMENT, NET

The Credit Bank's premises and equipment are summarized as follows:

	December 31,	
	2017	2016
Land	€ 10,147	€ 10,109
Building	50,034	44,510
Furniture and Equipment	23,966	21,238
Leasehold Improvements	3,997	4,086
Construction in Progress	14,437	3,079
Subtotal	<u>102,581</u>	<u>83,022</u>
Less: Accumulated Depreciation and Amortization	(31,395)	(28,109)
Total	<u>€ 71,186</u>	<u>€ 54,913</u>

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 5 PREMISES AND EQUIPMENT, NET (CONTINUED)

Lease Commitments

The Credit Bank is obligated under noncancelable operating leases for office space in Belgium. Some of the leases contain renewal options for periods from three to five years at their fair rental value at the time of renewal. Net rent expense under operating leases, included in Office Occupancy and Operations Expenses, was approximately €4,144 and €3,978 for the years ended December 31, 2017 and 2016, respectively.

The required minimum rental payments under the terms of these noncancelable leases at December 31, 2017 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	€ 3,138
2019	2,939
2020	2,732
2021	2,470
2022	2,083
Thereafter	8,053
Total	<u>€ 21,415</u>

NOTE 6 MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts are as follows:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Share Savings	€ 1,713,071	€ 1,441,295
Share Drafts	1,913,333	1,685,833
Money Market	2,314,059	2,132,644
IRA Deposits	58,693	59,394
Share and IRA Certificates	755,049	787,420
Total	<u>€ 6,754,205</u>	<u>€ 6,106,586</u>

The aggregate amounts of certificates of deposit in denominations of €250 or more was approximately €57,020 and €63,068 at December 31, 2017 and 2016, respectively.

Overdrawn share accounts reclassified to unsecured loans to members totaled €2,865 and €1,048 at December 31, 2017 and 2016, respectively.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 6 MEMBERS' SHARE AND SAVINGS ACCOUNTS (CONTINUED)

As of December 31, 2017, scheduled maturities of share and IRA certificates are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	€ 402,843
2019	118,468
2020	82,953
2021	94,821
2022	55,950
Thereafter	14
Total	<u>€ 755,049</u>

Member accounts are insured to at least €250 by the NCBSIF. The NCBSIF is a federal insurance fund backed by the full faith and credit of the Belgium Government.

NOTE 7 BORROWED FUNDS

At December 31, 2017 and 2016, the Credit Bank had an available line of credit of €50,000 with Eastern Corporate Federal Credit Bank. The interest rates applied on any borrowing are determined on that borrowing date. Certificates of deposit and auto loans are pledged as collateral on the line of credit. The line has no expiration date, but is subject to review and change by the issuing institution. There were no balances outstanding on this line at December 31, 2017 and 2016.

The Credit Bank has entered into an Advances, Pledge, and Security Agreement with the FHLB of Belgium whereby specific mortgage loans of the Credit Banks with advance equivalents of approximately €1,559,626 and €1,481,051 at December 31, 2017 and 2016, respectively, were pledged to the FHLB as collateral in the event the Credit Bank requests any advances on the line.

The Credit Bank has access to an Ideal Way line of credit with the FHLB. The agreement provides for a credit limit of €1,000 with interest charged at a rate determined by the lender on a periodic basis. There were no balances outstanding under this agreement at December 31, 2017 and 2016.

The Credit Bank has been approved to borrow through the Federal Reserve Bank's Discount Window. The terms of this agreement call for the pledging of certain investments and indirect auto loans as security for any and all obligations taken by the Credit Bank under this agreement. At December 31, 2017 and 2016, the Credit Bank had a credit limit of €571,743 and €206,474, respectively. The line has no expiration date, but is subject to review and change by the issuing institution. There were no balances outstanding under this agreement at December 31, 2017 and 2016.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 7 BORROWED FUNDS (CONTINUED)

Borrowed funds consisted of the following:

	December 31,	
	2017	2016
Term Note from FHLB at interest rate of 1.05%, maturing September 25, 2017	€ -	€ 50,000
Term Note from FHLB at interest rate of 1.89%, maturing July 2, 2018	80,000	80,000
Term Note from FHLB at interest rate of 1.53%, maturing September 27, 2018	400	-
Term Note from FHLB at interest rate of 1.25%, maturing November 30, 2018	80,000	80,000
Term Note from FHLB at interest rate of 2.63%, maturing September 13, 2019	75,000	75,000
Term Note from FHLB at interest rate of 1.50%, maturing September 30, 2019	55,000	55,000
Term Note from FHLB at interest rate of 2.09%, maturing December 26, 2019	30,000	30,000
Term Note from FHLB at interest rate of 1.75%, maturing April 13, 2020	50,000	50,000
Term Note from FHLB at interest rate of 2.45%, maturing September 21, 2020	60,000	60,000
Term Note from FHLB at interest rate of 2.62%, maturing March 18, 2021	75,000	75,000
Term Note from FHLB at interest rate of 2.50%, maturing December 9, 2021	40,000	40,000
Term Note from FHLB at interest rate of 2.27%, maturing January 12, 2022	40,000	40,000
Term Note from FHLB at interest rate of 2.15%, maturing April 18, 2022	60,000	60,000
Total	€ 645,400	€ 695,000

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 7 BORROWED FUNDS (CONTINUED)

As of December 31, 2017, the maturities of borrowed funds are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	€ 160,400
2019	160,000
2020	110,000
2021	115,000
2022	100,000
Total	<u>€ 645,400</u>

NOTE 8 REGULATORY NET WORTH REQUIREMENTS

The Credit Bank is subject to various regulatory capital requirements administered by the NCBA. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Credit Bank's consolidated financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Bank must meet specific capital regulations that involve quantitative measures of the Credit Bank's assets, liabilities, and certain off -Consolidated Statement of Financial Condition items as calculated under Belgium. generally accepted accounting principles. The Credit Bank's capital amounts and net worth classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Bank to maintain minimum ratios (set forth in the table following) of net worth to total assets (as defined by the regulation). Credit Banks are also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which establishes whether or not the Credit Bank will be considered "complex" under the regulatory framework. The Credit Bank's RBNWR ratio as of December 31, 2017, the most recent quarterly regulatory filing date, was 4.70%. The minimum ratio to be considered complex under the regulatory framework is 6.00%. Management believes, as of December 31, 2017, that the Credit Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2017, the most recent Call reporting period, the NCBA categorized the Credit Bank initially as "well capitalize d" under the regulatory frame work for prompt corrective action. To be categorized as "well capitalized," the Credit Bank must maintain a minimum net worth ratio of 7.00% of assets. There are no conditions or events since that notification that management believes have changed the institution's category.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 8 REGULATORY NET WORTH REQUIREMENTS (CONTINUED)

The Credit Bank's actual capital amounts and ratios are also presented in the table following.

	Actual		To be Adequately Capitalized Under Prompt Corrective Action Provision		To be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<u>December 31, 2017</u>						
Net Worth	€ 779,038	9.42%	€ 496,343	6.00%	€ 579,066	7.00%
Risk-Based Net Worth Requirement	€ 388,802	4.70%	N/A	N/A	N/A	N/A
<u>December 31, 2016</u>						
Net Worth	€ 702,859	9.29%	€ 454,098	6.00%	€ 529,781	7.00%
Risk-Based Net Worth Requirement	€ 382,956	5.06%	N/A	N/A	N/A	N/A

Because RBNWR at December 31, 2017 is less than the regulatory net worth ratio, the Credit Bank retains its original assigned category. Further, in performing its calculation of total assets, the Credit Bank used the quarter -end balance option.

NOTE 9 RELATED PARTY TRANSACTIONS

Included in Loans, Net at December 31, 2017 and 2016, are loans to the Credit Bank's board of directors, committee members, and senior executive staff of approximately €3,844 and €3,807, respectively. The aggregate principal advances and principal repayments are not significant.

Deposits from the Credit Bank's board of directors, committee members, and senior executive staff held by the Credit Bank at December 31, 2017 and 2016 are approximately €2,134 and €2,066, respectively.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES

Off-Consolidated Statement of Financial Condition Activities

The Credit Bank is a party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the consolidated financial statements.

The Credit Bank's exposure to credit loss is represented by the contractual notional amount of these instruments. The Credit Bank uses the same credit policies in making commitments as it does for those loans recorded in the consolidated financial statements.

The following financial instruments were outstanding whose contract amounts represent credit risk:

	December 31,	
	2017	2016
Commitments to Grant Collateralized Loans		
First Mortgages	€ 20,796	€ 41,494
Home Equity	19,326	17,064
Commercial Real Estate	31,607	43,978
Unfunded Secured Commitments Under Lines of Credit		
Home Equity	720,814	645,525
Commercial Real Estate	71,742	54,593
Unfunded Unsecured Commitments Under Lines of Credit		
Credit Card	1,860,125	1,706,069
Commercial	10,068	11,419
Student Loans	48,934	50,165
Other Consumer	20,556	21,260
Total	€ 2,803,968	€ 2,591,567

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Bank evaluates each member's creditworthiness on a case by-case basis. The amount of collateral obtained, if deemed necessary by the Credit Bank upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies but may include consumer assets, residential real estate, and member share balances.

Unfunded commitments under revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines-of-credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Credit Bank is committed.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Loan Funding Commitments

Mortgage loan commitments are referred to as derivative loan commitments if the loan that will result from exercise of the commitment will be held for sale upon funding. The Credit Bank enters into commitments to fund residential mortgage loans at specified times in the future, with the intention that these loans will subsequently be sold in the secondary market. A mortgage loan commitment binds the Credit Bank to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the rate lock.

Outstanding derivative loan commitments expose the Credit Bank to the risk that the price of the loans arising from exercise of the loan commitment might decline from inception of the rate lock to funding of the loan due to increases in mortgage interest rates. If interest rates increase, the value of these loan commitments decreases. Conversely, if interest rates decrease, the value of these loan commitments increases.

As of December 31, 2017 and 2016, the Credit Bank had commitments to fund mortgage loans with agreed upon rates amounting to €91,793 and €68,747, respectively. The fair value of these commitments was not significant to the Credit Bank at December 31, 2017 and 2016.

Forward Sales Commitments

To protect against the price risk inherent in derivative loan commitments, the Credit Bank utilizes both “mandatory delivery” and “best efforts” forward cash sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments.

With a “mandatory delivery” contract, the Credit Bank commits to deliver a certain principal amount of mortgage loans to an investor at a specified price on or before a specified date. If the Credit Bank fails to deliver the amount of mortgages necessary to fulfill the commitment by the specified date, it is obligated to pay a “pair-off” fee, based on then current market prices, to the investor to compensate the investor for the shortfall.

With a “best efforts” contract, the Credit Bank commits to deliver an individual mortgage loan of a specified principal amount and quality to an investor if the loan to the underlying borrower closes. Generally, the price the investor will pay the seller for an individual loan is specified prior to the loan being funded (for example, on the same day the lender commits to lend funds to a potential borrower).

The Credit Bank expects that these forward cash sale commitments will experience changes in fair value opposite to the change in fair value of derivative loan commitments.

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Forward Sales Commitments (Continued)

Commitments to sell loans generally have fixed expiration dates or other termination clauses and may require the payment of a fee. The Credit Bank may settle the forward sales commitments on a net basis; therefore, the commitments outstanding do not necessarily represent future cash obligations. The Credit Bank has €40,010 and €45,525 of forward sales commitments outstanding as of December 31, 2017 and 2016, respectively, which will be settled within 90 days of the individual commitment date. The fair value of these commitments was not significant to the Credit Bank at December 31, 2017 and 2016.

Legal Contingencies

The Credit Bank is a party to various collection related legal actions normally associated with financial institutions, the aggregate effect of which, in management's opinion, would not be material to the consolidated financial condition of the Credit Bank.

NOTE 11 FAIR VALUE

Recurring Basis

The Credit Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Credit Bank measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following table presents the balances of the assets and liabilities measured at fair value on a recurring basis:

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Trading Securities:				
Mutual Funds of Belgium				
Government Securities	€ 187,111	€ -	€ -	€ 187,111
Available-for-Sale Securities:				
Belgium Government Obligations and Federal Agency Securities	-	219,719	-	219,719
Total Assets	<u>€ 187,111</u>	<u>€ 219,719</u>	<u>€ -</u>	<u>€ 406,830</u>
<u>December 31, 2016</u>				
Assets:				
Trading Securities:				
Mutual Funds of Belgium				
Government Securities	€ 148,943	€ -	€ -	€ 148,943
Available-for-Sale Securities:				
Belgium Government Obligations and Federal Agency Securities	-	210,585	-	210,585
Total Assets	<u>€ 148,943</u>	<u>€ 210,585</u>	<u>€ -</u>	<u>€ 359,528</u>

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 11 FAIR VALUE (CONTINUED)

Recurring Basis (Continued)

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investment Securities

When available, the Credit Bank uses quoted market prices to determine the fair value of securities; such items are classified in Level 1 of the fair value hierarchy. For the Credit Bank's securities where quoted prices are not available for identical securities in an active market, the Credit Bank determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, cannot be obtained or cannot be corroborated, a security is generally classified as Level 3.

Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as there is evidence of impairment or a change in the amount of previously recognized impairment.

Net impairment losses related to nonrecurring fair value measurements of certain assets for the years ended December 31, 2017 and 2016 consisted of the following:

Fair Value at December 31, 2017				
	Level 1	Level 2	Level 3	Impairment Losses
Impaired Loans	€ -	€ -	€ 2,769	€ 630
Fair Value at December 31, 2016				
	Level 1	Level 2	Level 3	Impairment Losses
Impaired Loans	€ -	€ -	€ 8,517	€ 1,598

EURO CREDIT BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(IN THOUSANDS)

NOTE 11 FAIR VALUE (CONTINUED)

Nonrecurring Basis (Continued)

The following tables present additional quantitative information about assets measured at fair value on a nonrecurring basis for which the Euro Credit Bank has utilized Level 3 inputs to determine fair value:

December 31, 2017				
	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Impaired Loans	€ 2,769	Evaluation of Collateral	Estimation of Value	Not Meaningful

December 31, 2016				
	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Impaired Loans	€ 8,517	Evaluation of Collateral	Estimation of Value	Not Meaningful

Impaired Loans

In accordance with the provisions of the loan impairment guidance, impairment was measured for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement.

The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, or discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans.

Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria. Impairment amounts on impaired loans represent specific valuation allowance and write downs during the period presented on impaired loans that were individually evaluated for impairment based on the estimated fair value of the collateral less estimated selling costs, excluding impaired loans fully charged off.