

**ERB PROPERTY SERVICES SOFIA AD
ANNUAL DIRECTORS' REPORT
ANNUAL FINANCIAL STATEMENTS
REPORT OF THE INDEPENDENT AUDITOR
31 DECEMBER 2012**

ERB PROPERTY SERVICES SOFIA AD
CONTENTS
31 DECEMBER 2012

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ERB PROPERTY SERVICES SOFIA AD
DIRECTORS' REPORT
31 DECEMBER 2012

The Directors present the report and the financial statements prepared in accordance with International Financial Reporting Standards (IFRS), adopted by EU. These financial statements have been audited by PricewaterhouseCoopers Audit OOD.

BUSINESS DESCRIPTION

The Company was registered on 2 September 2005. The Company's principal activities include evaluation and intermediary services of operations with real estates, management of real estates, technical and consulting services, architectural and engineering explorations. The address of its registered office is as follows: 260 Okolovrasten pat Str, 1766 Sofia, Bulgaria. The Company's corporate name was amended on 26 March 2013 from " EFG Property Services Sofia" AD to "ERB Property Services Sofia" AD, following Extraordinary General Meeting's resolution on 18 January 2013.

BUSINESS OVERVIEW

The main aspects for development for the current year include:

- Rendering intermediary services to Eurobank Bulgaria AD for development of its branch network;
- Active offering of agency services related with real estates;
- Development of an evaluation department responsible for appraisals in favour of Eurobank Bulgaria AD and reviewing of appraisals prepared by subcontractors;
- Introducing of reforms in order to optimize the procedure of evaluation; and
- Offering of consulting services to potential investors in real estates.

CAPITAL STRUCTURE

The share capital of the Company amounts to BGN 150,000, split in 150,000 individual shares with nominal value of BGN 1 each. 80 % of the share capital is owned by Eurobank Ergasias S.A. and 20 % of the share capital is owned by Lamda Development S.A.

MANAGEMENT

In accordance with The Commercial Act of Bulgaria the company has one-tier management system with managerial posts, as follows: General Meeting of shareholders and Board of Directors.

On 31 December 2012 the members of the Board of Directors were:

Theodoros Karakasis – Member and Chairman of the Board of Directors;
Dimitrios Andritsos – Member of the Board of Directors and Executive Director;
Georgios Vasilantonakis - Member of the Board of Directors and Executive Director;
Zizimos Danilatos - Member of the Board of Directors;
Petia Dimitrova - Member of the Board of Directors;
Ioannis Stournaras - Member of the Board of Directors;
Iordan Souvandjiev - Member of the Board of Directors.

MANAGEMENT (CONTINUED)

Information on the activity of the Board of Directors of the Company during 2012 pursuant to Art. 247, Para 2 of The Commercial Act of Bulgaria:

Remunerations received generally by the members of the Board of Directors during 2012:

In 2012 the members of the Board of Directors didn't receive remunerations from the Company in their capacity of the members of the Board of Directors.

The shares in the Company or the Company's bonds that the members of the Board of Directors have acquired, possessed or transferred during 2012:

No member of the Board of Directors has owned or transferred shares or bonds of the Company.

Rights of the members of the Board of Directors to acquire shares and bonds of the Company:

No member of the Board of Directors holds special rights of acquisition of shares or bonds of the Company.

The participation of the members of the Board of Directors into commercial companies as:

Partners with unlimited liability:

None

Partners/Shareholders holding more than 25 per cent of the capital of another company:

None

Participants in the management of other companies or cooperatives as procurators, managers or members of the Boards:

Theodoros Karakasis

- Eurobank Bulgaria AD (former name Eurobank EFG Bulgaria), (Bulgaria) – Deputy Chairman of the Supervisory Board (effective as of 05.05.2011)
- ERB Leasing EAD (former name EFG Leasing EAD), (Bulgaria) - Member of the Board of Directors
- Bancpost S.A. (Romania) – Deputy Chairman of the Board of Directors
- ERB Retail Services IFN S.A.(Romania)- Member of the Board of Directors
- ERB Leasing IFN S.A.(Romania)- Member of the Board of Directors
- Eurobank Property Services S.A.(Romania) – Chairman of the Board of Directors
- Eurobank a.d. Beograd (Serbia) – Chairman of the Board of Directors
- ERB Property Services d.o.o. Beograd (Serbia)- Chairman of the Board of Directors



MANAGEMENT (CONTINUED)

Participants in the management of other companies or cooperatives as procurators, managers or members of the Board of Directors (continued):

Theodoros Karakasis (continued)

- Eurobank Ergasias S.A. (Greece) – Deputy General Manager
- Greek-Serbian Chamber of Commerce – Deputy General Manager
- Hellenic-Romanian Chamber of Commerce and Industry – Member and Secretary General of the Board of Directors
- CEH Balkan Holdings Limited – Member of the Board of Directors (effective as of 12.12.2012 г.)

Dimitrios Andritsos

- Eurobank Property Services S.A. (Greece) – Chief Executive Officer and Deputy Chairman of the Board of Directors
- Eurobank Property Services S.A.(Romania) – Deputy Chairman of the Board of Directors
- ERB Property Services d.o.o. Beograd (Serbia) - Member of the Supervisory Board
- IMO Property Investments Bucuresti S.A. (Romania) - Member of the Board of Directors
- IMO Property Investments A.D. Beograd (Serbia) - Member of the Supervisory Board
- IMO Property Investments Sofia EAD - Member of the Board of Directors
- IMO – II Property Investments S.A. (Romania) – Member of the Board of Directors
- LLC ERB Property Services Ukraine Ltd. (Ukraine) – Deputy General Director
- EFG Property Services Polska Sp. z o.o. (Полша) – Chairman of the Board of Directors
- Propindex S.A. (Гърция) – Member of the Board of Directors

Georgios Vasilantonakis

- Eurobank Property Services S.A.(Romania) – Member of the Board of Directors
- ERB Property Services d.o.o. Beograd (Serbia) - Member of the Supervisory Board
- LLC ERB Property Services Ukraine LCC (Ukraine) – General Manager and Member of the Board of Directors
- EFG Property Services Polska Sp. z o.o. (Poland) – Deputy Chairman of the Board of Directors



MANAGEMENT (CONTINUED)

Participants in the management of other companies or cooperatives as procurators, managers or members of the Board of Directors (continued):

Zizimos Danilatos

- LAMDA Development Romania Srl (Romania) - Executive Director
- LAMDA Estate Development S.A. Atena Sucursala (Romania) - Executive Director
- Robies Proprietati Imobiliare SrL(Romania) - Executive Director
- LAMDA Development Sofia EOOD (Bulgaria) - Executive Director
- TIHI EOOD (Bulgaria) - Executive Director
- GLS OOD (Bulgaria) - Executive Director
- LAMDA Development Beograd DOO (Serbia) - Executive Director;
- Property Development Beograd DOO (Serbia) – Deputy Chairman of the Board of Directors
- Singidunum Buildings DOO (Serbia) – Deputy Chairman of the Board of Directors
- Property Investments DOO (Serbia) – Deputy Chairman of the Board of Directors
- LAMDA Development Montenegro DOO (Montenegro) - Executive Director
- S.L. Imobilia DOO Zagreb (Croatia) - Executive Director
- Lamda MED Srl (Romania) - Executive Director
- LAMDA Erga Anaptixis S.A. – Chief Executive Director and Legal representative
- ERB Property Services d.o.o. Beograd (Serbia) – Member of the Supervisory Board

Petia Dimitrova

- Eurobank Bulgaria AD (former name Eurobank EFG Bulgaria), (Bulgaria) – Chairperson of the Management Board and Chief Executive Officer
- Bulgarian Retails Services AD (Bulgaria) – Chairperson of the Board of Directors and Executive Director
- IMO Property Investments Sofia EAD (Bulgaria) - Member of the Board of Directors and Executive Director
- IMO Rila EAD (Bulgaria) - Deputy Chairperson of the Board of Directors and Executive Director
- IMO Central Office EAD (Bulgaria) - Deputy Chairperson of the Board of Directors and Executive Director



MANAGEMENT (CONTINUED)

Participants in the management of other companies or cooperatives as procurators, managers or members of the Board of Directors (continued):

Petia Dimitrova (continued)

- IMO 03 EAD (Bulgaria) - Member of the Board of Directors and Executive Director
- ERB Leasing EAD, (former name EFG Leasing EAD), Bulgaria – Member of the Board of Directors (effective as of 14.03.2012)
- AmCham Bulgaria (American Chamber of Commerce in Bulgaria) – Member of the Board of Directors
- Bulgarian Business Leaders Forum (BBLF) – Member of the Management Board
- State-owned enterprise Communicative construction and rehabilitation (Bulgaria) – Member of the Management Board;
- Municipal Bank AD (Bulgaria) – Member of the Supervisory Board (until 13.08.2012);
- Confederation of Employers & Industrialists in Bulgaria, Bulgaria – Member of the Management Board (From 29.06.2012 to 22.11.2012).

Ioannis Stournaras

- Eurobank Property Services S.A. (Greece) – Member of the Board of Directors
- Eurobank Property Services S.A.(Romania) – Member of the Board of Directors (until 30.10.2012)
- LLC ERB Property Services Ukraine LCC (Ukraine) – Member of the Board of Directors
- EFG Property Services Polska Sp. z o.o., Poland – Member of the Board of Directors

Iordan Souvandjiev

- Eurobank Bulgaria AD (former name Eurobank EFG Bulgaria), (Bulgaria) – Member of the Management Board
- IMO Property Investments Sofia EAD (Bulgaria) - Member of the Board of Directors
- IMO Central Office EAD (Bulgaria) - Member of the Board of Directors and Executive Director
- IMO Rila EAD (Bulgaria) - Member of the Board of Directors and Executive Director
- Vinimpeks 21 AD (Bulgaria) - Member of the Board of Directors.

Contracts under article 240b of The Commercial Act of Bulgaria, entered into in 2012:

The Company has not entered into contracts in the sense of Article 240b, paragraph 1 of The Commercial Act of Bulgaria during 2012.



ORGANIZATIONAL STRUCTURE

The Company consists of three divisions: Administration, Appraisal Division and Agency Division. The total number of the personnel at 31 December 2012 is 12 (2011: 12).

OBJECTIVES OF THE COMPANY FOR 2013

The objectives of the Company for the coming year cover:

- Servicing of the bank business units in connection with orders and review of movable and immovable assets' valuations;
- Servicing of IMO Property Investments Sofia in connection with the portfolio – realizing of assets for sale and rent;
- Renegotiating of the bank branches' rents on purpose to decrease the operating expenses;
- Extending and emphasizing on the services for third party clients: valuations; brokerage; advisory; market analysis and legal compliance reports.

Director's responsibilities


The Directors are required by Bulgarian law to prepare financial statements each financial year that give a true and fair view of the state of affairs of the company as at the year end and of the profit or loss and cash flows for the year.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2012.

The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the management:


.....
Dimitrios Andritsos
Executive Director
ERB Property Services Sofia AD
9 April 2013
Sofia, Bulgaria




.....
Georgios Vasilantonakis
Executive Director

ERB PROPERTY SERVICES SOFIA AD
BALANCE SHEET
31 DECEMBER 2012

(All amounts are in Bulgarian leva thousands)

	Notes	As at 31 December	
		2012	2011
ASSETS			
Non-current assets			
Equipment	5	4	8
Intangible assets	6	20	12
Deferred tax asset	8	1	5
		25	25
Current assets			
Trade receivables	7,9	277	26
Other receivables	10	110	160
Cash and cash equivalents	7,11	3,517	3,593
		3,904	3,779
Total assets		3,929	3,804
EQUITY			
Share capital	12	150	150
Other reserves	12	15	15
Retained earnings		3,589	3,472
Total equity		3,754	3,637
LIABILITIES			
Current liabilities			
Trade payables	13	150	99
Other payables	14	25	68
Total current liabilities		175	167
Total equity and liabilities		3,929	3,804

The financial statements on page 8 to 40 have been approved on 9 April 2013 and signed as follows:

.....
 Executive Director
 Dimitrios Andritsos

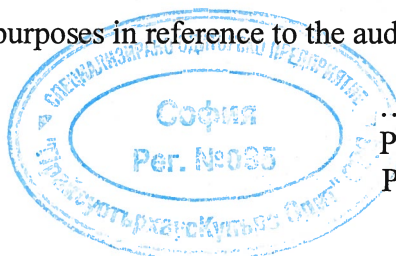
.....
 Financial Manager
 Yordanka Karapetrova



.....
 Executive Director
 Georgios Vasilantonakis

Initialled for identification purposes in reference to the auditor's report:

.....
 Rositsa Boteva
 Registered auditor
 9 April 2013
 Sofia, Bulgaria



.....
 Petko Dimitrov
 PricewaterhouseCoopers Audit OOD

ERB PROPERTY SERVICES SOFIA AD
STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2012

(All amounts are in Bulgarian leva thousands)

	Notes	Year ended 31 December	
		2012	2011
Revenue	15	1,507	1,400
Consumables used	16	(8)	(8)
Expenses for external services	17	(1,101)	(934)
Employee benefits expense	18	(362)	(460)
Depreciation and amortisation	5,6	(11)	(13)
Other expenses	19	(29)	(28)
Operating loss		(4)	(43)
Financial gain, net	20	141	167
Profit before income tax		137	124
Income tax expense	21	(20)	(12)
Profit for the year		117	112
Total comprehensive income for the year		117	112

The financial statements on page 8 to 40 have been approved on 9 April 2013 and signed as follows:

.....
 Executive Director
 Dimitrios Andritsos

.....
 Financial Manager
 Yordanka Karapetrova



.....
 Executive Director
 Georgios Vasilantonakis

Initialed for identification purposes in reference to the auditor's report:

.....
 Rositsa Boteva
 Registered auditor

9 April 2013
 Sofia, Bulgaria



.....
 Petko Dimitrov
 PricewaterhouseCoopers Audit OOD

**ERB PROPERTY SERVICES SOFIA AD
STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2012**

(All amounts are in Bulgarian leva thousand)

	Note	Share capital	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2011		150	15	3,360	3,525
Profit for the year		-		112	112
Balance as at 31 December 2011	12	150	15	3,472	3,637
Balance as at 1 January 2012		150	15	3,472	3,637
Profit for the year		-	-	117	117
Balance as at 31 December 2012	12	150	15	3,589	3,754

The financial statements on page 8 to 40 have been approved on 9 April 2013 and signed as follows:


.....
Executive Director
Dimitrios Andritsos




.....
Executive Director
Georgios Vasilantonakis


.....
Financial Manager
Yordanka Karapetrova

Initialed for identification purposes in reference to the auditor's report:


.....
Rositsa Boteva
Registered auditor




.....
Petko Dimitrov
PricewaterhouseCoopers Audit OOD

9 April 2013
Sofia, Bulgaria

ERB PROPERTY SERVICES SOFIA AD
CASH FLOW STATEMENT
31 DECEMBER 2012

(All amounts are in Bulgarian leva thousands)

	Note	Year ended 31 December	
		2012	2011
Cash flow from operating activities			
Cash receipts from customers		1,537	1,989
Cash payments to employees and suppliers		(1,741)	(1,832)
Income tax paid		-	(40)
Net cash flows from operating activities		(204)	117
Cash flows from investing activities			
Purchases of property, plant and equipment	5,6	(15)	(3)
Interest received		143	169
Net cash from investing activities		128	166
Net (decrease)/increase in cash		(76)	283
Cash at beginning of the year		3,593	3,310
Cash at end of the year	11	3,517	3,593

The financial statements on page 8 to 40 have been approved on 9 April 2013 and signed as follows:

.....
 Executive Director
 Dimitrios Andritsos



.....
 Executive Director
 Georgios Vasilantonakis

.....
 Financial Manager
 Yordanka Karapetrova

Initialled for identification purposes in reference to the auditor's report:

.....
 Rositsa Boteva
 Registered auditor



.....
 Petko Dimitrov
 PricewaterhouseCoopers Audit OOD

9 April 2013
 Sofia, Bulgaria

1. General information

ERB PROPERTY SERVICES SOFIA AD is a joint stock company and is registered under c.c. 9762/2005 in the trade register of the Sofia City Court. The company is domiciled in the Republic of Bulgaria. The address of its registered office is 270, Okolovrasten pat Str., Sofia 1766.

The Company's principal activities include appraisal services primarily with related parties (Note 24)

ERB PROPERTY SERVICES SOFIA AD is owned by Eurobank Ergasias S.A. with 80% of the share capital and by Lamda Development S.A. with 20 % of the share capital.

According to the Bulgarian legislation the Company's owners are not allowed to make any changes to the statements after their publication.

These financial statements were authorised for issue by the management of the Company on 9 April 2012.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation


The financial statements of ERB Property Services Sofia AD were prepared in compliance with the requirements of the International Financial Reporting Standards (IFRS), adopted by EU Commission. The financial statements are drawn in conformity with the principles of historical price.

The preparation of financial statements in compliance with IFRS requires implementation of approximate accounting estimations. It also requires that the Management use their own assessment during the implementation of the entity's accounting policy. The elements of the financial statements, whose presentation includes higher-degree subjective assessment or complexity, as well as those elements, for which the suppositions and estimations have a considerable impact on the financial statements as a whole, are separately disclosed in Note 2.20.

Impact of the economic crisis and situation in Greece

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

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

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2. **Company background and significant accounting policies (continued)**
2.1 **Basis of preparation (continued)**

Impact of the economic crisis and situation in Greece (continued)

On the back of these developments, and after the implementation/legislation of a long list of structural reforms and fiscal austerity measures for 2013-16 by the Greek Government, the Eurogroup reached on November 26th, 2012 an agreement on a set of new measures for the reduction of Greek public debt to 124.0% of GDP by 2020 and 110.0% of GDP in 2022. This debt path is consistent with the debt sustainability required by the IMF.

Position of the Group

Greek sovereign debt exchange programme

On 21 February 2012 the Euro-area finance ministers agreed on a bail out programme for Greece, including financial assistance from the Official Sector and a voluntary debt exchange agreed with the Private Sector forgiving 53.5% of the face value of Greek debt. All exchanged bonds were derecognized and the new Greek government bonds (nGGBs) recognized at fair value, based on market quotes at the date of recognition.

Following the Eurogroup's decisions on 27 November 2012 and as part of debt reduction measures, the Greek State announced on 3 December 2012 an invitation to eligible holders of nGGBs to submit offers to exchange such securities for six months zero coupon notes to be issued by the European Financial Stability Fund (EFSF). On 18 December 2012, pursuant to the above invitation, nGGBs of aggregate face amount of € 31.9 bn were eventually exchanged for EFSF notes of face amount of € 11.3 bn. Under its participation to the Greek state's debt buyback program, the Eurobank Ergasias Group submitted for exchange the 100% of its nGGBs portfolio, amounting to € 2.3 bn.

Recapitalization Framework and Process

Given the severity of the impact of the Greek Government Bond exchange programme (PSI+), on 21 February 2012 the Euro Area finance ministers allocated a total of € 50 bn of the second support programme for Greece specifically for the recapitalisation of the Greek banking system. These funds are directed to the Hellenic Financial Stability Fund (HFSF) whose mandate has been extended and enhanced accordingly. € 23 bn of these funds were remitted to Greece in April 2012, € 16 bn in December 2012 while the final € 11 bn are expected within next months.

The Bank of Greece, after assessing the business plan and the capital needs of Eurobank has concluded on 19 April 2012 that Eurobank is a viable bank and, on 8 November 2012, notified the Bank that its Tier I capital should increase by € 5,839 million. The Bank, the HFSF and the European Financial Stability Facility ("EFSF") signed on 28 May 2012 and on 21 December 2012 a trilateral presubscription agreement (PSA) for the advance to the Bank of EFSF notes of face value of € 3,970 million and € 1,341 million (total € 5,311 million) as advance payment of its participation in the future share capital increase of the Bank. In addition, HFSF provided to the Bank a commitment letter for additional capital support of € 528 million up to the total level of recapitalisation needs of € 5,839 million. Proforma with the full recapitalisation amount of € 5,839 million, on 31 December 2012 the Group's regulatory capital stands at € 4.4 bn, the Core Tier I capital at € 4.1 bn, its Capital Adequacy ratio at 11.6% and the Core Tier I ratio at 10.8%. The above ratios will be negatively affected as of 31 March 2013 following recent changes in the Greek regulatory framework with respect to capital adequacy requirements. Such impact is expected to be mitigated through capital actions that are currently under planning and assessment stage by the Bank.



2. Company background and significant accounting policies (continued)

2.1 Basis of preparation of the financial statements (continued)

Eurobank Ergasias S.A. shareholding structure

Until 23 July 2012, Eurobank Ergasias S.A. was a member of the EFG Group, which held 44.70% of the Bank's ordinary shares and voting rights, through wholly owned subsidiaries of the ultimate parent company.

On 23 July 2012, 43.55% of the ordinary shares and voting rights held by EFG Group were transferred to ten legal entities, each of which acquired approximately 4.4%, while the EFG Group retained the remaining 1.15%. These entities have formally stated they are independent from each other. As a result, from 23 July 2012, onwards, Eurobank ceased to be under EFG Group's control and will no longer be consolidated in the financial statements of the EFG Group. In addition, the Bank's corporate and trade name have already been amended in order to no longer include the "EFG" suffix.

National Bank of Greece S.A. Voluntary Tender Offer (VTO)

On 5 October 2012, the National Bank of Greece (NBG) announced its intention to launch a voluntary exchange offer to acquire all Eurobank's shares offering 58 new shares of NBG for every 100 shares of Eurobank tendered. On 18 February 2013, NBG announced that during the offering's acceptance period for Eurobank's shareholders, 84,35% of Eurobank's shareholders have accepted legally the VTO; thus NBG holds 84,38% of Eurobank's paid in Share Capital. (Note 25)



2. **Company background and significant accounting policies (continued)**

2.1 **Basis of preparation of the financial statements (continued)**

(a) New and amended standards adopted by the Company

There are no new standards and amendments to standards accepted by the Company for application for the financial year, beginning 1 January 2012.

(c) New standards and interpretations that are mandatory for the annual periods beginning on or after 1 January 2013 or later, and which the Company has not early adopted

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Company is currently assessing the impact of the standard on its financial statements.

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Company expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Company is currently assessing the impact of the amended standard on its financial statements.

2. Company background and significant accounting policies (continued)

2.1 Basis of preparation of the financial statements (continued)

(c) New standards and interpretations that are mandatory for the annual periods beginning on or after 1 January 2013 or later, and which the Company has not early adopted (continued)

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The Company is currently assessing the impact of the amended standard on its financial statements.

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

Other changes in standards and interpretations, which are not expected to have any impact on these financial statements:

IFRS 1 “First time adoption of IFRS – amendment regarding severe hyperinflation and elimination of references to fixed dates for some exceptions and exemptions (issued in December 2010 and effective for annual periods beginning on or after 1 January 2013).

IAS 12 “Income tax” (issued in December 2010 and effective for annual periods beginning on or after 1 January 2013) – the amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale.

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, EU effective date is for annual periods beginning on or after 1 January 2014).

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, EU effective date is for annual periods beginning on or after 1 January 2014).

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, EU effective date is for annual periods beginning on or after 1 January 2014).

IAS 27, Consolidated and Separate Financial Statements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, EU effective date is for annual periods beginning on or after 1 January 2014).

IAS 28, Investments in Associates and Joint Ventures, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, EU effective date is for annual periods beginning on or after 1 January 2014) - accounting for investments in joint ventures using the equity method.



2. Company background and significant accounting policies (continued)

2.1 Basis of preparation of the financial statements (continued)

(c) New standards and interpretations that are mandatory for the annual periods beginning on or after 1 January 2013 or later, and which the Company has not early adopted (continued)

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013).

Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards - Government loans (effective for annual periods beginning on or after 1 January 2013). The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers.

(d) New or revised standards and interpretations not yet adopted by the European Union

IFRS 9, Financial Instruments: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

2. Company background and significant accounting policies (continued)

2.1 Basis of preparation of the financial statements (continued)

(d) New or revised standards and interpretations not yet adopted by the European Union (continued)

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, Borrowing costs, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, Joint Arrangements, and IFRS 12, Disclosure of Interests in Other Entities, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary.

2. Company background and significant accounting policies (continued)

2.2 Comparatives

The accompanying financial statements of the Company include comparative information for one prior year (period).

Where necessary, comparative data is reclassified (and restated) in order to achieve compatibility in view of the current year presentation changes.

2.3 Functional currency and recognition of exchange differences

The functional and presentation currency of the Company is the Bulgarian Lev. Starting from 1 July 1997 the Bulgarian Lev was fixed under the Bulgarian National Bank Act to the German Mark at the ratio of BGN 1: DEM 1, and with the introduction of the Euro as the official currency of the European Union, it was fixed to the Euro at a ratio of BGN 1.95583: EUR 1.

Upon its initial recognition, a foreign currency transaction is recorded in the functional currency whereas the exchange rate to BGN at the date of the transaction or operation is applied to the foreign currency amount. Cash and cash equivalents, receivables and payables, as monetary reporting items, denominated in foreign currency, are recorded in the functional currency by applying the exchange rate as quoted by the Bulgarian National Bank (BNB) for the last working day of the respective month. At 31 December, these amounts are presented in BGN at the closing exchange rate of BNB.

The non-monetary items in the balance sheet, which are initially denominated in a foreign currency, are accounted for in the functional currency by applying the historical exchange rate at the date of the transaction and are not subsequently re-valued at the closing exchange rate.

Foreign exchange gains or losses arising on the settlement of foreign currency transactions or the recording of foreign currency transaction at rates different from those at which they were converted on initial recognition, are included in the income statement when incurred and are presented net as 'other operating income/expenses'.

The closing exchange rates of the BGN against the major foreign currencies relevant to the Company's operations for the reporting periods of the financial statements are as follows:

	As at 31 December	
	2012	2011
1 USD	1.48360	1.47276
1 EUR	1.95583	1.95583



2. Company background and significant accounting policies (continued)

2.4 Revenue

Revenue is recognized on accrual basis and to the extent that it is probable that the economic benefits will flow to the Company and as far as the revenue can be reliably measured.

Upon sale of finished products, goods and materials, revenue is recognized when all significant risks and rewards of ownership have passed to the buyer.

Upon rendering of services, revenue is recognized by reference to the stage of completion of the transaction at the balance sheet date, if this stage as well as the transaction and completion costs, can be measured reliably.

Revenue is measured on the basis of the fair value of the goods and services sold, net of indirect taxes (excise duties and VAT) and any discounts and rebates granted.

The net foreign exchange gains or losses related to cash, trade receivables and payables, denominated in foreign currency, are recognized in the income statement in the period, in which they arise and are presented net under 'other operating income'. The presentation of interest on bank deposits and trade receivables is analogous.

2.5 Expenses

Expenses are recognized as they are incurred, following the accrual and matching concepts.

Prepayments are deferred and are recognized as current expenses in the period when the contracts, whereto they refer, are performed.

Finance costs are included in the income statement when incurred and comprise: interest costs, including bank charges and other direct expenses on loans and bank guarantees; exchange differences on loans denominated in foreign currency (net), gains and losses (net) on derivatives, classified as hedges. They are presented net of finance income on the face of the income statement.

2.6 Property and equipment

Property and equipment are presented in the financial statements at historical cost of acquisition less the accumulated depreciation and any impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The Company applies the straight-line depreciation method for property and equipment. Depreciation of an asset begins when it is available for use. The useful life per group of assets has been determined considering: physical wear, the characteristic features of the equipment, the intentions for future use and the expected obsolescence, and is as follows:

	Years
Machinery and equipment	4,17
Office furniture	6,7



2. Company background and significant accounting policies (continued)

2.6 Property and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

2.7 Intangible assets

a) Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives.

b) Software licenses

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three to five years.

Intangible assets are derecognized from the balance sheet when they are permanently disposed of and no future economic benefits are expected from their use or on sale. The gains or losses arising from the sale of an item of intangible assets are determined as the difference between the disposal proceeds and the carrying amount of the asset at the date of sale. They are stated net under 'other operating income/expenses' on the face of the income statement.

2.8 Trade and other current assets

Trade receivables are recognized and carried at fair value based on the original invoice amount (cost) less any allowance for uncollectable debts. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the receivables are initially valued at their fair value and subsequently – at amortized cost, after deducting the interest incorporated in their nominal value and determined following the effective interest rate method. An estimate of allowances for doubtful and bad debts is made when significant uncertainty exists as to the collection of the full amount or a part of it. A provision for impairment of trade receivables is established when objective evidence is available that the Company will be unable to collect all amounts in line with the originally set terms. Significant financial difficulties of the debtor, probability that the debtor will enter insolvency proceedings or other financial reorganization, default or overdue payment (more than 30 days past due) are considered by the management when it defines and classifies a particular receivable as impaired. The impairment amount is the difference between the carrying amount of the receivable and the present value of the estimated future cash flows, discounted at the original effective interest rate.



2. Company background and significant accounting policies (continued)

2.8 Trade and other current assets (continued)

The carrying amount is adjusted through the use of an allowance account for accumulating all impairments and the amount of the impairment loss for the period is recognized in the income statement within 'Distribution and selling costs'. In case of subsequent recovery of impairment loss, it is stated under 'other operating income' against a decrease in the allowance account.

Bad debts are written-off when the legal grounds for this are available. The write-off is at the expense of the allowance account.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, current accounts and short-term deposits with banks, with original maturity of less than three months.

2.10 Payables to suppliers and other current liabilities

Payables to suppliers and other current amounts payable are carried at original invoice amount (cost), being the fair value of the consideration to be paid in the future for goods and services received.

In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the payables are initially valued at their fair value and subsequently – at amortized cost, after deducting the interest incorporated in their nominal value and determined following the effective interest rate method.

2.11 Leases

Operating lease

Leases where the lessor keeps a substantial part of all risks and economic benefits incidental to the ownership of the specific asset are classified as operating leases.

Operating lease payments are recognized as expenses in the income statement on a straight-line basis over the lease term.

2.12 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle (repay) the obligation. The measurement of provisions is based on the best estimate, made by the management at the balance sheet date, concerning the expenses that will be incurred for the settlement of the particular obligation. The estimate is discounted if the obligation is long-term.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.



2. Company background and significant accounting policies (continued)

2.13 Pensions and other payables to personnel under the social security and labour legislation

Social, pension and health funds

The company is obliged by the current Bulgarian legislation to make fixed contribution on behalf of the employees in a social fund operated by the Government. All those payments/liabilities are recognized as an expense in the period to which those relate.

The Company has no further payment obligations once the contributions have been paid.

2.14 Share capital and reserves

The Company is a joint-stock one and is obliged to register with the Commercial Register a specified *share capital*, which should serve as a security for the creditors of the Company for execution of their receivables. The shareholders are liable for the obligations of the Company up to the amount of the share of the capital held by each of them and may claim refunding of this share only in case of liquidation or bankruptcy proceedings. The Company reports its share capital at the nominal value of the shares registered in the court.

According to the requirements of the Commercial Act and the Articles of Association, the Company is obliged to set aside a *Reserve Fund* by using the following sources:

- at least one tenth of the profit, which should be allocated to the Fund until its amount reaches one tenth of the share capital or any larger amount as provided in the Articles of Association;
- any premium received in excess of the nominal value of shares upon their issue (share premium reserve);
- other sources as provided for by a decision of the General Meeting.

The amounts in the Fund can only be used to cover current loss or losses from previous years. When the amount of the Fund reaches the minimum value specified in the Statutes, the excess may be used for increasing share capital.

2.15 Financial instruments

2.15.1 Financial assets

The Company classifies its financial assets in the category 'loans and receivables', including cash and cash equivalents. The classification depends on the nature and purpose (designation) of the financial assets at the date of their acquisition. The management determines the classification of the financial assets of the Company at the time of their initial recognition on the balance sheet.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured in the balance sheet at their amortized cost using the effective interest method less any allowance for impairment. These assets are included in current assets when having maturity within 12 months or within a common operating cycle of the Company while the remaining ones are classified as non-current assets. This group of financial assets includes: loans granted, trade receivables, other receivables from counterparts and third parties, cash and cash equivalents from the balance sheet. Interest income on loans and receivables is recognized by applying the effective interest rate except for short-term receivables (less than three months) where the recognition of such interest would be unjustifiable as immaterial and within the common credit terms.

2. Company background and significant accounting policies (continued)

2.15 Financial instruments (continued)

2.15.1 Financial assets (continued)

b) Available-for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the group's right to receive payments is established.

The Company assesses at each balance sheet date whether events and circumstances have occurred that indicate the existence of objective evidence that an individual asset or a group of assets is impaired.

2.15.2 Financial liabilities

The financial liabilities of the Company include loans and payables to suppliers and other counterparts. They are initially recognized on the balance sheet at fair value net of the directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method.



2. Company background and significant accounting policies (continued)

2.16 Income taxes

The **current income tax** charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The nominal income tax rate for year 2012 is 10 % (2011: 10%).

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) *Foreign exchange risk*

The Company operates in Bulgaria and since the Bulgarian Leva (BGN) has been pegged to the EUR at the fixed rate by the means of the currency board, the Company is exposed to foreign exchange risk to the extent of transactions denominated in currencies other than the EUR.

The Company does not believe that the peg will change within the next 12 months and therefore no sensitivity analysis has been performed.

ERB PROPERTY SERVICES SOFIA AD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2012

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Foreign exchange risk (continued)

The table below shows the concentration of currency risk of significant financial assets and liabilities.

As at 31 December 2012	BGN	EUR	Total
Assets as per balance sheet			
Related party receivables (Note 24.1)	277	-	277
Trade receivables	97	-	97
Other receivables	13	-	13
Cash and cash equivalents	2,898	619	3,517
	3,285	619	3,904

Liabilities as per balance sheet

Trade payables	150	-	150
	150	-	150

As at 31 December 2011

Assets as per balance sheet

Related party receivables (Note 24.1)	26	-	26
Accrued interest	67	-	67
Trade receivables	89	-	89
Other receivables	71	-	71
Cash and cash equivalents	2,877	649	3,526
	3,130	649	3,779

Liabilities as per balance sheet

Trade payables (Note 24)	99	-	99
	99	-	99

ERB PROPERTY SERVICES SOFIA AD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2012

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Cash flow interest rate risk

As the Company has no significant interest-bearing liabilities, the Company's costs, income and operating cash flows are substantially independent of changes in market interest rates.

In 2012 the Company's interest rate risk arises from three short-term bank deposits held at Eurobank Bulgaria AD amounting to BGN 3,208 thousand with renegotiated maturity of 1 year. In 2011 the Company has three short-term bank deposits at Eurobank Bulgaria AD amounting to BGN 3,087 thousand with renegotiated maturity of 1 year.

Deposits issued at variable rates expose the Company to cash flow interest rate risk. The management of the Company has performed a sensitivity analysis in order to assess its cash flow interest rate risk. The simulation is done on a monthly basis to verify that the maximum loss potential is within the limit given by the management.

If interest rate decreases by 1% on annual basis in 2012, the impact on post-tax profit would be maximum decrease of BGN 28 thousand.

If interest rate increases by 1% on annual basis in 2012, the impact on post-tax profit would be maximum increase of BGN 28 thousand.

(c) Credit risk

The Company has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a satisfactory rating are accepted. Management of the Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Sales to customers are settled in cash or by credit.

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance.

The table below shows balances of cash and cash equivalents as at 31 December 2012 and 2011 by banks, as follows:

Contractor	31 December 2012		31 December 2011	
	Credit rating	Balance	Credit rating	Balance
Eurobank Bulgaria AD	BBB (BCRA)	3,517	BB+ (BCRA)	3,593
		<u>3,517</u>		<u>3,593</u>

ERB PROPERTY SERVICES SOFIA AD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2012

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Company's liquidity reserve (comprises of cash and cash equivalents (Note 11)) on the basis of expected cash flow.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 31 December 2012	Less than 1 year
Trade payables	150
	<u>150</u>
As at 31 December 2011	Less than 1 year
Trade payables	99
	<u>99</u>

(e) Capital risk

ERB Property Services' objective when managing capital is to maintain a capital structure which safeguards its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders. Net debt is defined as the sum of total borrowings and payables to clients and suppliers less cash and bank balances.

The table below summarizes the Company's capital structure:

	31 December	
	2012	2011
Payables to suppliers and clients	175	167
Cash and bank balances	(3,517)	(3,593)
Net debt/(cash)	(3,342)	(3,426)
Shareholders equity	3,754	3,637
Total capital	(412)	(211)




ERB PROPERTY SERVICES SOFIA AD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2012

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

3. Financial risk management (continued)

3.2 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates at 31.12.2012 that are critical to the carrying value of assets and liabilities.

5. Equipment and other tangible non-current assets

	Machines & equipment	Furniture & fittings	Total
As at 1 January 2011			
Cost	16	36	52
Accumulated depreciation	(14)	(24)	(38)
Net book amount	2	12	14
Opening net book amount	2	12	14
Additions	-	1	1
Depreciation charge	(2)	(5)	(7)
Closing net book amount	-	8	8
As at 31 December 2011			
Cost	16	37	53
Accumulated depreciation	(16)	(29)	(45)
Net book amount	-	8	8
Opening net book amount	-	8	8
Additions	-	-	-
Depreciation charge	-	(4)	(4)
Closing net book amount	-	4	4
As at 31 December 2012			
Cost	16	37	53
Accumulated depreciation	(16)	(33)	(49)
Net book amount	-	4	4

ERB PROPERTY SERVICES SOFIA AD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2012

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

6. Intangible assets

	Software
As at 1 January 2011	
Cost	60
Accumulated amortization	(45)
Net book amount	<u>15</u>
Opening net book amount	15
Additions	3
Amortization charge	(6)
Closing net book amount	<u>12</u>
As at 31 December 2011	
Cost	63
Accumulated amortization	(51)
Net book amount	<u>12</u>
Opening net book amount	12
Additions	15
Amortization charge	(7)
Closing net book amount	<u>20</u>
As at 31 December 2012	
Cost	78
Accumulated amortization	(58)
Net book amount	<u>20</u>




ERB PROPERTY SERVICES SOFIA AD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2012

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

7. Financial instruments by category

	As at 31 December	
	2012	2011
Financial assets at amortised cost		
Receivables from related parties (Note 24.1 iii)	277	26
Other receivables	98	131
Cash and cash equivalents (Note 11)	3,517	3,593
	<u>3,892</u>	<u>3,750</u>
Financial liabilities at amortised cost	2012	2011
Trade payables (Note 13)	150	99
	<u>150</u>	<u>99</u>

8. Deferred income tax

Deferred income tax assets and liabilities are accounted for all temporary differences arising from differences between the accounting and tax carrying values of the assets and the liabilities. Deferred income taxes are calculated at the tax rate that would be effective at the time they are realised. The tax applicable for 2012 is 10% (2011: 10%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred income taxes relate to the same fiscal authority.

	As at 31 December	
	2012	2011
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	(2)	(6)
	<u>(2)</u>	<u>(6)</u>
	As at 31 December	
	2012	2011
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	1	1
	<u>1</u>	<u>1</u>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

ERB PROPERTY SERVICES SOFIA AD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2012

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

8. Deferred income tax (continued)

Deferred tax assets	Retirement benefits provision	Accrual for bonuses	Total
As at 1 January 2011	-	(5)	(5)
Charged to the income statement	(1)	(1)	(2)
As at 31 December 2011	(1)	(6)	(7)
Credited to the income statement	-	5	5
As at 31 December 2012	(1)	(1)	(2)

Deferred tax liabilities	Equipment	Accrual for bonuses	Total
As at 31 December 2011	1	-	1
Charged to the income statement	-	-	-
As at 31 December 2012	1	-	1

9. Trade receivables

	As at 31 December 2012	2011
Receivables from related parties (Notes 24.1.iii and 7)	277	26

The carrying amount of receivables approximates their fair value.

The maturity of receivables is as follows:

	As at 31 December 2012	2011
Up to 1 month	277	26

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

Currency	As at 31 December 2012	2011
BGN	277	26
	277	26

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.




ERB PROPERTY SERVICES SOFIA AD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2012

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

10. Other receivables	As at 31 December	
	2012	2011
Prepaid expenses	80	84
VAT to be reimbursed	-	42
Premises deposit	14	-
Tax profit overpaid	13	29
Cars deposit	3	5
	110	160

The carrying amount of receivables approximates their fair value

The aging of receivables is as follows:

	As at 31 December	
	2012	2011
Up to 12 months	110	160
	110	160

11. Cash and cash equivalents	As at 31 December	
	2012	2011
Current bank account at Eurobank Bulgaria AD (Note 24.1.iv)	309	439
Short-term bank deposit at Eurobank Bulgaria AD (Note 24.1.iv)	3,208	3,087
Accrued interest	-	67
	3,517	3,593

The Company's short-term bank deposits held at Eurobank Bulgaria AD bear interest between 4.00% and 5.10% per annum. The bank rating as at 31 December 2012 is BBB.

For the purposes of the cash flow statement the cash and cash equivalents include cash in hand and cash at banks.

The Company has no bank overdrafts at each date of the balance sheets.

ERB PROPERTY SERVICES SOFIA AD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2012

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

11. Cash and cash equivalents (continued)

The carrying amounts of the Company's cash and cash equivalents are denominated in the following currencies:

Currency	As at 31 December	
	2012	2011
BGN	2,898	2,944
EUR	619	649
	<u>3,517</u>	<u>3,593</u>

12. Share capital

	Number of shares	Ordinary shares BGN
At 31 December 2011	<u>150,000</u>	<u>1</u>
At 31 December 2012	<u>150,000</u>	<u>1</u>

The total authorized number of ordinary shares is 150 thousands with a par value of BGN 1. All issued shares are fully paid.

In 2007 the Company has transferred from retained earnings to other reserves the amount equal to 1/10 (one tenth) of the Company's registered share capital as to form legal reserves in accordance with the requirements of the Commercial Law.

The legal reserves are non-distributable to the Company's shareholders as they could only be used for covering accumulated losses from prior years.

13. Trade payables

	As at 31 December	
	2012	2011
Trade payables	150	99
	<u>150</u>	<u>99</u>

ERB PROPERTY SERVICES SOFIA AD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2012

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

14. Other payables	As at 31 December	
	2012	2011
Accrual for salary bonuses	12	59
Retirement indemnity provision	8	6
VAT payable	3	-
Accrual for unused paid leave	2	3
	<u>25</u>	<u>68</u>
15. Revenue	2012	2011
Sales of:		
Evaluation and intermediary services to related parties (Note 24.1.i)	1,498	1,360
Evaluation and intermediary services to clients	9	40
	<u>1,507</u>	<u>1,400</u>
16. Consumables used	2012	2011
Expenses for:		
- fuel	(4)	(5)
- stationery	(3)	(2)
- others	(1)	(1)
	<u>(8)</u>	<u>(8)</u>
17. Expenses for external services	2012	2011
Expenses for:		
- subcontractors	(862)	(779)
- rent	(99)	(84)
- consultancy expenses	(45)	-
- technical commissions	(22)	(15)
- maintenance	(21)	(4)
- phones	(9)	(9)
- advertising and promotions	(8)	(5)
- agency services	(7)	(3)
- audit	(7)	(9)
- security	(5)	(10)
- couriers	(3)	(2)
- utilities	(3)	(4)
- cars maintenance	(2)	(1)
- entertainment expenses	(2)	(2)
- other	(6)	(7)
	<u>(1,101)</u>	<u>(934)</u>

ERB PROPERTY SERVICES SOFIA AD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2012

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

18. Employee benefits expense

	2012	2011
Salaries	(349)	(373)
Social securities and health insurance contribution	(45)	(44)
Life insurance	(5)	(18)
Salary bonuses	43	(12)
Retirement indemnity provision	(2)	(6)
Accrual for unused paid leave	1	(2)
Other employee benefits	(5)	(5)
	<u>(362)</u>	<u>(460)</u>

The total number of employees as at 31 December 2012 is 12 (As at 31 December 2011: 12).

19. Other expense

	2012	2011
Business trips abroad	(25)	(23)
One-off taxes	(4)	(5)
	<u>(29)</u>	<u>(28)</u>

20. Financial gain/ (loss), net

	2012	2011
Interest income - bank accounts (Note 24.1.v)	143	170
Bank charges (Note 24.1.vi)	(2)	(3)
	<u>141</u>	<u>167</u>

21. Income tax expense

	2012	2011
Current income tax	16	14
Deferred income tax (Note 8)	4	(2)
Income tax charge	<u>20</u>	<u>12</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2012	2011
Profit before income tax	<u>137</u>	<u>124</u>
Tax calculated at a tax rate applicable to profits 10% (2011: 10 %)	14	12
Tax effect of expenses not deductible for tax purposes	6	-
Tax charge	<u>20</u>	<u>12</u>

ERB PROPERTY SERVICES SOFIA AD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2012

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

22. Contingent liabilities

The Company is no defendant on any court cases. The management does not expect the company to suffer any significant losses.

During 2012 the company has not been subject to any tax audits.

Tax authorities may challenge the way of calculating tax losses carried forward as well as assess additional taxes, including value added tax (VAT), penalties and interest, which can be significant.

The tax authorities could check the financial reports and records for the five successive tax years of the current tax period and impose additional penalties. Management of the Company is not aware of any circumstances that could lead to substantial obligations in this area.

23. Commitments

ERB PROPERTY SERVICES SOFIA AD has commitments according to agreement for rent of an office and three operating lease agreement for cars.

The future aggregate minimum lease payments under non-cancellable leases are as follows:

	As at 31 December	
	2012	2011
Later than 1 year but not later than 5 years	18	5

24. Related-party transactions

ERB PROPERTY SERVICES SOFIA AD is owned by Eurobank Ergasias S.A. Greece with 80% of the share capital and it is the Company parent. Since 23 July 2012 the prefix EFG is removed after the split of EFG and Erobank Group.



ERB PROPERTY SERVICES SOFIA AD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2012

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

24. Related-party transactions (continued)

24.1 Transactions and balances with other related parties

i) Rendering of services

	As at 31 December	
	2012	2011
Eurobank Bulgaria AD	1,203	1,297
IMO Property Investments EAD	263	11
ERB Leasing EAD	21	38
EFG Auto Leasing EAD	7	15
Imo Rila EAD	2	-
Imo Central office EAD	2	-
	<u>1,498</u>	<u>1,361</u>

ii) Supplies of services

	2012	2011
Eurobank Bulgaria AD	54	69
Imo Central office EAD	37	-
	<u>91</u>	<u>69</u>

iii) Receivables from related parties relating to sales of services

	2012	2011
Eurobank Bulgaria AD	143	24
IMO Property Investments EAD	130	-
ERB Leasing EAD	4	1
EFG Auto Leasing EAD	-	1
	<u>277</u>	<u>26</u>




ERB PROPERTY SERVICES SOFIA AD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2012

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

24 Related-party transactions (continued)

24.1 Transactions and balances with other related parties (continued)

	As at 31 December	
	2012	2011
iv) Cash and cash equivalents held at related parties		
Eurobank Bulgaria AD		
Current bank account	309	439
Short-term bank deposit	3,208	3,087
Accrued interest	-	67
	3,517	3,593
v) Interest income		
Eurobank Bulgaria AD		
Interest income on bank accounts	143	170
	143	170
vi) Bank charges		
Eurobank Bulgaria AD		
Bank charges on bank accounts	2	3
	2	3
vii) Key management compensation		
	2012	2011
Short term employee benefits	79	91
Life insurance	1	4
	80	95

As at 31 December 2012 the Company has no payables to the management (31 December 2011: 0)

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

25. Events after the balance sheet date

On 5 October 2012, the National Bank of Greece (NBG) announced its intention to launch a voluntary exchange offer to acquire all Eurobank's shares offering 58 new shares of NBG for every 100 shares of Eurobank tendered. NBG also stated that, Eurobank shareholders holding 43.6% of Eurobank's ordinary share capital have committed to tender their shares in the tender offer.

On 11 January 2013, the Board of Directors of Eurobank Ergasias S.A., having considered the content of the VTO information memorandum and the reports provided by the Bank's financial advisors, concluded in summary that the Offer Consideration satisfies the requirements of the Law and is fair from a financial point of view.

On 15 February 2013, NBG announced that all necessary regulatory approvals have been-obtained.

On 18 February 2013, NBG announced that during the offering's acceptance period for Eurobank's shareholders, 84,35% of Eurobank's shareholders have accepted legally the VTO; thus NBG holds 84,38% of Eurobank's paid in Share Capital.

As stated in the VTO documentation, the VTO will be followed by the merger of the two banks. In line with this, on 19 March 2013, the boards of Eurobank and NBG resolved to initiate the merger process, with NBG absorbing Eurobank, and set 31 December 2012 as the merger reference date.

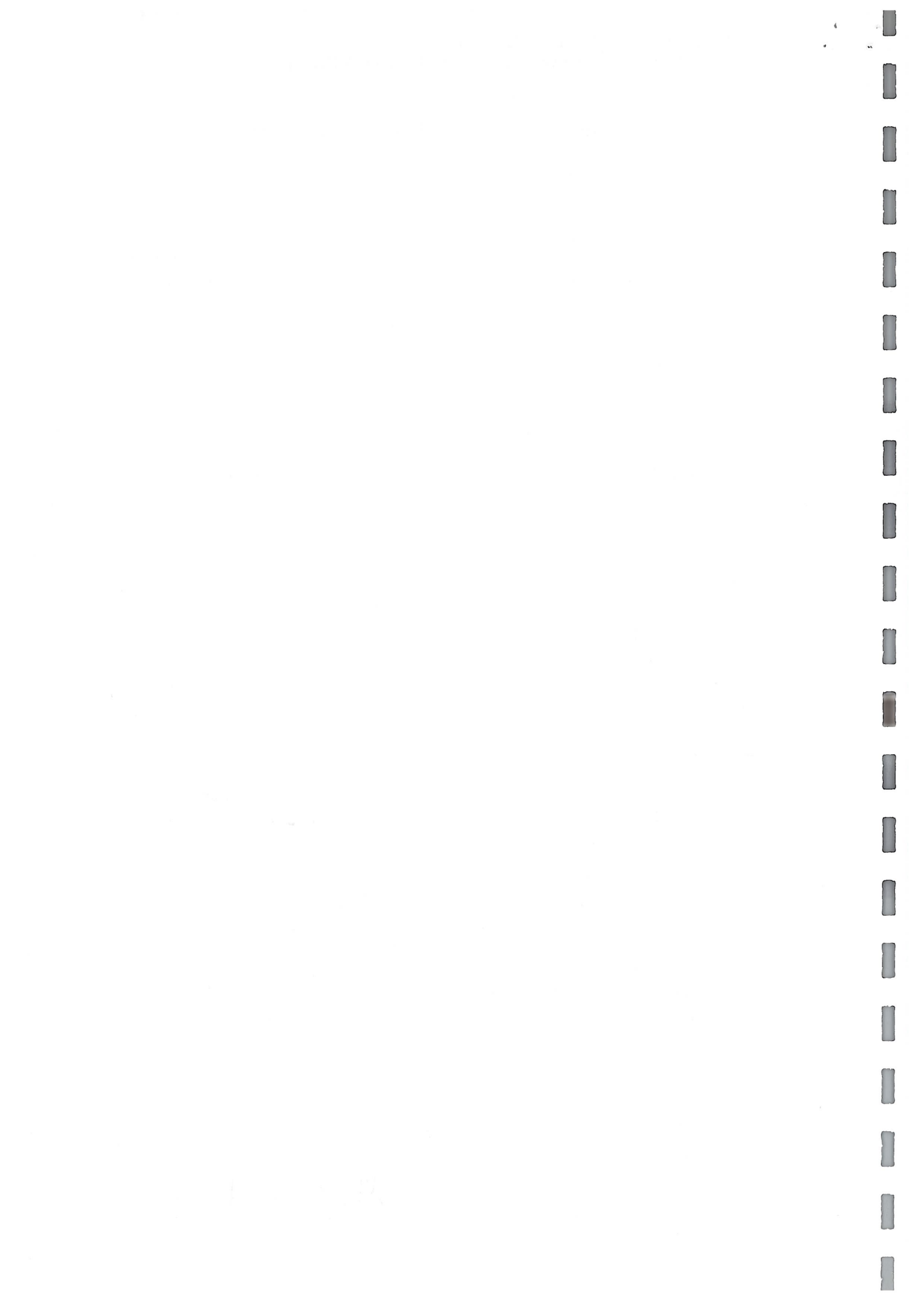
On 8 April 2013, Eurobank announced that the relevant regulatory authorities, with the consent of the management of both banks, have decided that NBG and Eurobank will be independently recapitalized in full. As a consequence, the merger process of the two Banks is being suspended.

As per the announcement of the Bank of Greece, the recapitalization process for the four systemic banks will be completed before the end of April 2013. The final decisions regarding the merger process will be taken by their future common shareholder, the HFSF.

On 10 April 2013, Eurobank's Board of Directors decided to convene a General Shareholders' Meeting on 30 April 2013 in order to discuss the Bank's €5.8 bn recapitalization.

Within the current legal framework, a part of the recapitalization may be executed through the issuance of contingent convertible securities (CoCos) thus reducing the amount of the total Common Shares rights issue by an equal amount. Existing shareholders as well as other private investors will have the right to participate in the rights issue, while the recapitalization amount has already been guaranteed by the Hellenic Financial Stability Fund and €5.3 bn out of €5.8 bn has already been paid in advance to the Bank.







Independent auditor's report

To Shareholders of the ERB Property Services Sofia AD

Report on the Financial Statements

We have audited the accompanying financial statements of "ERB Property Services Sofia" AD which comprise the balance sheet as of 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

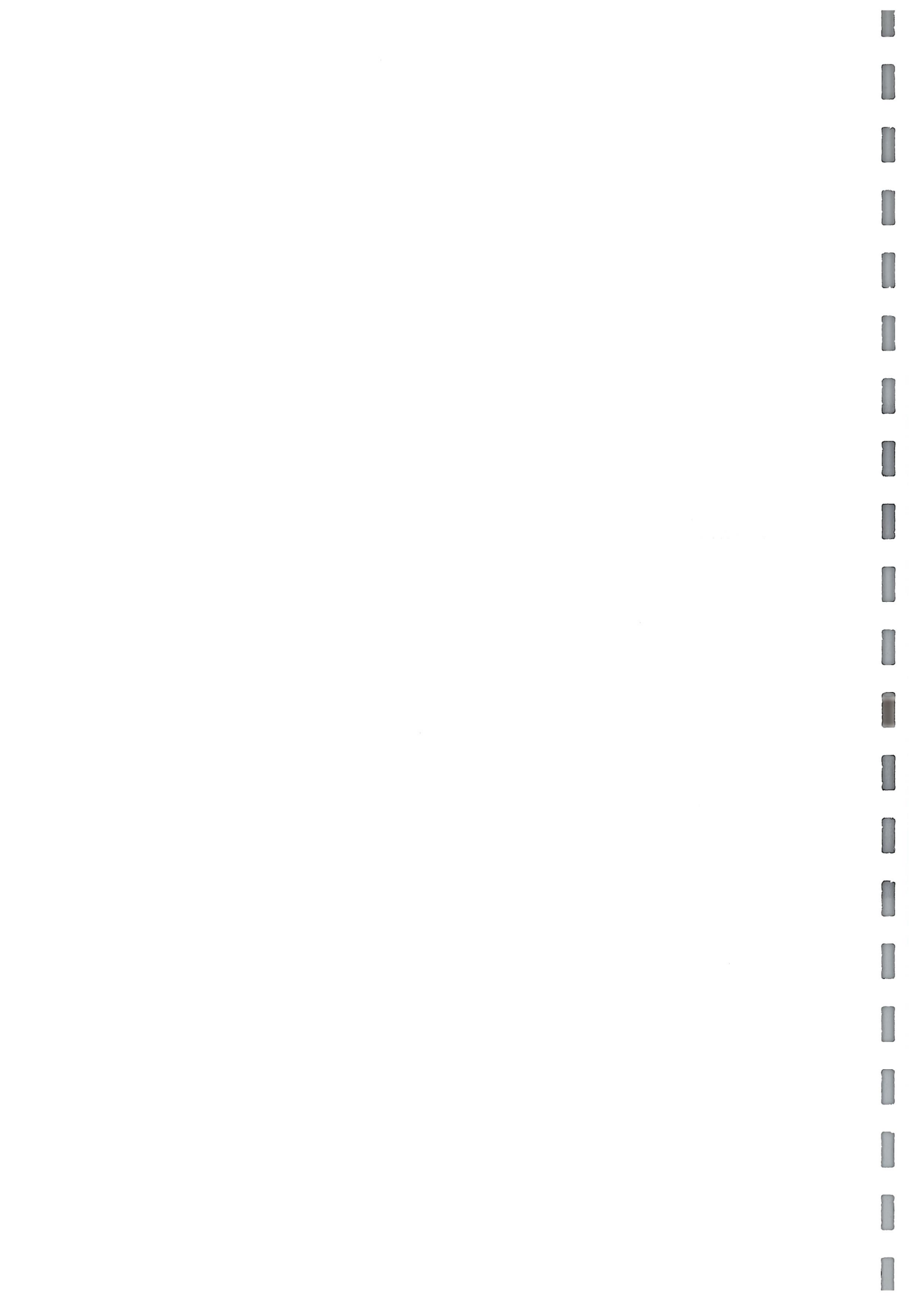
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether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

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

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

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T: +359 2 9355200, F: +359 2 9355266, www.pwc.com/bg
Registered with the Sofia City Court under company file number 13424/1997.*

This version of our report/the accompanying documents is a translation from the original, which was prepared in Bulgarian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.





Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the “ERB Property Services Sofia” AD as of 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

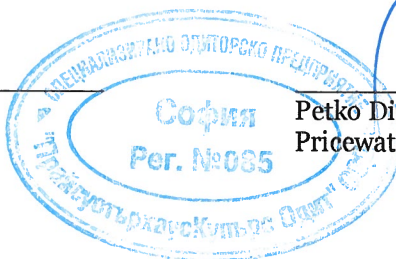
Management is also responsible for preparing the Annual Report in accordance with the Accounting Act.

We are required by the Accounting Act to express an opinion whether the Annual Report is consistent with the annual financial statements of the Company.

In our opinion, the Annual Report set out on pages 2 to 7, is consistent with the accompanying financial statements of the Company as of 31 December 2012.


Rositsa Boteva
Registered Auditor

9 April 2013
Sofia, Bulgaria




Petko Dimitrov
PricewaterhouseCoopers Audit OOD

