

IMO 03 EAD

REPORT OF THE INDEPENDENT AUDITOR

ANNUAL DIRECTORS' REPORT

ANNUAL FINANCIAL STATEMENTS

31 DECEMBER 2013

**IMO 03 EAD
IFRS FINANCIAL STATEMENTS
31 DECEMBER 2013**

CONTENTS	Page
Independent auditor's report	
Annual Directors' Report	1-4
Statement of comprehensive income	5
Balance sheet	6
Statement of changes in shareholder's equity	7
Statement of cash flows	8
Notes to the financial statements	9-22



Independent auditor's report

To Shareholder of the Imo 03 EAD

Report on the Financial Statements

We have audited the accompanying financial statements of "Imo 03" EAD which comprise the balance sheet as of 31 December 2013 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 "Imo 03" EAD as of 31 December 2013, 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 1 to 4, is consistent with the accompanying financial statements of the Company as of 31 December 2013.

Milka Damianova
Registered Auditor

29 April 2014
Sofia, Bulgaria



Stefan Weiblen
PricewaterhouseCoopers Audit OOD

**IMO 03 EAD
ANNUAL DIRECTOR'S REPORT
31 DECEMBER 2013**

ANNUAL DIRECTORS' REPORT

The Directors present the report and the financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), for the year ended 31 December 2013. The financial statements have been audited by PricewaterhouseCoopers Audit OOD.

GENERAL INFORMATION

IMO 03 EAD, UIK 175434111, is a private limited liability company registered in Bulgaria on 18 December, 2007. The address of its registered office is as follows: 260 Okolovrasten pat Str. 1766 Sofia, Bulgaria.

The sole owner of capital is ERB NEW EUROPE HOLDING B.V. a private company incorporated and existing under the laws of the Netherlands, entered into the Dutch Chamber of Commerce, under registration number 34192535.

The Company's ultimate parent is Hellenic Financial Stability Fund (see also note 14).

The Company was registered with the principal activity execution of all types of real estate transactions: sale – purchase, renting, leasing and engineering activity, preparation of investment projects, real estate consultancy, services, project management, valuation services, real estate brokerage and intermediary services, technical consultancy services, architectural, real estate development and engineering studies.

SHARE CAPITAL STRUCTURE

As at 31 December 2013 the total authorized number of ordinary shares was BGN 2,500,000 with a nominal value of BGN 1 per share.

BOARD OF DIRECTORS

As at 31 December 2013 the Board of Directors consists of the following members:

Emil Pilafov – Chairman of the Board of Directors and Executive Director
Petros Angelakis – Deputy Chairman of the Board of Directors and Executive Director
Dimitar Shumarov – Member of the Board of Directors

Ms. Petia Dimitrova was Executive Director and Member of the Board of Directors until 7 June 2013.
Mr. Dimitar Shumarov became member of the Board of Directors on 7 June 2013.

According to Resolution of the sole shareholder of IMO 03 EAD from 20 December 2013 Mr. Petros Angelakis is replaced by Mr. Michail Stamou as member of the Board of Directors. The effective date of the replacement is 28 February 2014.

The total annual remuneration of the members of the Board of Directors

In 2013 the members of the Board of Directors did not receive remuneration from the Company in their capacity of Board of Directors members.

Shares and bonds of the Company that are acquired, owned and transferred by the members of the Board of Directors during the year

No member of the Board of Directors has owned or transferred shares or bonds of the Company.
The Board of Directors member's rights to acquire shares and bonds of the company

IMO 03 EAD
ANNUAL DIRECTOR'S REPORT (CONTINUED)
31 DECEMBER 2013

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

The Board of Directors members' ownership in other commercial enterprises, as:

Partners with unlimited liability

No member of the Board of Directors has been a partner with unlimited liability in other commercial enterprise.

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

No member of the Board of Directors holds more than 25 per cent of the capital of another company

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

Emil Atanasov Pilafov

- IMO Property Investments Sofia EAD, Bulgaria – Chairman of the Board of Directors and Executive Director;
- IMO Central Office EAD, Bulgaria – Chairman of the Board of Directors and Executive Director;
- IMO Rila EAD, Bulgaria – Chairman of the Board of Directors and Executive Director.

Petros Angelakis

- Eurobank Business Services S.A., Greece - Member of the Board of Directors;
- IMO - II Property Investments S.A., Romania - Member of the Board of Directors;
- EFG IT Shared Services S.A, Romania – Member of the Board of Directors;
- IMO Property Investments Sofia EAD, Bulgaria - Deputy Chairman of the Board of Directors and Executive Director (until 04.02.2013).

Dimitar Borisov Shumarov

- Eurobank Bulgaria AD, Bulgaria – Member of the Management Board and Executive Director;
- IMO Rila EAD, Bulgaria – Member of the Board of Directors (effective as of 24.06.2013);
- IMO Central Office EAD, Bulgaria – Member of the Board of Directors (effective as of 06.06.2013).

Petia Nikolova Dimitrova

- Eurobank Bulgaria AD, Bulgaria – Chairperson of the Management Board and Chief Executive Officer;
- Bulgarian Retail Services AD, Bulgaria – Chairperson of the Board of Directors and Executive Director (until 19.07.2013);
- ERB Property Services Sofia AD (former name EFG Property Services Sofia AD, date of change 25.03.2013), Bulgaria – Member of the Board of Directors;
- IMO Property Investments Sofia EAD, Bulgaria – Member of the Board of Directors and Executive Director (until 04.02.2013);

**IMO 03 EAD
ANNUAL DIRECTOR'S REPORT (CONTINUED)
31 DECEMBER 2013**

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

- IMO Rila EAD, Bulgaria – Deputy Chairperson of the Board of Directors and Executive Director (until 24.06.2013);
- IMO Central Office EAD, Bulgaria – Deputy Chairperson of the Board of Directors and Executive Director (until 06.06.2013);
- ERB Leasing EAD (former EFG Leasing EAD, date of change 01.02.2013), Bulgaria – member of the Board of Directors (until 01.02.2013)
- American Chamber of Commerce in Bulgaria, Bulgaria – Member of the Board of Directors;
- Bulgarian Business Leaders Forum (BBLF), Bulgaria – Member of the Board of Directors;
- State-owned enterprise Communicative construction and rehabilitation, Bulgaria – Member of the Board of Directors;
- Confederation of Employers & Industrialists in Bulgaria, Bulgaria – Member of the Management Board (effective as of 05.12.2013).

The Contracts under Article 240b of the Commerce Act

The company has not entered into contracts specified in Article 240b, paragraph 1 of the Commerce Act.

OVERVIEW OF RESULTS

Financial results for the current period

The financial result before tax for 2013 is loss in the amount of BGN 2,112 thousand. The main part of the expenses is related to the investment property impairment - BGN 2,014 thousand.

Investing activity

In December 2013 the Company acquired through public auction one property in Varna situated in St. Nikola area. The property is Regulated land plot with existing constructions of residential project. The Management is in process of examining different sale strategies.

MAIN OBJECTIVES FOR 2014

For 2014 the Company does not plan more acquisitions. The main target is to complete the sale of the acquired property.

FINANCIAL RISK MANAGEMENT

The Company is exposed to variety of financial risks. Detailed description of those risks and the policies and procedures applied by the Management are set out in Note 3 of the financial statement as at 31 December 2013.

IMO 03 EAD
ANNUAL DIRECTOR'S REPORT (CONTINUED)
31 DECEMBER 2013

MANAGEMENT RESPONSIBILITIES

The Directors are responsible for the preparation and fair presentation of the enclosed financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors confirm that they have complied with the above responsibilities in preparing the financial statements for the year ended 31 December 2013.

The Directors also confirm that to the best of their knowledge the Company will continue on a going concern basis in the foreseeable future.



Emil Pilafov

Executive Director and Chairman of Board of Directors



Dimitar Shumarov

Deputy Chairman of the Board of Directors and Executive Director

29.04.2014



IMO 03 EAD
STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2013


(All amounts are presented in BGN thousands)

STATEMENT OF COMPREHENSIVE INCOME	Notes	Year ended 31 December	
		2013	2012
Expenses related to investment property	5	(2,014)	-
Administrative expenses	6	(10)	(9)
Operating loss		(2,024)	(9)
Financial (costs)/income, net	7	(88)	11
(Loss)/profit before income tax		(2,112)	2
Income tax		-	-
(Loss)/profit for the year		(2,112)	2
Other comprehensive income for the year		-	-
Total comprehensive (loss)/income for the year		(2,112)	2

The Financial statements were authorised by the management on 29 April 2014.


 Emil Pilafov
 Chairman of the Board of Directors and
 Executive Director





 Elena Kamenova
 Responsible for preparation of
 financial statements

Initialed for identification purposes in reference to the audit report:


 Milka Damianova
 Registered auditor



Date: 29 April 2014
 Sofia, Bulgaria


 Stefan Weiblen
 (PricewaterhouseCoopers Audit
 OOD)

The following notes set out on pages 9 to 22 form an integral part of these financial statements.


**IMO 03 EAD
BALANCE SHEET
31 DECEMBER 2013**

(All amounts are presented in BGN thousands unless otherwise stated)


BALANCE SHEET

	Notes	As at 31 December	
		2013	2012
Non-current assets			
Investment property	9	23,838	-
Total non-current assets		23,838	-
Current assets			
Cash and cash equivalents	10	544	9
Deposits with banks		560	550
Trade receivables and other assets		-	74
VAT receivable		5,011	1
Total current assets		6,115	634
Total Assets		29,953	634
Current liabilities			
Borrowings	11,14	31,306	-
Trade and other payables	12	128	3
Total liabilities		31,434	3
Equity			
Share capital	13	2,500	2,500
Accumulated loss		(3,981)	(1,869)
Total equity		(1,481)	631
Total equity and liabilities		29,953	634

The Financial statements were authorised by the management on 29 April 2014.


Emil Pilafov
Chairman of the Board of Directors and
Executive Director





Elena Kamenova
Responsible for preparation of
financial statements

Initialed for identification purposes in reference to the audit report:


Milka Damianova
Registered auditor

Date: 29 April 2014
Sofia, Bulgaria




Stefan Weiblen
(PricewaterhouseCoopers Audit
OOD)

The following notes set out on pages 9 to 22 form an integral part of these financial statements.


IMO 03 EAD
STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2013

(All amounts are presented in BGN thousands unless otherwise stated)


STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated deficit	Total
At 1 January 2012	2,500	(1,871)	629
Profit for the year	-	2	2
At 1 January 2013	2,500	(1,869)	631
Loss for the year	-	(2,112)	(2,112)
At 31 December 2013	2,500	(3,981)	(1,481)

The Financial statements were authorised by the management on 29 April 2014.


 Emil Pilafov
 Chairman of the Board of Directors and
 Executive Director




 Elena Kamenova
 Responsible for preparation
 of financial statements

Initialed for identification purposes in reference to the audit report:


 Milka Damianova
 Registered auditor

Date: 29 April 2014
 Sofia, Bulgaria




 Stefan Weiblen
 (PricewaterhouseCoopers Audit
 OOD)

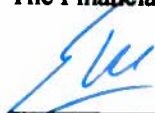
IMO 03 EAD
STATEMENT OF CASH FLOWS
31 DECEMBER 2013

(All amounts are presented in BGN thousands unless otherwise stated)


STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December	
		2013	2012
Operating activities			
Receipts from clients		71	20
Payments to suppliers and other creditors		(10)	(11)
Payments of salaries, social security and others		(1)	(14)
Deposits with banks		(10)	(550)
VAT related with purchase of Investment property		(5,010)	-
Other operating cash flows		(10)	72
Net cash flows used in operating activities		(4,970)	(483)
Investing activities			
Purchase of investment property		(25,727)	-
Net cash flows used in investing activities		(25,727)	-
Financing activities			
Borrowings received		31,293	-
Interest paid		(76)	-
Interest received		15	7
Net cash flows from financing activities		31,232	7
Increase / (decrease) in cash and cash equivalents		535	(476)
Cash and cash equivalents at the beginning of the year		9	485
Cash and cash equivalents at end of year		544	9

The Financial statements were authorised by the management on 29 April 2014.


 Emil Pilafov
 Chairman of the Board of Directors and
 Executive Director





 Elena Kamenova
 Responsible for preparation
 of financial statements

Initialed for identification purposes in reference to the audit report:


 Milka Damianova
 Registered auditor




 Stefan Weiblen
 (PricewaterhouseCoopers Audit
 OOD)

Date: 29 April 2014
 Sofia, Bulgaria

The following notes set out on pages 9 to 22 form an integral part of these financial statements.

IMO 03 EAD
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

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

1. General information

IMO 03 EAD (the 'Company') was established on 18 December 2007 as a joint-stock company with trade name EFG Securities Bulgaria EAD. Its first subject of activity was performing investment services and activities.

On 4 February 2011 the sole owner issued Resolution for change of the name and the Company's scope of activity. The sole owner of the capital resolved on the change of the Company's trade name from EFG Securities Bulgaria EAD to IMO 03 EAD and resolved on the scope of activity to be changed to property investment activities, namely purchase, building and construction of real estate property for the purpose of rent and sale.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards issued by the IASB as adopted by the European Union and in particular with those IFRS and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements.

The policies set out below have been consistently applied to the years 2013 and 2012. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Going concern

Financial statements are prepared on the principle of going concern which implies that the company will continue operations in the foreseeable future. The Shareholder of the Company have confirmed the continuing support, which includes possibilities to refinance existing borrowings and receive additional borrowings so that to ensure that the Company will continue operations in the foreseeable future. The current credit line expire on 31 December 2014.

Impact of the economic crisis in Greece

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

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

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

IMO 03 EAD
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

to raise EUR 5,839 million by issuing 3,789,317,358 new ordinary shares, covered entirely by the HFSF with the contribution of bonds issued by the EFSF and owned by the HFSF. The capital increase was certified on 31 May 2013 and the listing of the new shares was completed on 19 June 2013 after obtaining the relevant approvals from Greek regulatory authorities.

On 28 March 2013, the BoG issued an Executive Committee Act (13/28.03.2013) bringing the limit for the Core Tier I capital to 9% of Risk Weighted Assets and for Equity Core Tier I to 6%, effective from 31 March 2013. According to the new definition of Core Tier I capital, AFS reserve is fully recognised, while deferred tax asset's recognition is limited to 20% of Core Tier I capital. On 23 December 2013, the BoG issued an Executive Committee Act (36/23.12.2013) lifting the aforementioned limitation related to the deferred tax asset's recognition, effective from 31 December 2013. As at 31 December 2013, the Core Tier I ratio stood at 10.4% and proforma with the completion of transaction with Fairfax Financial Holdings Limited (increase of Fairfax's participation in Eurobank Properties S.A. through share capital increase) and the implementation of Basel II IRB credit risk methodology to New Hellenic Postbank's mortgage portfolio at 11.3%.

On 14 November 2013, Eurobank Ergasias S.A. announced the initiation of the process to raise approximately EUR 2 billion through a capital increase. On 14 January 2014, Eurobank Ergasias S.A. and HFSF announced that the transaction timetable will be adjusted to allow for the finalization of the assessment of forward looking capital needs of the Greek banking sector and the new recapitalization framework. The BoG, following the assessment of Eurobank's capital needs, concluded on 6 March 2014 and notified Eurobank that its Core Tier I capital should increase by EUR 2,945 million. Eurobank Ergasias S.A. with its letter to BoG on 24 March 2014, submitted its capital enhancement plan whereby revised its capital actions providing for an additional positive impact on regulatory capital of EUR 81 million and stated that it intends to cover the remaining capital needs of EUR 2,864 million through a share capital increase, which constitutes a step towards further strengthening Eurobank's capital position and enhances Eurobank's ability to support the Greek economy. The proposed capital increase will be effected through a marketed equity offering.

Related party transactions – Eurobank Ergasias S.A. shareholding structure

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

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

IMO 03 EAD
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- IAS 39, Amendment – Novation of derivatives and continuation of hedge accounting (effective 1 January 2014)
- IFRS 9, Financial Instruments (effective date to be determined by IASB)
- IFRS 9 and IFRS 7, Amendment – Mandatory Effective Date and Transition Disclosures (effective 1 January 2015, not yet endorsed by EU)
- IFRS 10, Consolidated Financial Statements (effective 1 January 2014),
- IFRS 11, Joint Arrangements (effective 1 January 2014).
- IFRS 12, Disclosure of Interest in Other Entities, (effective 1 January 2014)
- IFRS 10, 11 and 12 Amendments – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective 1 January 2014)
- IFRS 10, 12 and 27 Amendments – Investment Entities (effective 1 January 2014)
- Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2015, not yet endorsed by EU)
- Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 January 2015, not yet endorsed by EU)
- IFRIC 21, Levies (effective 1 January 2014, not yet endorsed by EU)

The financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2.2 Foreign currency transactions

(a) Functional and presentation currency

The functional currency and the presentation currency is 'Bulgarian lev'(BGN). The financial statements are prepared in BGN. All amounts in the financial statements are rounded to the nearest multiple of thousand.

(b) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.3. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.

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

IMO 03 EAD
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

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

2. Summary of significant accounting policies (continued)

2.6 Cash and cash equivalent

Cash and cash equivalents are carried at amortized cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and excludes restricted cash accounts.

2.7 Payables and other financial liabilities

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.8 Accounting for operating lease contracts

Assets leased out under operating leases are included in investment property in the balance sheet. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

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

2.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method, unless it is capitalised under IAS 23.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.10 Interest expense

Interest expenses for borrowings are recognized within 'finance costs' in profit or loss using the effective interest rate method, except for borrowing costs relating to qualifying assets.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.11. Revenue recognition

Fee income

Fees and commissions are generally recognized on an accrual basis, when the service has been provided.

IMO 03 EAD
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

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

3. Financial risk management (continued)

3.1. Market risk (continued)

Impact on liquidity

The impact of the financial crisis is still affecting the activity of the Company. Management believes it is taking all the necessary measures to support the sustainability (and growth) of the Company's business in the current circumstances.

To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their assessments.

3.2 Credit risk

Credit risk arises from cash and cash equivalents and bank deposits, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

The table below shows balances of cash and cash equivalents and deposits with banks as at 31 December 2013 and 2012 as follows:

	31 December 2013		31 December 2012	
Contractor	Credit rating	Balance	Credit rating	Balance
Eurobank Bulgaria AD	BB+ (BCRA)	1,104	BBB (BCRA)	559
		1,104		559

3.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities. The liquidity risk is strictly monitored by the Management.

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.

	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Total
As at 31 December 2012				
Other payables	-	3	-	3
Total financial liabilities	-	3	-	3
As at 31 December 2013				
Other payables	-	128	-	128
Borrowings	91	157	31,997	32,245
Total financial liabilities	91	285	31,997	32,373

IMO 03 EAD
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

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

4. Critical accounting estimates and judgments (continued)

The fair value hierarchy categorisation of the company's investment property carried as cost is presented in the following table:

Quantitative information about fair value measurements using significant unobservable inputs

(Level 3)

Class property	Fair value 31/12/2013 in BGN thousands	Valuation technique	Significant Unobservable Input	Range (weighted average) 2013 in BGN	Connection between the unobservable input and FV A significant increase in price per m2 would result in a higher fair value
Residential	24,883	Market comparison approach	price per m2	1,095 – 1,584	

The investment property was acquired in Q3' 2013. As of 31 December 2013 based on management evaluations for sale, net of future expenses, an impairment at the amount of BGN 2,014 thousand was recognized. As a result the fair value of the investment property is equal to its carrying amount.

5. Expenses related to investment properties

	2013	2012
Impairment	(2,014)	-
	(2,014)	-

6. Administrative expenses

	2013	2012
Personnel expenses	(1)	-
Audit fees expenses	(7)	(8)
Miscellaneous	(2)	(1)
	(10)	(9)

7. Finance (costs) / income, net

Finance costs

	2013	2012
Interest expense	(88)	-
Others finance costs	(12)	(1)
Total finance costs	(100)	(1)

Finance income

	2013	2012
Interest income	12	12
Total finance income	12	12

IMO 03 EAD
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

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

11. Borrowings

All loans of the Company are with a floating interest rate and are denominated in Euro. The loans have not been collateralised.

	As at 31 December	
	2013	2012
Bank loans	31,293	-
Accrued interest	13	-
	<u>31,306</u>	<u>-</u>

The carrying amounts of these floating-rate borrowings approximated their fair values at the balance sheet date. All borrowings are contracted with floating rate (1M EURIBOR) plus margin of 2.75%. There are no covenants included in the loan agreements.

12. Trade and other payables

	As at 31 December	
	2013	2012
Audit fees payable	3	3
Other payables	125	-
	<u>128</u>	<u>3</u>

The fair value of the above financial liabilities does not significantly differ from their carrying amount.

13. Share capital

	Number of shares	Nominal value of one share (BGN)	Value
As of 1 January 2012	<u>2,500</u>	<u>1</u>	<u>2,500</u>
As of 1 January 2013	<u>2,500</u>	<u>1</u>	<u>2,500</u>
As of 31 December 2013	<u>2,500</u>	<u>1</u>	<u>2,500</u>

All shares are owned by ERB New Europe Holding B.V., (the Netherlands), and are fully paid.

14. Related parties transactions and balances

The company's immediate parent is ERB New Europe Holdings B.V. (Netherlands) which is 100% owned by Eurobank Ergasias S.A. (Greece).

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