

IMO 03 EAD

REPORT OF THE INDEPENDENT AUDITOR

ANNUAL DIRECTORS' REPORT

ANNUAL FINANCIAL STATEMENTS

31 DECEMBER 2015

(Financial statements in English are translation from the original in Bulgarian. This version of the financial statements 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 the report takes precedence over this translation.)

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Independent auditor's report

To the sole shareholder of Imo 03 EAD

Report on the Financial Statements

We have audited the accompanying financial statements of Imo 03 EAD (the Company) which comprise the balance sheet as of 31 December 2015 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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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 O3 EAD as of 31 December 2015, 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.

Emphasis of Matter

We draw attention to Note 2.1 to these financial statements, which states that as of 31 December 2015 the Company's net assets had a negative value of BGN 9,006 thousand and the Company's registered share capital exceeds its net assets which is not in compliance with the Bulgarian Commercial Act. These matters, as described in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern as its continued existence is dependent on the capital support by the parent. Our opinion is not qualified in respect of this matter.

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 3, is consistent with the accompanying financial statements of the Company as of 31 December 2015.

Milka Damianova
Registered Auditor

Stefan Weiblen
PricewaterhouseCoopers Audit OOD

26 May 2016
Sofia, Bulgaria



**IMO 03 EAD
ANNUAL DIRECTOR'S REPORT
31 DECEMBER 2015**

ANNUAL DIRECTOR'S 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 2015. The financial statements have been audited by PricewaterhouseCoopers Audit OOD.

GENERAL INFORMATION

Imo 03 EAD (the Company), 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 the 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 2015 the total authorized number of ordinary shares was BGN 125,000 with a nominal value of BGN 1 per share.

BOARD OF DIRECTORS

As at 31 December 2015 the Board of Directors consists of the following members:

Emil Pilafov – Chairman of the Board of Directors and Executive Director

Dimitar Shumarov – Member of the Board of Directors

Michalis Stamou – Member of the Board of Directors

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

In 2015 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.

GENERAL INFORMATION (CONTINUED)

The Board of Directors member's rights 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 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.

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);
- ERB Leasing EAD, Bulgaria – Member of the Board of Directors.

Michalis Stamou

- IMO Property Investments Bucuresti S.A., Romania – Member of the Board of Directors;
- IMO II Property Investments S.A., Bulgaria – Romania – Member of the Board of Directors;
- IMO Property Investments Sofia EAD, Bulgaria – Member of the Board of Directors;
- IMO Rila EAD, Bulgaria – Member of the Board of Directors;
- IMO Central Office EAD, Bulgaria – Member of the Board of Directors.

GENERAL INFORMATION (CONTINUED)

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 2015 is loss in the amount of BGN 718 thousand. The main part of the expenses is related to the financial cost - BGN 609 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 2016

For 2016 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 2015.

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 2015.

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
Date: 18 May 2016



IMO 03 EAD
STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2015

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

| STATEMENT OF COMPREHENSIVE INCOME | Notes | Year ended 31 December | |
|--|-------|------------------------|----------------|
| | | 2015 | 2014 |
| Expenses related to investment property | 5 | (100) | (5,975) |
| Administrative expenses | 6 | (9) | (10) |
| Operating loss | | (109) | (5,985) |
| Financial costs, net | 7 | (609) | (821) |
| Loss before income tax | | (718) | (6,806) |
| Income tax | | - | - |
| Loss for the year | | (718) | (6,806) |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | (718) | (6,806) |

The Financial statements were authorised by the management on 18 May 2016.

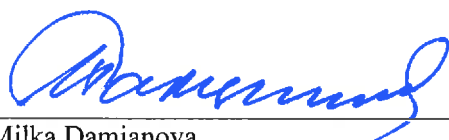


Emil Pilafov
Chairman of the Board of Directors and
Executive Director

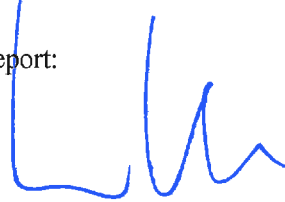



Yordanka Karapetrova
Responsible for preparation of
financial statements

Initialed for identification purposes in reference to the audit report:



Milka Damianova
Registered auditor



Stefan Weiblen
(PricewaterhouseCoopers Audit OOD)

Date: 26 May 2016
Sofia, Bulgaria




The following notes set out on pages 8 to 24 form an integral part of these financial statements.

**IMO 03 EAD
BALANCE SHEET
31 DECEMBER 2015**

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

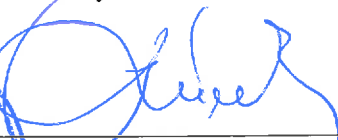
| BALANCE SHEET | Notes | As at 31 December | |
|-------------------------------------|-------|-------------------|----------------|
| | | 2015 | 2014 |
| Non-current assets | | | |
| Investment property | 9 | 17,971 | 17,971 |
| Total non-current assets | | 17,971 | 17,971 |
| Current assets | | | |
| Cash and cash equivalents | 10 | 448 | 1,116 |
| Deposits with banks | | - | - |
| Trade receivables and other assets | | - | 3 |
| VAT receivable | | 6 | 13 |
| Total current assets | | 454 | 1,132 |
| Total Assets | | 18,425 | 19,103 |
| Current liabilities | | | |
| Borrowings | 11,14 | 27,418 | 27,385 |
| Trade and other payables | 12 | 13 | 5 |
| Total liabilities | | 27,431 | 27,390 |
| Equity | | | |
| Share capital | 13 | 125 | 2,500 |
| Accumulated loss | | (9,131) | (10,787) |
| Total equity | | (9,006) | (8,287) |
| Total equity and liabilities | | 18,425 | 19,103 |

The Financial statements were authorised by the management on 18 May 2016.


Emil Pilafov

Chairman of the Board of Directors and
Executive Director





Yordanka Karapetrova
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: 26 May 2016
Sofia, Bulgaria



The following notes set out on pages 8 to 24 form an integral part of these financial statements.

**IMO 03 EAD
STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2015**

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


STATEMENT OF CHANGES IN EQUITY

| | Share capital | Accumulated deficit | Total |
|-------------------------------|---------------|---------------------|----------------|
| At 1 January 2014 | <u>2,500</u> | <u>(3,981)</u> | <u>(1,481)</u> |
| Profit for the year | - | (6,806) | (6,806) |
| At 1 January 2015 | <u>2,500</u> | <u>(10,787)</u> | <u>(8,287)</u> |
| Transfer of the share capital | (2,375) | 2,375 | - |
| Loss for the year | - | (718) | (718) |
| At 31 December 2015 | <u>125</u> | <u>(9,131)</u> | <u>(9,006)</u> |


The Financial statements were authorised by the management on 18 May 2016.


Emil Pilafov
Chairman of the Board of Directors and
Executive Director




Yordanka Karapetrova
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: 26 May 2016
Sofia, Bulgaria



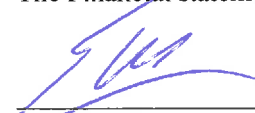
IMO 03 EAD
STATEMENT OF CASH FLOWS
31 DECEMBER 2015

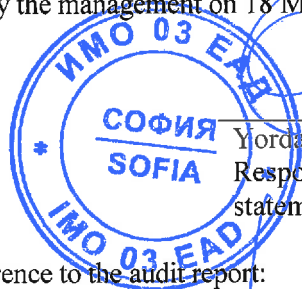
(All amounts are presented in BGN thousands unless otherwise stated)

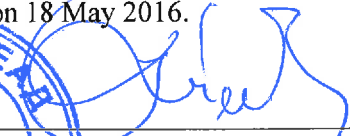
STATEMENT OF CASH FLOWS

| | Notes | Year ended 31 December | |
|--|-------|------------------------|----------------|
| | | 2015 | 2014 |
| Operating activities | | | |
| Payments to suppliers and other creditors | | (114) | (284) |
| VAT related with purchase of Investment property | | 22 | 5,039 |
| Other operating cash flows | | (1) | (3) |
| Net cash flows used in operating activities | | (93) | 4,752 |
| Investing activities | | | |
| Purchase of investment property | | - | - |
| Net cash flows used in investing activities | | - | - |
| Financing activities | | | |
| Borrowings received | | - | - |
| Borrowings repaid | | - | (3,912) |
| Proceeds from deposits | | - | 560 |
| Interest paid | | (575) | (830) |
| Interest received | | - | 2 |
| Net cash flows from financing activities | | (575) | (4,180) |
| Increase in cash and cash equivalents | | (668) | 572 |
| Cash and cash equivalents at the beginning of the year | | 1,116 | 544 |
| Cash and cash equivalents at end of year | | 448 | 1,116 |


The Financial statements were authorised by the management on 18 May 2016.


 Emil Pilafov
 Chairman of the Board of Directors and
 Executive Director




 Yordanka Karapetrova
 Responsible for preparation of financial
 statements

Initialled for identification purposes in reference to the audit report:


 Milka Damianova
 Registered auditor


 Stefan Weiblen
 (PricewaterhouseCoopers Audit OOD)

Date: 26 May 2016
 Sofia, Bulgaria



The following notes set out on pages 8 to 24 form an integral part of these financial statements.

IMO 03 EAD
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

1. General information

Imo 03 EAD 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 2015 and 2014. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Going concern of the Company

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. As of 31 December 2015 the Company had negative equity and it relies on the future support and financing by the Group to continue its operations as a going concern. The current credit line is renewed till 30 June 2017.

IMO 03 EAD has negative equity of BGN 9,006 thousand and is in breach of article 252, para (1), item 5 from Bulgarian Commerce Act as its registered capital exceeds net assets. The management is fully aware and will undertake all the necessary steps to recapitalise the entity. In support of the above, currently the entity has been provided with Letter of support by the Parent company.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Position of the Group

In 2015, the macroeconomic environment in Greece has been very challenging for the Greek banking system. In the first half of the year, the prolonged uncertainty relating to an agreement with the Eurozone partners over the implementation of the required reforms for the conclusion of the Second Economic Adjustment Program, the unsuccessful expiration of the former, the tightened liquidity conditions due to the financing problems of the Greek State and the significant deposit outflows – already observed from late 2014 – led to the imposition of restrictions in banking transactions (capital controls) together with a temporary bank holiday on 28 June 2015. In mid - August the Greek Government reached a final agreement with its European partners on a new 3-year European Stability Mechanism (ESM) program – the Third Economic Adjustment Program (TEAP) - with a € 86 bn financing envelope and a series of reforms aiming to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration. The Greek Government managed to complete two sets of prior actions from the program at the end of November and December 2015. By mid - December 2015, the systemic banks' recapitalization was completed with only € 5.4 bn used from the initial buffer of up to €25 billion. The unused funds were subtracted from the ESM loan, reducing it to € 64.5 bn as of the end of January 2016. The review of Greece's reform programme by international creditors is currently pending. A swift completion of the program review may alleviate significantly the macroeconomic and sovereign uncertainties.

After the gradual normalization of the economic and political situation in Greece and following the Bank's successful recapitalization, the Group enhanced its liquidity position and reduced its dependence on Eurosystem funding.

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the ESM program. The decisive implementation of the measures agreed in the context of the new ESM program will permit European Central Bank (ECB) to reinstate the waiver for the instruments issued by the Hellenic Republic and will signal the gradual repatriation of deposits in the banking system, which is a major priority for the Group, and the further re-access to the markets for liquidity.

On 31 October 2015, the ECB announced the results of the comprehensive assessment (CA) based on which the lowest shortfall across Greek banks was identified for the Bank. Following the CA results and in line with the new recapitalization framework introduced by Law 4340/2015, the Bank proceeded to a capital increase of € 2,039 million, which was covered exclusively from the markets. As a result, the Group strengthened further its capital base and its CET1 ratio stood at 17% at the end of December 2015.

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

In May 2014, following the completion of the Bank's share capital increase fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF), the controlling shareholder of the Bank until that date, decreased from 95.23% to 35.41%. Accordingly, as of that date HFSF was considered to have significant influence over the Bank. In November 2015, following the completion of the Bank's share capital increase, fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by HFSF decreased to 2.38%.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

In the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in the Bank's General Assembly only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets, or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014. Taking into account the terms of the revised RFA, the HFSF is still considered to have significant influence over the Bank.

(a) The following new standards and amendments to existing standards, as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IC) and endorsed by the European Union (EU), apply from 1 January 2015:

Annual Improvements to IFRSs 2011-2013 Cycle

The amendments introduce key changes to three IFRSs, following the publication of the results of the IASB's 2011-13 cycle of the annual improvements project, as follows:

- Clarify that IFRS 3 'Business Combinations' does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;
- Clarify that the exception in IFRS 13 'Fair Value Measurement' for measuring the fair value of a group of financial assets and financial liabilities on a net basis applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 'Financial Instruments: Recognition and Measurement' or IFRS 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities under IAS 32 'Financial Instruments: Presentation';
- Address the interrelationship between IFRS 3 'Business Combinations' and IAS 40 'Investment Property', clarifying in the latter that an entity should assess whether: (a) the acquired property is investment property under IAS 40 and (b) the acquisition of investment property constitutes a business combination as defined in IFRS 3.

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

IFRIC 21, Levies

IFRIC 21 Levies clarifies that an entity recognizes a liability for a levy that is not income tax when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, for example a specified level of revenue, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

The adoption of the interpretation lead to earlier recognition of cost for Deposit guarantee scheme through the year, but has no impact on the yearly Company's financial statements.

(b) A number of new standards, amendments and interpretations to existing standards are effective after 2015, as they have not yet been endorsed for use in the European Union or have not been early applied by the Company. Those that may be relevant to the Bank are set out below:

IAS 1, Amendment - Disclosure initiative (effective 1 January 2016)

The amendment clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

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

2. Summary of significant accounting policies (continued)

A. Basis of preparation (continued)

IAS 7, Amendment – Disclosure Initiative (effective 1 January 2017, not yet endorsed by EU)

The amendment requires disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The disclosure requirements also apply to changes in financial assets, such as assets that hedge liabilities arising from financing activities, if cash flows from those financial assets were or future cash flows will be, included in cash flows from financing activities. The amendments include illustrative examples to show how an entity can meet the objective of the disclosure requirements. The adoption of the amendment is not expected to impact the Company's financial statements.

IAS 12, Amendment – Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017, not yet endorsed by EU)

The amendment clarifies that unrealized losses on debt instruments measured at fair value in the financial statements and at cost for tax purposes can result in deductible temporary differences. It also clarifies that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that when comparing deductible temporary differences with future taxable profits, the future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences.

IAS 16 and IAS 38, Amendments -Clarification of Acceptable Methods of Depreciation and Amortization (effective 1 January 2016)

The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue basis for measuring the consumption of the economic benefits embodied in an intangible asset.

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

IAS 19, Amendment- Defined Benefit Plans: Employee Contributions (effective 1 January 2016)

The amendment clarifies the accounting for post-employment benefit plans where employees or third parties are required to make contributions which do not vary with the length of employee service, for example, employee contributions calculated according to a fixed percentage of salary. The amendment allows these contributions to be deducted from pension expense in the year in which the related employee service is delivered, instead of attributing them to periods of employee service.

The adoption of the amendment is not expected to have a material impact on the Company's financial statements.

IAS 27, Amendment –Equity Method in Separate Financial Statements (effective 1 January 2016)

This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements. In particular, separate financial statements are those presented in addition to consolidated financial statements or in addition to the financial statements of an investor that does not have investments in subsidiaries but has investments in associates or joint ventures in which the investments in associates or joint ventures are required by IAS 28 Investments in Associates and Joint Ventures to be accounted for using the equity method. The adoption of the amendment is not expected to impact the Company's financial statements.

2. Summary of significant accounting policies (continued)

A. Basis of preparation (continued)

IFRS 9 *Financial Instruments*. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the International Accounting Standards Board (IASB made) further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

Following the changes approved by the IASB in July 2014, the Company no longer expects any impact from the new classification, measurement and derecognition rules on the Company's financial assets and financial liabilities. While the Company has yet to undertake a detailed assessment of the debt instruments currently classified as available-for-sale financial assets, it would appear that they would satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) based on their current business model for these assets. Hence there will be no change to the accounting for these assets.

There will also be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities.

The new hedging rules align hedge accounting more closely with the Company's risk management practices. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.

The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses. The Company has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

The expected EU endorsement of IFRS 9 is before the IASB effective date – 1 January 2018.

IFRS 10, IFRS 12 and IAS 28, Amendments - Investment Entities: Applying the Consolidation Exception (effective 1 January 2016, not yet endorsed by EU)

These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

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

IFRS 10 and IAS 28, Amendments- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by IASB, not yet endorsed by EU)

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are in a subsidiary. The adoption of the amendments is not expected to impact the Company's financial statements.

IFRS 11, Amendment – Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)

This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.

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

2. Summary of significant accounting policies (continued)

A. Basis of preparation (continued)

IFRS 15, Revenue from Contracts with Customers (effective 1 January 2018, not yet endorsed by EU)

IFRS 15 establishes a single, comprehensive revenue recognition model to be applied consistently to all contracts with customers, determining when and how much revenue to recognize, but has no impact on income recognition related to financial instruments which is under the scope of IFRS 9 and IAS 39. In addition, IFRS 15 replaces the previous revenue standards IAS 18 Revenue and IAS 11 Construction contracts and the related Interpretations on revenue recognition.

The Company is currently assessing the impact of IFRS 15, however the adoption of the standard is not expected to have a material impact on the Company's financial statements.

IFRS 16, Leases (effective 1 January 2019, not yet endorsed by EU)

Under IFRS 16, which replaces the current guidance in IAS 17, the classification of leases for a lessee, as either operating leases or finance leases, is eliminated and all leases are treated similarly to finance leases under IAS 17. Leases are capitalized by recognizing the present value of the lease payments and are shown either as lease assets (right of use assets) or together with property, plant and equipment. A financial liability is also recognized, if lease payments are made over time, representing the obligation to make future lease payments. In addition, lease expense treatment is aligned for all leases of lessees and the typical straight line operating lease expense for operating leases under IAS 17 is replaced with a depreciation charge for lease assets and an interest expense on lease liabilities. Recognition of assets and liabilities by lessees are not required for certain short term leases and leases of low value assets.

Under the new standard a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

The Company is currently assessing the impact of IFRS 16 on its financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2016)

The amendments introduce key changes to seven IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Definition of vesting condition in IFRS 2 'Share – based Payment';
- Accounting for contingent consideration in a business combination in IFRS 3 'Business Combinations';
- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets in IFRS 8 'Operating Segment';
- Short-term receivables and payables in IFRS 13 'Fair Value Measurement';
- Revaluation method—proportionate restatement of accumulated depreciation in IAS 16 'Property, Plant and Equipment';
- Key management personnel in IAS 24 'Related Party Disclosures'; and
- Revaluation method—proportionate restatement of accumulated amortization in IAS 38 'Intangible Assets'

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

Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2012-14 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Clarifying in IFRS 5 'Non-current assets held for sale and discontinued operations' that, when an asset is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.

2. Summary of significant accounting policies (continued)

A. Basis of preparation (continued)

Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016) (continued)

- Adding in IFRS 7 'Financial instruments: Disclosures' specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. It also clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.
- Clarifying in IAS 19 'Employee benefits' that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.
- Clarifying in IAS 34 'Interim financial reporting' what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

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

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.

Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

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. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2. Summary of significant accounting policies (continued)

2.4 Investment property

According to IAS 40, Investment property is a property, land or a building or part of a building or both held to earn rentals or for capital appreciation or both and that is not occupied by the Company. Investment property is recognised as an asset when it is probable that future economic benefits that are associated with the property will flow to the entity, and the cost of the property can be reliably measured.

After the initial recognition, investment properties are presented as non-current assets and are measured at cost less any accumulated depreciation and any accumulated impairment.

All acquisition costs are accumulated in the book value of investment property. An investment property is measured initially at its cost. Transaction costs are included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes, and other transaction costs. The real estate assets acquired, where further construction or development is necessary before they become ready for sale, can be treated as "qualifying assets" and in this case, the borrowing costs directly attributable to the acquisition and construction/development are eligible for capitalization.

Buildings recognized as investment properties are depreciated for a period of 50 years. The annual depreciation rate is 2%.

Land recognized as investment property is not depreciated.

Subsequent expenditure is charged to the asset's carrying amount 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 costs are charged to the income statement during the financial period in which they are incurred.

When an entity uses the cost model, transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes. According to IAS 40 and the Company's policy, IMO 03 EAD has to perform an impairment analysis of the acquired properties closer to the year-end reporting date.

2.5 Receivables and other financial assets

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established, when there is an objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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. Summary of significant accounting policies (continued)

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.

2.12 Taxation

Taxation has been provided for in the financial statements in statement of comprehensive income in accordance with Bulgarian legislation currently in force. The charge for taxation in the income statement comprises the current tax and changes in the deferred tax.

2. Summary of significant accounting policies (continued)

2.12 Taxation (continued)

The current tax is calculated on the basis of the taxable profit for the year, using the tax rates enacted at the balance sheet date. Income tax payable on profits, based on the applicable tax law, is recognized as an expense in the period in which profits arise. Taxes other than on income are recorded within operating expenses.

The deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The principal temporary differences arise from depreciation of investment property.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

3. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk, liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The risk management is executed by the management as its policy is approved by the parent company.

3.1. Market risk

(a) Currency risk

The Company's policy is not to hold monetary assets, denominated in a currency different from BGN or EUR. The Company has insignificant exposure to currency risk since FX rate EUR/BGN is pegged at 1.95583.

(b) Interest rate risk

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

The Company's interest rate risk arises from short-term borrowings (Note 11). Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Interest re-pricing period of the borrowings is on a monthly base, thus mitigating to some extent the interest rate risk.

The Company's cash flow and interest rate risk is periodically monitored by the Company's management and by the parent Company (i.e. the Group management). As the borrowings are provided by the Eurobank Private Bank Luxembourg S.A., the exposure of the Company to interest rate risk is reviewed individually for each new facility provided.

Trade and other receivables and payables are interest-free and have settlement dates within one year.

The Company is not exposed to the price risk with respect to financial instruments as it does not hold any equity securities.

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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 2015 and 2014 as follows:

| Contractor | 31 December 2015 | | 31 December 2014 | |
|----------------------|------------------|---------|------------------|---------|
| | Credit rating | Balance | Credit rating | Balance |
| Eurobank Bulgaria AD | BB+ (BCRA) | 448 | BB+ (BCRA) | 1,116 |
| | | 448 | | 1,116 |

The Company has not suffered losses due to default of the contractor. The market value of these assets is not materially different from their carrying value

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 2015 | | | | |
| Other payables | 5 | - | - | 5 |
| Borrowings | 54 | 103 | 27,690 | 27,847 |
| Total financial liabilities | 59 | 103 | 27,690 | 27,852 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

3. Financial risk management (continued)

3.3 Liquidity risk (continued)

| | Up to 1 month | Between 1 and 3 months | Between 3 and 12 months | Total |
|------------------------------------|------------------|---------------------------|----------------------------|---------------|
| As at 31 December 2014 | | | | |
| Other payables | 13 | - | - | 13 |
| Borrowings | 36 | - | 27,382 | 27,418 |
| Total financial liabilities | 49 | - | 27,382 | 27,431 |

3.4. Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated by the management as "equity" as shown in the balance sheet.

4. Critical accounting estimates and judgments

Estimate of fair value of investment properties

The fair value of the investment properties, accounted at cost model in accordance with IAS 40 is updated, in order to reflect the market conditions at the end of the reporting period by using the valuation reports of licensed appraiser company. The fair value of the investment properties is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the fair value estimation of the external appraiser company is based on recent prices of properties with different condition or location, adjusted to reflect those differences. For disclosure purposes fair value is based on reports prepared by valuation company at the end of the reporting period. As a result of the current economic environment and market conditions, the frequency of property transactions is relatively low. Nevertheless, it is management's assessment that there remains sufficient market activity to provide comparable prices for orderly transactions with similar properties when determining the fair value.

The fair value estimations of the external appraiser company are based on estimates such as:

- (i) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The investment properties are categorized into three levels of the fair value hierarchy as of 31 December 2013 based on whether the inputs to the fair value are observable or unobservable, as follows:

Level 1 – Investment properties measured based on quoted prices in active markets for identical assets that the company can access at the measurement date.

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4. Critical accounting estimates and judgments (continued)

Level 2 – Investment properties measured using valuation techniques with the following inputs: i) quoted prices for similar assets in active market, ii) quoted prices for identical or similar assets in markets that are not active, iii) inputs other than quoted prices that are observable for the assets, iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Investment properties measured using valuation techniques with significant unobservable inputs.

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 31/12/2015 in BGN thousands | Valuation technique | Significant Unobservable Input | Range (weighted average) 2015 in BGN | Connection between the unobservable input and FV A significant increase in price per m2 would result in a higher fair value |
|----------------|--|----------------------------|--------------------------------|--------------------------------------|--|
| Residential | 17,833 | Market comparison approach | price per m2 | 660 – 906 | |

In line with IAS 40, IMO 03 EAD has obtained a new market valuation at the end of the year. The new market value was BGN 17,833 thousand. Net book value as at 31 December 2015 is BGN 17,971 thousand. The difference between the market and the book value is insignificant and the Company found no grounds for impairment as at 31 December 2015.

5. Expenses related to investment properties

| | 2015 | 2014 |
|-------------|--------------|----------------|
| Impairment | - | (5,867) |
| Maintenance | (100) | (108) |
| | (100) | (5,975) |

6. Administrative expenses

| | 2015 | 2014 |
|---------------------|------------|-------------|
| Personnel expenses | - | - |
| Audit fees expenses | (7) | (7) |
| Miscellaneous | (2) | (3) |
| | (9) | (10) |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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7. Finance (costs) / income, net

Finance costs

| | 2015 | 2014 |
|----------------------------|--------------|--------------|
| Interest expense | (608) | (820) |
| Others finance costs | (1) | (3) |
| Total finance costs | (609) | (823) |

Finance income

| | 2015 | 2014 |
|-----------------------------|-------------|-------------|
| Interest income | - | 2 |
| Total finance income | - | 2 |

8. Deferred tax income

| | 2015 | 2014 |
|---|-------------|-------------|
| (Loss)/Profit before income tax | (718) | (6,807) |
| Tax calculated at a tax rate applicable to profits 10% (2014:10%) | (72) | (681) |
| Tax effect of expenses not deductible for tax purposes | 72 | 669 |
| Unrecognized deferred tax income for the year | - | 12 |

Deferred income taxes are calculated at the tax rate that will be effective at the time when they are expected to be realised. The tax applicable for 2015 is 10% (2014: 10%).

The tax loss for 2015 is BGN 110 thousands. The tax loss for 2014 is BGN 120 thousands and deferred tax asset not recognized is BGN 12 thousands.

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.

Tax authorities can at any given time carry out revision of the accounting registers within 5 years after the reporting period, where it is possible to levy additional tax or impose fines. Management does not believe that there are circumstances, which could lead to significant tax obligations of the abovementioned nature.

9. Investment property

| | |
|---|----------------------|
| Carrying amount as at 31 December 2014 | <u>17,971</u> |
| Additions | - |
| Impairment | - |
| Carrying amount as at 31 December 2015 | <u>17,971</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

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

| 10. Cash and cash equivalents | As at 31 December | |
|--------------------------------------|--------------------------|--------------|
| | 2015 | 2014 |
| Cash in BGN | 435 | 888 |
| Cash in EUR | 13 | 228 |
| Total cash in bank | 448 | 1,116 |

11. Borrowings

The Company's loan is with a floating interest rate and is denominated in Euro. The loan has not been collateralised.

| | As at 31 December | |
|------------------|--------------------------|---------------|
| | 2015 | 2014 |
| Bank loans | 27,382 | 27,382 |
| Accrued interest | 36 | 3 |
| | 27,418 | 27,385 |

The carrying amounts of the borrowing approximates its fair value at the balance sheet date. The loan is contracted with floating rate (1M EURIBOR) plus margin of 2.25%. There are no covenants included in the loan agreement.

The current credit line was renewed on 06 May 2016 with new maturity date 30 June 2017.

12. Trade and other payables

| | As at 31 December | |
|--------------------|--------------------------|-------------|
| | 2015 | 2014 |
| Audit fees payable | 6 | 3 |
| Other payables | 7 | 2 |
| | 13 | 5 |

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 2014 | 2,500 | 1 | 2,500 |
| As of 1 January 2015 | 2,500 | 1 | 2,500 |
| As of 31 December 2015 | 125 | 1 | 125 |

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

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14. Related parties transactions and balances

In May 2014, following the completion of the Bank's share capital increase fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF), the controlling shareholder of the Bank until that date, decreased from 95.23% to 35.41%. Accordingly, as of that date HFSF was considered to have significant influence over the Bank. In November 2015, following the completion of the Bank's share capital increase, fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by HFSF decreased to 2.38%.

In the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in the Bank's General Assembly only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets, or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014. Taking into account the terms of the revised RFA, the HFSF is still considered to have significant influence over the Bank.

The management is compensated by virtue of a decision of Board of Directors. There is no key management compensation for the year ended 31 December 2015 and 2014.

The Company had the following transactions and balances with related parties:

| | As at 31 December | |
|---------------------------------------|--------------------------|----------------------|
| | 2015 | 2014 |
| Borrowings | | |
| Eurobank Private Bank Luxembourg S.A. | 27,382 | 27,382 |
| Accrued interest | | |
| Eurobank Private Bank Luxembourg S.A. | 36 | 3 |
| Cash and cash equivalents | | |
| Eurobank Bulgaria AD | 448 | 1,116 |
| | | Year ended 31 |
| | | December |
| | 2015 | 2014 |
| Interest income | | |
| Eurobank Bulgaria AD | - | 2 |
| Interest expenses | | |
| Eurobank Private Bank Luxembourg S.A. | 608 | 820 |
| FX transaction expenses | | |
| Eurobank Bulgaria AD | - | 1 |
| Commissions and fee expenses | | |
| Eurobank Bulgaria AD | 1 | 2 |

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

15. Contingent liabilities and commitments

The management has not identified any significant contingent liabilities and commitments valid as at 31 December 2015.

16. Events after the Balance Sheet date

There are no events after the Balance Sheet date as defined by IAS 10.