BULGARIAN RETAIL SERVICES AD
INDEPENDENT AUDITOR'S REPORT
ANNUAL ACTIVITY REPORT
FINANCIAL STATEMENTS
31 DECEMBER 2016

CONTENT

Independent Auditor's Report

To the Shareholders of Bulgarian Retail Services AD

Our Opinion

We have audited the financial statements of Bulgarian Retail Services AD (the "Company") the balance sheet as at 31 December 2016, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Independent Financial Audit Act that are relevant to our audit of the financial statements in Bulgaria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Independent Financial Audit Act.

Material Uncertainty Relating to Going Concern

We draw attention to Note 1.3 to these financial statements, which states that as of 31 December 2016 the Company's net assets had a negative value of BGN 36,695 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 and liquidity support by Eurobank Private Bank Luxembourg. Our opinion is not modified in respect of this matter.

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Registered with the Sofia City Court under company file number 13424/1997.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises *the Annual Activity Report*, prepared by the management in accordance with Chapter Seven of the Accountancy Act but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Additional Matters to Be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the Annual Activity Report, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA), issued on 29 November 2016 and approved by its Management Board on 29 November 2016. These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion on whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion in Connection with Art. 37, Paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

a) The information included in the Annual Activity Report for the financial year for which the financial statements have been prepared is consistent with those financial statements.

b) The Annual Activity Report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Milka Damianova

Registered Auditor

Date: 07-06-2017

Sofia, Bulgaria

Stefan Weiblen

PricewaterhouseCoopers Audit OOD

ДРУЖЕСТВО

София

Рег. № 085

ANNUAL ACTIVITY REPORT AS OF 31 DECEMBER 2016

The management presents the annual Directors' report as of 31 December 2016.

BUSINESS DESCRIPTION

Bulgarian Retail Services AD was incorporated as a joint-stock company in 2002, and as of its incorporation until 31 December 2016 it has not changed its legal form. The address of its registered office is as follows: 260 Ring Road Str, 1766 Sofia, Bulgaria.
The Company was registered with the principal activity consultancy and other services related to data processing, management, promoting, organizing etc. activities in relation to payment systems and consumer lending, expertise, software and equipment supporting those activities, providing financial services including creation, installation and maintenance of the technical equipment required for their provision, debt collection and other.

BUSINESS OVERVIEW

Bulgarian Retail Services is a part of Eurobank Ergasias Group – an international financial group.
During 2016 Bulgarian Retail Services AD (BRS, "the Company") and Eurobank Bulgaria AD (the "Bank") have signed several contracts for transferring of receivables under loan agreements. BRS transferred to the Bank all of its receivables under these loans agreements, together with all collaterals, privileges and other belongings, the accrued interests, including the co-debtors under these loans. The Company received amount that equals the net book value of the transferred loans, which approximated the fair value of the assets transferred. The operation constitutes an intra-group restructuring of the lending operations in Bulgaria. Bulgarian Retail Services AD did not retain any risks or benefits on the transferred loans.
In previous years Bulgarian Retail Services AD also entered into Assignment agreements for transfer of receivables under loan agreements and Funded Participation Agreements relating to portfolios of loans originated by Eurobank Bulgaria AD. BRS undertook and assumed all rights and obligations related to all receivables originating from the loan agreements subject to the agreements. Additionally Eurobank Bulgaria AD and Bulgarian Retail Services AD have separate contractual agreements to provide to BRS administration and collection services regarding the loans in the Company portfolio.

DEVELOPMENT AND RESULTS FROM THE BUSINESS ACTIVITY

During 2016 the Company continues to adhere to its strategy based on reducing the cost of funding, preserving the sources of income and debt collection and control over the costs, including impairment. The Company maintains strict control of the main risks it is exposed to.
Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and reviewing these lending limits where appropriate.

DEVELOPMENT AND RESULTS FROM THE BUSINESS ACTIVITY (CONTINUED)

The Company maintains strict control limits on net open derivative positions by both amount and term. The Company analyzes the effectiveness of the derivative instruments on a monthly basis. The Company estimates the market risk of positions held and the maximum losses expected, based upon a number of assumptions, and reviews various market risks on a monthly basis.
The factors that generate market risk are the interest rate risk and foreign exchange risk.
In relation with interest rate exposure, the Company has the contractual right to change interest rates on all loans contracts after a certain period from the origination date of a contract. Limits are set on the level of mismatch of interest rate reprising that may be undertaken.
The foreign exchange risk is the risk of potential loss from adverse changes in foreign currency exchange rates, against the base currency. It includes outright risk, volatility risk and conversion risk. To mitigate the foreign exchange risk the Company uses derivative instruments.
In order to optimize the liquidity risk the Company sets limits for the maximum level of activities requiring cash resources ensuring that cash and maturing funds are available to meet any expected calls and to prevent unexpected levels of demand.
Gross loans and advances to customers portfolio decreased by 29% to BGN 224,159 thousands. The decrease is represented mainly by transfers of mortgage loans to Eurobank Bulgaria, settlement of some of the non-performing loans transferred to the Company, natural repayments from customers and write offs.
During 2016, cession agreements for the amount of BGN 20,828 thousands have been signed between BRS and Eurobank Bulgaria regarding transfer of mortgage and business loans from BRS to the Bank.
Loans and advances to banks decreased significantly in line with the Company strategy to decrease the exposure to Luxemburg, all available funds are used for repayment of the loan. Borrowings decreased by 28% or BGN 63,932 thousands which represent principle repaid to Eurobank Private Bank Luxemburg during 2016. The financing agreement is revolving for 12 months, next revolving date is 29.06.2018. All interest payments are regularly serviced in line with the agreement.

SHARE CAPITAL STRUCTURE

The number of the issued shares as at year-end is 70,000 (2015: 70,000) with nominal value of BGN 10 per share (2015: BGN 10). All issued ordinary shares are fully paid giving one voting right each.
The structure of the registered capital of the Company as at 31 December 2016 is as follows:

Shareholders	Shareholding Stake	Number of Shares	Nominal Value (BGN)
Eurobank Household Lending Services S.A. - Greece	99.999%	69,999	699,990
Theodoros Karakasis	0.001%	1	10
TOTAL:	**100.00%**	**70,000**	**700,000**

During the reported year the shares of the Company have not been transferred, pledged or attached.

BOARD OF DIRECTORS

As at the end of the reported period the composition of the Board of Directors, according to the valid registration in the Commercial registry, and the distribution of functions among its members are as follows:
- Theodoros Karakasis – Chairman of the Board of Directors
- Milena Boyadzhieva – Member of the Board of Directors and Executive Director
- Mariana Hristova – Member of the Board of Directors and Executive Director

During 2016 the members of the Board of Directors did not receive remunerations from BRS in their capacity of BD members.

BOARD OF DIRECTORS (CONTINUED)

None of the members of the Board of Directors transferred shares or bonds of the Company.
Theodoros Karakasis holds 0.001% of the share capital of the Company, which represents 1 share of the share capital with a nominal value of BGN 10.00.
None of the other members of the Board of Directors holds special rights of acquisition of shares or bonds of the Company.

None of the members of the Board of Directors is a Partner with unlimited liability into commercial companies.
None of the members of the Board of Directors holds more than 25 per cent of the capital of another company.

The following members of the Board of Directors participate in the management of other companies as procurators, managers or board members, as follows:

Theodoros Karakasis

- Bancpost S.A., Romania – Deputy Chairman of the Board of Directors
- ERB Retail Services IFN S.A., Romania – Member of the Board of Directors
- ERB Leasing IFN S.A., Romania – Member of the Board of Directors
- Eurobank Property Services S.A., Romania – Chairman of the Board of Directors
- ERB Property Services d.o.o. Beograd, Serbia – Chairman of the Supervisory Board
- Eurobank A.D. Beograd, Serbia – Member of the Management Board
- ERB Property Services Sofia AD, Bulgaria – Chairman of the Board of Directors
- CEH Balkan Holdings Limited ,Cyprus – Member of the Board of Directors
- Greek-Serbian Chamber of Commerce – Deputy Chairman of the Board of Directors
- Bulgarian retail Services AD,Bulgaria - Chairman of the Board of Directors;

Mariana Hristova

- Plovdiv Free Zone AD, Bulgaria – Member of the Board of Directors
- IMO Central Office EAD, Bulgaria - Member of the Board of Directors
- IMO 03 EAD – Executive Director and Member of the Board of Directors (effective as of 09.09.2016).

Bulgarian Retail Services AD has not entered into contracts in the sense of Article 240b, paragraph 1 of the Commerce Act during 2016.

FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

By its nature the Company's activities are principally related to the use of financial instruments. The Company borrows at floating rates for various periods and seeks to earn above average interest margins by investing these funds in loan portfolios.

For more detailed explanations of the financial risk management please refer to the section in the annual financial statements for financial risk management.

PLANNED BUSINESS POLICY IN 2017

The Company will follow its strategy to put strong emphasis on cost containment, including cost of funds. In terms of the lending portfolio, BRS will focus on administration and improvement of the overall quality of the portfolio.

During 2017 the Company does not plan to increase personnel and will be committed to retaining its key employees by inspiring their professional development, rewarding performance and offering various training opportunities.

EVENTS AFTER THE BALANCE SHEETS DATE

There are no substantial events after the balance sheet date which may have effects on the financial statements as at 31.12.2016.

During 2016 the Company did not incur or participated in research and development costs and/or activities.

The Company does not have branches.

MANAGEMENT RESPONSIBILITIES

The Directors are required by Bulgarian law each financial year to prepare financial statements that give a true and fair view of the financial position of the company as at the year end and its financial results.
The Directors confirm that suitable accounting policies have been used.
The Directors confirm that applicable International Financial Reporting Standards (IFRS) as adopted by the European Union have been followed and the financial statements have been prepared on a going concern basis.
The Directors are responsible for keeping proper accounting records, for safeguarding the assets and for taking reasonable steps for the prevention and detection of potential fraud and other irregularities.

Milena Boyadzhieva
Executive Director and
Member of the Board of Directors

БЪЛГЕРИЪН РИТЕЙЛ СЪРВИСИЗ АД * BULGARIAN RETAIL SERVICES AD * София Sofia

Maria Garalova
Chief Financial Officer

Bulgarian Retail Services AD
Sofia, 7 June 2017

BULGARIAN RETAIL SERVICES AD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

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

		Year ended 31 December	
	Notes	**2016**	**2015**
Interest and similar income	4	5,628	10,132
Interest and similar charges	4	(4,451)	(6,738)
Net interest income		**1,177**	**3,394**
Fee and commission income	5	63	119
Fee and commission expense	5	(239)	(278)
Net fee and commission income		**(176)**	**(159)**
Net trading expense	6	(1)	(1,989)
Operating expenses	7	(463)	(597)
Impairment charge for credit losses	11	(7,094)	(10,699)
Loss before income tax		**(6,557)**	**(10,050)**
Income tax expense	9	-	-
Loss for the year		**(6,557)**	**(10,050)**
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		**(6,557)**	**(10,050)**

The financial statements on pages 5 to 50 were authorized and signed by:

Milena Boyadzhieva
Executive Director
7 June 2017
Sofia, Bulgaria

БЪЛГЕРИЪН РИТЕЙЛ СЪРВИСИЗ АД * BULGARIAN RETAIL SERVICES AD * София Sofia

Mariya Garalova
Chief Financial Officer

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

Milka Damianova
Registered Auditor
Date: 07-06-2017

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
Date: 07-06-2017

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 085 ПРАЙСУОТЪРХАУСКУПЪРС ОДИТ ООД

The accompanying notes set out on pages 9 to 50 form an integral part of these financial statements.

BULGARIAN RETAIL SERVICES AD
BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	As at 31 Decemb 2016	2015
Assets			
Cash and cash equivalents	10	183	7,522
Derivative financial instruments	15	200	-
Loans and advances to customers	11	128,500	192,146
Equipment and other non-current assets	13	4	5
Other assets	12	4	4
Total assets		**128,891**	**199,677**
Liabilities			
Bank borrowings	14	165,406	229,347
Derivative financial instruments	15	-	275
Other liabilities	16	180	193
Total liabilities		**165,586**	**229,815**
Shareholders' equity			
Share capital	17	700	700
Other reserves		70	70
Retained earnings		(37,465)	(30,908)
Total shareholders' equity		**(36,695)**	**(30,138)**
Total shareholders' equity and liabilities		**128,891**	**199,677**

The financial statements on pages 5 to 50 were authorized and signed by:

Milena Boyadzhieva
Executive Director
7 June 2017
Sofia, Bulgaria

БЪЛГЕРИЯН РИТЕЙЛ СЪРВИСИЗ АД * BULGARIAN RETAIL SERVICES AD
София Sofia

Mariya Garalova
Chief Financial Officer

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

Milka Damianova
Registered Auditor
Date: 07-06-2017

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 085
ПРАЙСУОТЪРХАУСКУПЪРС ОДИТ ООД

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
Date: 07-06-2017

BULGARIAN RETAIL SERVICES AD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts are shown in BGN thousands unless otherwise stated)

	Share capital	Reserves	Retained earnings	Total
At 1 January 2015	**700**	**70**	**(20,858)**	**(20,088)**
Loss for the year	-	-	(10,050)	(10,050)
Other comprehensive income/expense for the year	-	-	-	-
At 31 December 2015	**700**	**70**	**(30,908)**	**(30,138)**
At 1 January 2016	**700**	**70**	**(30,908)**	**(30,138)**
Loss for the year	-	-	(6,557)	(6,557)
Other comprehensive income/expense for the year	-	-	-	-
At 31 December 2016	**700**	**70**	**(37,465)**	**(36,695)**

The financial statements on pages 5 to 50 were authorized and signed by:

Milena Boyadzhieva
Executive Director
7 June 2017
Sofia, Bulgaria

БЪЛГЕРИЪН РИТЕЙЛ СЪРВИСИЗ АД * BULGARIAN RETAIL SERVICES AD * София Sofia

Mariya Garalova
Chief Financial Officer

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

Milka Damianova
Registered Auditor
Date: 07-06-2017

ОДИТОРСКО ДРУЖЕСТВО ПРАЙСУОТЪРХАУСКУПЪРС ОДИТ ООД София Рег. № 085

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
Date: 07-06-2017

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

	Notes	2016	Year ended 31 December 2015
Cash flow from operating activities			
Interest and similar income received		5,798	9,124
Interest paid		(3,782)	(5,915)
Fees and commission received		41	97
Fees and commission paid		(17)	(49)
Amounts paid to and on behalf of employees		(138)	(142)
Other expenses paid		(672)	(640)
Net trading (expense)/income		(128)	368
Income tax received		-	1,342
Cash flow from operating activities before changes in operating assets and liabilities		**1,102**	**4,185**
Changes in operating assets and liabilities			
Net decrease in loans and advances to customers		56,784	84,829
Net decrease in derivative financial liabilities		(1,293)	(24,094)
Net cash from operating activities		**56,593**	**64,920**
Cash flows used in investing activities			
Purchase of equipment		-	(1)
Net cash used in investing activities		**-**	**(1)**
Cash flows used in financing activities			
Decrease in bank borrowings		(63,932)	(58,773)
Net cash used in financing activities		**(63,932)**	**(58,773)**
Net (decrease)/increase in cash and cash equivalents		**(7,339)**	**6,146**
Cash and cash equivalents at beginning of year		7,522	1,377
Cash and cash equivalents at end of year	10	**183**	**7,523**

The financial statements on pages 5 to 50 were authorized and signed by:

Milena Boyadzhieva
Executive Director
7 June 2017
Sofia, Bulgaria

БЪЛГЕРИЙН РИТЕЙЛ СЪРВИСИЗ АД * BULGARIAN RETAIL SERVICES AD
София Sofia

Mariya Garalova
Chief Financial Officer

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

Milka Damianova
Registered Auditor
Date:
07-06-2017

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 085

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
Date:
07-06-2017

1 Company background and significant accounting policies

(1) Company background

Bulgarian Retail Services AD (the Company) was incorporated in 2002 and until the end of the 1st quarter of 2005 the Company's activities included issuing of credit cards and providing services in relation to the issued credit cards, such as transactions processing, establishment of the necessary retail network and offering of different methods of repayment for client's liabilities.
At the end of 2009, the Company ceased providing credit card processing services. Currently the Company is providing financial services related to loan portfolio acquired from related parties.
The address of its registered office is as follows: 260 Okolovrasten pat Str. 1766 Sofia, Bulgaria.

Shareholders of Bulgarian Retail Services AD are:

Eurobank Household Lending Services S.A., a joint-stock company, incorporated and existing under the laws of Greece with its registered seat and address of management at 25, Martiou,Thessalonikis & Teo. №25, 17778 Tavros, Athens, Greece registered with the General Commercial Registry under registration №002433201000 (former registration №37552/01/B/97/84) - a shareholder with 69,999 shares, being 99.999% of the capital issued by Bulgarian Retail Services AD and Theodoros Karakassis, citizen of Greece, born on October 24, 1947 in Drama, Greece, residing in Greece, Athens at 16, Fokionos Negri Str. - a shareholder with 1 share, being 0.001% of the capital of Bulgarian Retail Services AD.
Company's address of management is: 260, Ring Road Str., Sofia, Bulgaria.

The Company's loan portfolio consists of loans transferred from Eurobank Bulgaria AD during 2006, 2007, 2008, 2011 and under contracts for Funded Subparticipation agreements from 2012 with Eurobank Bulgaria AD and ERB New Europe Funding II B.V. For all of them BRS has paid amount that equals the net book value of the transferred loans, which approximated the fair value of the assets transferred. The Company acquired all risks and benefits related to the transferred loans. All contracting parties are part of Eurobank Ergasias Group. BRS has separate contractual agreements with the Eurobank Bulgaria AD to provide services regarding the transferred loans.

(2) Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below

(3) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU).

IFRSs as adopted by the EU is the commonly accepted name of the general purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act "International Accounting Standards" (IASs).

1 Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

Going concern of the Company

The Company's financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. Bulgarian Retail Services AD finances its activities through a revolving short term borrowing from Eurobank Private Bank Luxembourg S.A., own funding and equity. As of 31 December 2016 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 Company's management has no intention to increase the exposure of the facility in the foreseeable future and it was renewed until 29 June 2018.

Bulgarian Retail Services AD has negative equity of BGN 36,695 thousand and is in breach of article 252, para (1), item 5 from Bulgarian Commerce Act as its registered capital exceeds net assets.

Based on the above the financial statements are prepared on the going concern principle.

Position of Eurobank Group, Greece

In June 2016, Greece, after the completion of a number of key prior actions, has successfully concluded the first review of the Third Economic Adjustment Program (TEAP), which permitted the disbursement of € 10.3 bn from the second instalment of the European Stability Mechanism (ESM) loan that allowed the country to cover its debt servicing needs and clear a part of the state's arrears to the private sector. 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 next key milestone for Greece is the timely and successful completion of the second review of the TEAP, currently in progress, which would help reinstating depositors' confidence and thus accelerate the return of deposits, it would facilitate the faster relaxation of capital controls and would allow for the participation in ECB's Quantitative Easing (QE) program, conditional on the decisions of the Institutions regarding the plan for the implementation of the medium-term debt relief measures. Moreover, the reduction of the short term uncertainty along with, the decisive implementation of the reforms agreed in the context of the ESM program and the mobilization of European Union (EU) funding to support domestic investment and job creation, would facilitate the restoration of confidence in the prospects of the Greek economy and the further stabilization of the domestic economic environment, which are necessary conditions for the return of the country to a sustainable growth path.

The main risks and uncertainties stem from the current macroeconomic environment in Greece and the further delays in the conclusion of the second review of the TEAP. In particular risks include (a) possible delays in the implementation of the reforms' agenda in order to meet the next targets and milestones of the TEAP, which in turn would lead to the delayed disbursement of the third instalment of the ESM loan of € 6.1 bn, (b) the impact on the level of economic activity from the uncertainty associated with the timing of the conclusion of the second review of the TEAP, (c) the impact on the level of economic activity from additional fiscal measures agreed under the first review of the TEAP, (d) the timing of a full lift of restrictions in the free movement of capital and the

1 Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

Position of Eurobank Group, Greece (continued)

respective impact on the level of economic activity, (e) the possible acceleration of the deposits outflows observed in the first two months of 2017, and/or possible delays in the effective management of non-performing loans as a result of the continuing macroeconomic uncertainty, (f) a possible deterioration of the refugee crisis and its impact on the domestic economy and (g) the geopolitical conditions in the broader region and the external shocks from a slowdown in the global economy.

The Group, following the successful completion of its recapitalization in November 2015, exclusively from private sources, is focused on the organic strengthening of its capital position by the further expansion of pre-provision income while maintaining its robust risk management practices, and by proceeding to additional initiatives associated with the restructuring, transformation or optimization of operations, in Greece and abroad, that will generate or release further capital and/or reduce risk weighted assets. One of the key areas of focus is the active management of non-performing exposures at an accelerated pace, with the aim to substantially reduce their stock in accordance with the Eurobank Ergasias S.A. operational targets and taking advantage of the Group's internal infrastructure, the external partnerships and the important legislative changes that have taken or are expected to take place. The Group's Common Equity Tier 1 (CET1) ratio stood at 17.4% at the end of September 2016 and the net profit attributable to shareholders amounted to € 192 million for the period ended 30 September 2016.

Related parties

In November 2015, following the completion of Eurobank Ergasias ("Bank") share capital increase, fully covered by investors, institutional and others the percentage of the Bank's ordinary shares with voting rights held by the HFSF decreased from 35.41% to 2.38%.

Despite the aforementioned significant decrease of its percentage, the HFSF is still considered to have significant influence over Eurobank Ergasias. In particular, 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 (including the sale of subsidiaries), or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, Eurobank Ergasias 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, which regulates, among others, (a) the Bank's corporate governance, (b) the restructuring plan and its monitoring, (c) the monitoring of the implementation of the Bank's Non-Performing Loans (NPL) management framework and of the Bank's performance on NPL resolution, (d) the Material Obligations and the switch to full voting rights, (e) the monitoring of the Bank's actual risk profile against the approved Risk and Capital Strategy, (f) the HFSF's prior written consent for the Bank's Group Risk and Capital Strategy and for the Bank's Group Strategy, Policy and Governance regarding the management of its arrears and non-performing loans and any amendment, extension, revision or deviation thereof, and (g) the duties, rights and obligations of HFSF's Representative in the Bank's Board.

Principal accounting policies

Amendments to standards and new interpretations adopted by the Company

The following amendments to standards and new interpretations, 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 2016:

1 Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

Principal accounting policies (continued)

IAS 1, Amendment - Disclosure initiative
The amendment clarifies that an entity need not provide in the financial statements, including the notes, a specific disclosure required by an IFRS if the information resulting from that disclosure is not material and also clarifies that additional disclosures may be necessary if the information required by IFRSs is not sufficient for an understanding of the impact of particular transactions and events on the entity's financial position and performance.
The line items listed in IAS 1 for the balance sheet and the statement of profit or loss should be disaggregated if this is relevant to an understanding of the entity's financial position and additional guidance on the use of subtotals is provided. In the statement of comprehensive income the share of the other comprehensive income of equity –accounted associates and joint ventures should be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss and when determining a systematic approach to presenting notes, the entity should consider the understandability and comparability of its financial statements.
The adoption of the amendment had no impact on the Company's financial statements.

IAS 16 and IAS 38, Amendments - Clarification of Acceptable Methods of Depreciation and Amortization
The amendments clarify that the use of revenue-based methods to calculate the depreciation for property plant and equipment is not appropriate and they also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
The adoption of the amendments had no impact on the Company's financial statements.

IAS 19, Amendment-Defined Benefit Plans: Employee Contributions
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 service cost in the year in which the related employee service is delivered, instead of attributing them to periods of employee service. Contributions which vary with the length of employee service, must be spread over the service period using the plan's contribution formula or on a straight line basis, consistent with the attribution method applied to the gross benefit in accordance with paragraph 70 of IAS 19.
The adoption of the amendment had no impact on the Company's financial statements.

IAS 27, Amendment-Equity Method in Separate Financial Statements
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 which are required by IAS 28 Investments in Associates and Joint Ventures to be accounted for using the equity method.
The adoption of the amendment had no impact on the Company's financial statements.

(3) Basis of preparation (continued)

Principal accounting policies (continued)

IFRS 11, Amendment – Accounting for Acquisitions of Interests in Joint Operations
This amendment requires an investor to apply the principles of business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs, which do not conflict with IFRS 11, when it acquires an interest in a joint operation that constitutes a 'business' as defined in IFRS 3. The amendments, which also apply when an existing business is contributed to the joint operation on its formation, require the disclosure of information specified in IFRS 3 and other IFRSs for business combinations. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation while the joint operator retains joint control. However, a previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation results in retaining joint control.
The adoption of the amendment had no impact on the Company's financial statements.

IFRS 10, IFRS 12 and IAS 28, Amendments - Investment Entities: Applying the Consolidation Exception
The amendments clarify the application of the consolidation exception for the subsidiaries of investment entities.
The adoption of the amendments had no impact on the Company's financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle
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:

IFRS 2 'Share – based Payment': The terms 'performance condition' and 'service condition' are separately defined;
IFRS 3 'Business Combinations': It is clarified that contingent consideration in a business acquisition that is not classified as equity, whether or not it falls within the scope of IAS 39 (or IFRS 9 once adopted), is subsequently measured at fair value at each reporting date, with changes in fair value recognized in profit or loss;
IFRS 8 'Operating Segment': Disclosure of the judgments made by management in aggregating operating segments is required, including a description of the segments aggregated and the economic indicators assessed in determining that the aggregated segments share similar economic characteristics. Furthermore, a reconciliation of segment assets to the entity's total assets is required if the reconciliation is reported to the chief operating decision maker;
IFRS 13 'Fair Value Measurement': It is clarified that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial;
IAS 16 'Property, Plant and Equipment': It is clarified how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model;
IAS 24 'Related Party Disclosures': It is clarified that an entity that provides key management personnel services to the reporting entity or to its parent ('the management entity') is a related party to the reporting entity and the amounts charged to it for services provided should be disclosed; and
IAS 38 'Intangible Assets': It is clarified how the gross carrying amount and the accumulated amortization are treated where an entity uses the revaluation model;
The adoption of the amendments had no impact on the Company's financial statements.

(3) Basis of preparation (continued)

Principal accounting policies (continued)

New standards and amendments to standards not yet adopted by the Company

A number of new standards and amendments to existing standards are effective after 2016, 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 Company are set out below:

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

IAS 12, Amendment – Recognition of Deferred Tax Assets for Unrealized Losses (effective 1 January 2017, not yet endorsed by EU)
The amendment clarifies that (a) unrealized losses on debt instruments measured at fair value in the financial statements and at cost for tax purposes may give rise to a deductible temporary difference irrespective of whether the entity expects to recover the carrying amount of the debt instrument by sale or use (b) estimates for future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences (c) the estimate of probable future taxable profits may include the recovery of an asset for more than its carrying amount, if there is sufficient evidence that it is probable that this will be realized by the entity, and (d) a deferred tax asset is assessed in combination with all of the other deferred tax assets where the tax law does not restrict the sources of taxable profits against which the entity may make deductions on the reversal of that deductible temporary differences may be reversed. Where restrictions apply, deferred tax assets are assessed in combination only with other deferred tax assets of the same type.
The adoption of the amendment is not expected to impact the Company's financial statements.

IAS 40, Amendment – Transfers of Investment Property (effective 1 January 2018, not yet endorsed by EU)
The amendment clarifies that a transfer of property, including property under construction or development, into or out of investment property should be made only when there has been a change in use of the property. Such a change in use occurs when the property meets, or ceases to meet, the definition of investment property and should be supported by evidence.
The adoption of the amendment is not expected to impact the Company's financial statements.

IFRS 2, Amendment – Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018, not yet endorsed by EU)
The amendment addresses a) the measurement of cash-settled share-based payments, b) the accounting for modifications of a share-based payment from cash-settled to equity-settled and c) the classification of share-based payments settled net of tax withholdings.
Specifically, the amendment clarifies that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments It also clarifies that the liability of cash-settled share - based payment modified to equity-settled one is derecognized and the equity-settled share-based payment is recognized at the modification date fair value of the equity instrument grantedand any difference is recognized in profit or loss immediately.
Furthermore, a share–based payment net by withholding tax on the employee's behalf (a net settlement feature) is classified as equity settled in its entirety, provided it would have been classified as equity-settled had it not included the net settlement feature.
The adoption of the amendment is not expected to impact the Company's financial statements.

1 Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

IFRS 4, Amendment – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018, not yet endorsed by EU)

The amendment addresses the accounting consequences of the different effective dates of IFRS 9 'Financial Instruments' and the forthcoming new insurance contracts Standard. The amendment introduces two options for entities that issue insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance, allowing them to continue to apply IAS 39 'Financial Instruments: Recognition and Measurement' while they defer the application of IFRS 9 until 1 January 2021 at the latest.

The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets, effectively resulting in IAS 39 accounting for those designated financial assets. This approach can be used provided that the entity applies IFRS 9 in conjunction with IFRS 4 and classifies financial assets as fair value through profit or loss in accordance with IFRS 9, when those assets were previously classified at amortized cost or as available-for-sale in accordance with IAS 39.

The amendment is not relevant to the Company's activities.

IFRS 9, Financial Instruments (effective 1 January 2018)

In July 2014, the IASB published the final version of IFRS 9 *'Financial Instruments'* which replaces IAS 39 *'Financial Instruments: Recognition and Measurement'*. IFRS 9 includes revised requirements on the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

IFRS 9 applies a new classification and measurement approach for all types of financial assets that reflects the entity's business model for managing the assets and their contractual cash flow characteristics. IFRS 9 requires financial assets to be classified into one of the following measurement categories: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available for sale.

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principle and interest ('SPPI'). Financial assets will be measured at FVOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principle and interest. All other financial assets will be classified at FVTPL.

An entity may at initial recognition, designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. Furthermore, on initial recognition of an equity instrument that is not held for trading, an entity may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Under IFRS 9, embedded derivatives in contracts where the host is a financial asset in the scope of the standard are no longer bifurcated. Instead, the hybrid financial instrument is assessed for classification as a whole.

1. Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

Classification and measurement (continued)

IFRS 9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at FVTPL, gains or losses attributable to changes in own credit risk shall be presented in OCI and shall not be subsequently transferred to profit or loss unless such a presentation would create or enlarge an accounting mismatch. Under IAS 39, all fair value changes of liabilities designated at FVTPL are recognised in profit or loss unless this would create or enlarge an accounting mismatch.

Business model assessment
The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the entity's objective is solely to collect contractual cash flows from the asset, to realise cash flows from the sale of assets, or both to collect contractual cash flows and cash flows from the sale of assets. Financial assets that are held for trading or that are managed on a fair value basis will be measured at FVTPL.
The Company's approach is to perform the business model assessment consistently with its operating model and the information provided to key management personnel. In making the above assessment the Company will consider a number of factors including:

- the stated policies and objectives for each portfolio;
- how the performance of each portfolio is evaluated and reported;
- the risks associated with the performance of the business model and how those risks are managed;
- how managers are compensated; and
- past experience on how the cash flows from those portfolios were collected, expectations about future sales activity and how the Company's stated objective for managing the financial assets is achieved.

SPPI assessment
In assessing whether the contractual cash flows are solely payments of principle and interest, the Company will consider whether the contractual terms of the instrument are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin. This will include an assessment of whether a financial asset contains a contractual term that could change the amount or timing of contractual cash flows in a way that it would not be consistent with the above condition. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset will be measured at FVTPL.

Impairment of financial assets
IFRS 9 introduces an expected credit loss ('ECL') model that replaces the incurred loss model in IAS 39. The new requirements eliminate the threshold in IAS 39 that required a credit event to have occurred before credit losses were recognised and will apply to a broader population of financial instruments compared to IAS 39. The measurement of ECL will require the use of complex models and significant judgment about future economic conditions and credit behaviour.
The new impairment model will apply to financial assets that are not measured at FVTPL, including loans, lease receivables, debt securities, financial guarantee contracts and loan commitments issued.
No impairment loss will be recognised on equity investments.

1. Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

Impairment of financial assets (continued)

The new standard uses a 'three stage approach' that will reflect changes in credit quality since initial recognition. At each reporting date, a loss allowance equal to 12-month ECL will be recognized for debt investment securities that are determined to have a low credit risk at the reporting date, and for all other financial assets for which there is no significant increase in credit risk since initial recognition. 12-month ECL are the portion of ECL that result from default events that are possible within the next 12 months after the reporting date. For financial assets that have experienced a significant increase in credit risk since initial recognition where no specific loss event has been identified, a loss allowance equal to lifetime expected credit losses will be recognised. The loss allowance for purchased or originated credit impaired financial assets will always be measured at an amount equal to lifetime ECL. Financial assets where 12-month ECL are recognised are considered to be in 'stage-1'; financial assets which have experienced a significant increase in credit risk are in 'stage-2' and financial assets that are credit impaired are in 'stage-3'.
The measurement of expected credit losses will be a probability-weighted average amount that will reflect the time value of money. In measuring ECL, information about past events, current conditions and reasonable and supportable forecasts of future conditions should be considered. The new impairment model is expected to result in a higher loss allowance for the Company compared to IAS 39.

Hedge accounting
IFRS 9 includes a new general hedge accounting model which aligns hedge accounting more closely with risk management. Under the new model, more hedging strategies may qualify for hedge accounting, new hedge effectiveness requirements apply and discontinuation of hedge accounting will be allowed only under specific circumstances. The IASB currently has a separate project for the accounting of macro hedging activities. Until the above project is completed, entities have an accounting policy choice to continue applying the hedge accounting requirements in IAS 39.

Transition
The new requirements of IFRS 9 will be applied retrospectively by adjusting the Company's balance sheet on the date of transition on 1 January 2018. The Company intends to apply the exemption not to restate comparative figures for prior periods, therefore the Company's 2017 comparatives will be presented on an IAS 39 basis.
Moreover, the following assessments will have to be made on the basis of facts and circumstances that exist at the date of initial application:

- the determination of the business model within which a financial asset is held;

the designation and revocation of previous designations of certain financial assets and liabilities as measured at FVTPL;

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

IFRS 15 establishes a single, comprehensive revenue recognition model for determining when and how much revenue to recognize and replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

IFRS 15 applies to all contracts with customers, except those in the scope of other standards such as:

1. Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

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

• Financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures;
• Lease contracts within the scope of IAS 17 Leases (or IFRS 16 Leases);
• Insurance contracts within the scope of IFRS 4 Insurance Contracts
Therefore, interest and fee income integral to financial instruments will continue to fall outside the scope of IFRS 15.
IFRS 15 specifies that revenue should be recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services. It introduces the concept of recognizing revenue for performance obligations as they are satisfied and the control of a good or service (ie the ability to direct the use of and obtain the benefits from them), is obtained by the customer.
Extensive disclosures will be required in relation to revenue recognized and expected from existing contracts.
IFRS 15 was amended in April 2016 to provide several clarifications, including the identification of the performance obligations within a contract.
The Company is currently assessing the effect of IFRS 15, however the adoption of the standard is not expected to have a significant impact on the Company's financial statements.

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

IFRS 16, which supersedes IAS 17 Leases and related interpretations, introduces a single, on-balance sheet lease accounting model for lessees, under which 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. The new standard provides for the recognition of a 'right-of-use-asset' and a 'lease liability' upon lease commencement in case that there is a contract, or part of a contract, that conveys to the lessee the right to use an asset for a period of time in exchange for a consideration.
The right-of-use-asset is, initially, measured at cost, consisting of the amount of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee and, subsequently, at cost less accumulated depreciation and impairment. The lease liability is initially recognized at an amount equal to the present value of the lease payments during the lease term that are not yet paid.
Accordingly, the typical straight line operating lease expense of operating leases under IAS 17 is replaced by the depreciation charge of the 'right-of-use-asset' and the interest expense on the 'lease liability'. The recognition of assets and liabilities by lessees, as described above, is not required for certain short term leases and leases of low value assets. Additionally, the accounting treatment for lessors is not substantially affected by the requirements of IFRS 16.

The amendment is not relevant to the Company's activities.

1. Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

Annual Improvements to IFRSs 2014-2016 Cycle (effective 1 January 2017 and 1 January 2018, not yet endorsed by EU)

The amendments introduce key changes to two IFRS following the publication of the results of the IASB's 2014-16 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- IFRS 12 'Disclosure of Interests in Other Entities': It is clarified that the disclosure requirements in IFRS 12 apply to an entity's interest in a subsidiary, a joint venture or an associate classified as held for sale except for the requirement for summarized financial information. The amendment applies for annual periods beginning on or after 1 January 2017.
- IAS 28 'Investments in Associates and Joint Ventures': It is clarified that venture capital organizations, mutual funds, unit trusts and similar entities are allowed to elect measuring their investments in associates or joint ventures at fair value through profit or loss. The amendment applies for annual periods beginning on or after 1 January 2018.

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

IFRIC 22, Foreign Currency Transactions and Advance Consideration (effective 1 January 2018, not yet endorsed by EU)

IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions that involve an advance payment or receipt. The interpretation clarifies that in this case, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration, ie when the entity initially recognized the non-monetary asset (prepayment asset) or non-monetary liability (deferred income liability) arising from the advance consideration. If there are multiple payments or receipts in advance, the entity must determine a date of transaction for each payment or receipt.

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

(4) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in the national currency of Bulgaria, Leva (BGN), which is the Company's functional and presentation currency. Except as indicated, financial information presented in BGN has been rounded to the nearest thousand.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the Central Bank's 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 of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Such balances are translated at the Central bank's year-end exchange rates.

The Company uses the Bulgarian lev (BGN) as a reporting currency. The 2016 financial statements are prepared in BGN. At 31 December 2016, monetary assets and liabilities are translated at the reference Central Bank exchange rate – BGN 1 for EUR 0.5113 (2015: BGN 1 for EUR 0.5113) and BGN 1 for CHF 0.549076 (2015: BGN 1 for CHF 0.55291).

1. Company background and significant accounting policies (continued)

(5) Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period using effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and points 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.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(6) Fees and commissions income and expense

Fees and commissions, except for those, which form part of the effective interest rate of the instrument, are generally recognized on an accrual basis.

Commissions and fees relating to foreign exchange transactions, remittances, bank charges are recognized on the completion of the underlying transaction.

Fee and commission expense consists mainly of administration fees for services received from related parties in Bulgaria. Fees generated from and to related parties are described in Note 19.

(7) Non – derivative financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category includes financial assets held for trading.
A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments.
Financial assets held for trading are initially recognized at fair value excluding transaction costs and subsequently re-measured at fair value based on the price within the bid-ask spread that is most representative of fair value in the circumstances used to measure fair value. All related realized and unrealized gains and losses are included in net trading income in the period in which they arise. Interest earned whilst holding financial assets held for trading is reported as interest income.

1. Company background and significant accounting policies (continued)

(7) Non – derivative financial assets (continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the Company intends to sell immediately or in the short term, which are classified as held for trading, and those that the Company upon initial recognition designates as at fair value through profit or loss; (b) those that the Company upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration

(8) Derivative financial instruments

Derivatives are financial instruments:

(a) whose value is changed in response to the change in specified interest rate, financial instrument price, foreign exchange rate, index of prices and rates, credit rates or credit index or other variable;
(b) that requires no initial net investment or an initial net investment is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
(c) that is settled at a future date.

Derivative financial instruments including currency swaps, interest rate swaps, currency forwards, forward rate agreements, options and futures are usually not recognised initially on the face of the balance sheet as they are often entered into at no cost (i.e. the net fair value of the receivables and payables is zero). When the net investment is not zero derivatives are initially recognised as financial instruments at fair value. The fair value is determined by quoted prices, discounted cash flows models and other valuation techniques. The positive net fair value is recognised as asset while the negative is recognised as liability. The changes in the fair value of derivatives are included in the income statement.

The Company has not entered into transactions where the fair value was different from the transaction price. The best evidence of fair value at initial recognition is the transaction price (i.e., the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

(9) Impairment of financial assets

(1) Assets carried at amortized cost

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

1 Company background and significant accounting policies (continued)

(9) Impairment of financial assets

(1) Assets carried at amortized cost

In determining whether a loan is individually significant for the purposes of assessing impairment, the Company considers a number of factors, including importance of the individual loan relationship and how it is managed, the size of the loan, and the product line. Consequently, loans to corporate clients and financial institutions as well as investment securities, are generally considered as individually significant. Retail lending portfolios are generally assessed for impairment on a collective basis as they consist of large homogenous portfolios, while exposures that are managed on an individual basis are assessed individually for impairment.
The Company assesses at each balance sheet date whether there is an objective evidence of impairment.

Objective evidence that a financial asset or group of assets is impaired includes observable data about the following loss events:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;
- Downgrading below investment grade level;

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.
The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.
The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.
For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

1 Company background and significant accounting policies (continued)

(9) Impairment of financial assets (continued)

(1) Assets carried at amortized cost (continued)

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.
Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.
The loan loss identification period is between three and twelve months

Reversals of impairment

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account or the asset's carrying amount as appropriate. The amount of the reversal is recognised in the income statement.

Write-off of loans and advances

A loan and the associated provision are written off when there is no realistic prospect of recovery. The Company considers all relevant information including the occurrence of a significant change in the borrower's financial position such that the borrower can no longer pay the obligation.
The timing of write-off is mainly dependent on whether there is any underlying collateral as well as the Company's estimate of the amount collectible. The number of days past due is considered by the Company as an indicator, however it is not regarded as a determining factor. Especially for collateralized exposures, the timing of write-offs is mainly dependent on local jurisdictions and consequently maybe delayed due to various legal impediments.
Unpaid debt continues to be subject to enforcement activity even after it is written-off. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement

(10) Equipment and other non-current assets

The Company recognizes the cost of an item of property, plant and equipment as an asset if 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 property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised 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 the income statement when the expenditure is incurred.
Depreciation is calculated on the straight-line method to allocate the cost of each asset to their residual values over their estimated useful life.

1 Company background and significant accounting policies (continued)

(10) Equipment and other non-current assets (continued)

Depreciation rates are between 8% and 24% per annum on computer equipment and fixtures and fittings. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 recoverable amount is the higher of the asset's fair value less costs to sell and value in use.
Gains and losses on disposal of property and equipment are determined by comparing proceed with carrying amount. These are included in the income statement.

(11) Intangible assets

Costs that are directly associated with identifiable non-monetary asset without physical substance controlled by the Company and which will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Expenditure which enhances or extends the performance of intangible assets beyond their original specifications is recognized as a capital improvement and added to the original costs of the asset.
Costs associated with maintaining intangible assets are recognized as an expense as incurred.
Intangible assets are amortized using the straight-line method over their useful lives.
Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An intangible 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.

(12) Borrowings

Borrowings are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method.

(13) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash in hand and call deposits held with banks.

(14) Operating leases

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

1 Company background and significant accounting policies (continued)

(15) Current and deferred income tax

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

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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The principal temporary differences arise from depreciation of property, plant and equipment, revaluation reserve of financial instruments, provisions for court cases, the difference on balance sheet provision expenses according to the local and IFRS requirements and provisions for untaken annual leaves and retirement benefit obligations.

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

(16) Employee benefits

(1) Social, pension and health funds.

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

(2) Retirement benefit obligations.

In accordance with article 222, Para. 3 of the Bulgarian Labour Code, in the event of termination of a labour contract after the employee has reached the lawfully required retirement age, regardless of the reason for the termination, the employee is entitled to compensation as follows: 2 gross monthly salaries in all cases and 6 gross monthly salaries if the employee has been engaged with the Company for at least 10 years.

Provision has been made for the actuarial value of the lump sum payable on retirement using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the income statement so as to spread the cost over the period of service of the employees, in accordance with the actuarial valuations which are performed every year.

The obligation is calculated as the present value of the estimated future cash outflows using interest rates of Bulgarian government bonds at the end of the reporting period. The currency and term to maturity of the bonds used are consistent with the currency and estimated term of the retirement benefit obligations. Actuarial gains and losses that arise in calculating the Company's obligation are recognised directly in other comprehensive income in the period in which they occur and are not reclassified to the income statement in subsequent periods.

Past service costs and interest expense are recognised immediately in the income statement.

1 Company background and significant accounting policies (continued)

(17) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimates of the amount of the obligation can be made.
The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at each reporting date, taking into account the risks and uncertainties surrounding the amount of such expenditure.
Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If, subsequently, it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(18) Share capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

(19) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when and only when there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis, or realize the asset and settle the liability simultaneously.

(20) Comparatives

The Company has not performed any reclassifications on balance sheet and income statement positions for 2016.

2 Financial Risk Management

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks.
The activity of the Company and all risk related policies and procedures are in the process of full alignment with Eurobank Ergasias Group risk guidelines and are controlled and guided by the Risk unit of the Parent company. The adequacy of internal control systems is evaluated by Eurobank Ergasias Group's Internal Auditors. Risk functions are managed by the Company's Management.
The most important types of risk are credit risk, market risk, operational risk and liquidity risk. Market risk includes currency risk, interest rate and other price risk.

Strategy in using financial instruments

The Company supports its borrowers by offering various restructuring and renegotiation solutions, which improve their ability to repay the amounts owed. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.
The amount of provision for impaired loans is based on management's appraisals of these assets at the balance sheet date after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and collateral's sale.

2 Financial Risk Management (continued)

(1) Credit risk measurement

The Company assumes exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Company's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and the geographical and industry segments. Such risks are monitored regularly.

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and capital repayment obligations and reviewing these lending limits where appropriate. Credit operations are governed by a comprehensive set of policies and procedures to ensure that all aspects of credit risk are adequately covered.

(a) Loans and advances

The Company loan portfolio consists mostly of loans referred from Eurobank Bulgaria AD. The Company assesses the credit risk on the referred loans individually and on a portfolio basis before the referral takes place.
The Company has an agreement with Eurobank Bulgaria AD, under which Eurobank Bulgaria AD is obliged to service the loans and provide the necessary information to the Company to assess the risks related with the loan portfolio.
The credit risk of loans and advances to customers is managed through a comprehensive set of policies and procedures to ensure that all aspects of credit risk are adequately covered.
The credit quality of the wholesale loans is assessed on a case-by-case basis using the borrower's credit rating and based on a profound analysis of a set of qualitative and quantitative factors. The borrower's rating could be within a rating scale from 1 to 11. The Company categorized as neither past due nor impaired wholesale loans which borrower's credit rating is from 1 to 6 and with zero days past due as loans bearing satisfactory risk and these with rating 7 under watch list. The overdue loans, which borrower's ratings are from 1 to 6 are presented as past due but not impaired loans. The wholesale loans to customers with credit ratings from 8 to 11 are considered individually impaired loans (loans to borrowers with rating 8 and 9 are categorized as potentially problematic and those in10 and 11 as loss making).
Qualitative factors are those that deal with the borrower's management, industry, operating conditions, the market sector in which the borrower operates securities, loan servicing, etc. Quantitative factors are those that refer to a set of ratios (e.g. profitability, leverage, liquidity) emerging from the borrower's financial statements (balance sheet, income statement, notes to FS).
The classification of retail clients is based on the full delinquency analysis by group according to which loans with zero overdue days are presented in category satisfactory risk and the rest in category past due but not impaired or impaired. The grouping is based on the common characteristics of the respective products, the similar risks they bear and the type of collateral that secures them. In case that a borrower is client to more than one of the above mentioned groups, the classification of each single retail loan of one and the same retail client should be done independently from the other loans of the same customer.
The Company manages limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties and groups, and to industries.

2 Financial Risk Management (continued)

(1) Credit risk measurement (continued)

(a) Loans and advances (continued)

Risks are monitored on a revolving basis and are subject to an annual or more frequent review. The exposure to any one borrower is further restricted by sub limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored on a daily basis.
The credit equivalent amounts for off-balance sheet facilities are determined in accordance with Eurobank Ergasias Group and Group Market Risk regulations and guidelines.
Exposures to credit risk are managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing the lending limits where appropriate.

The management of the Company reviews the reports provided from Eurobank Bulgaria AD on regular basis and takes appropriate actions to mitigate credit risk.
Some other specific control and mitigation measures are outlined below:

Collateral

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities and
- Issued guarantees.

Long-term financing and lending to corporate entities are generally secured. In order to minimize the credit loss the Company will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

(2) Maximum exposure to credit risk before collateral held or other credit enhancements

The table below represents a worst case scenario of credit risk exposure to the Company as at 31 December 2016, without taking account of any collateral held or other credit enhancements attached. These are on-balance-sheet assets and the exposures set out below are based on net carrying amounts as reported in the balance sheet.
As shown below, 99.70 % of the total maximum exposure is derived from loans and advances to customers (2015: 96.23%).

2 Financial Risk Management (continued)

(2) Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

Maximum exposure	**2016**	**2015**
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to customers:	**128,500**	**192,146**
Mortgages	*79,465*	*121,478*
Small Business lending	-	*157*
Corporate customers	*49,035*	*70,511*
Derivative financial instruments	200	-
Other assets	4	4
Cash with banks	183	7,522
At 31 December	128,887	199,672

(3) Loans and advances to customers

Loans and advances are summarized as follows:

	Loans and advances to customers
Balance at 31 December 2016	
Neither past due nor impaired	43,800
Past due but not impaired	11,173
Impaired	169,186
Gross	**224,159**
Less: allowance for impairment	(95,659)
Net	**128,500**
Included in gross loans and advances are:	
Past due more than 90 days	155,121

	Loans and advances to customers
Balance at 31 December 2015	
Neither past due nor impaired	60,811
Past due but not impaired	29,804
Impaired	224,199
Gross	**314,814**
Less: allowance for impairment	(122,668)
Net	**192,146**
Included in gross loans and advances are:	
Past due more than 90 days	217,826

The total impairment provision for loans and advances is BGN 95,659 thousands (2015: BGN 122,668 thousands). Further information of the impairment allowance for loans and advances to customers is provided in Note 11.

2 Financial Risk Management (continued)

(3) Loans and advances to customers (continued)

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at 31 December 2016 can be assessed by reference to the internal standard grading system. The following information is based on that system:

Satisfactory risk	As at 31 December 2016	As at 31 December 2015
Mortgages	43,800	60,811
Corporate Lending	-	-
Total Satisfactory risk	**43,800**	**60,811**

(b) Loan and advances past due but not impaired

	Retail customers	
Balance at 31 December 2016	**Mortgage Lending**	**Total**
Past due up to 29 days	6,203	**6,203**
Past due 30 - 59 days	3,329	**3,329**
Past due 60 - 89 days	1,641	**1,641**
Past due 90 - 179 days	-	-
Total	**11,173**	**11,173**

	Retail customers	
Balance at 31 December 2015	**Mortgage Lending**	**Total**
Past due up to 29 days	10,099	**10,099**
Past due 30 - 59 days	8,464	**8,464**
Past due 60 - 89 days	4,404	**4,404**
Past due 90 - 179 days	6,837	**6,837**
Total	**29,804**	**29,804**

2 Financial Risk Management (continued)

(3) Loans and advances to customers (continued)

(c) Loans and advances individually impaired

For individually assessed accounts, loans are treated as impaired as soon as there is objective evidence that an impairment loss has been incurred. The criteria used by the Company to determine that there is objective evidence of impairment include:

- known cash flow difficulties experienced by the borrower
- overdue contractual payments of either principal or interest
- breach of loan covenants or conditions;
- the probability that the borrower will enter bankruptcy or other financial reorganization;
- a downgrading in credit rating by an external credit rating agency

Further information on impaired loans is provided below in "Impairment assessment".
The criteria used by the Company to determine that there is objective evidence of impairment are provided in point (1).

Loans and advances individually impaired

Balance at 31 December 2016	Mortgage Lending	SBB Lending	Corporate Lending	Total
Past due up to 29 days	695	-	8,886	9,581
Past due 30 - 89 days	20	-	-	20
Past due 90 - 179 days	-	-	-	-
Past due less than 1 year	-	-	-	-
Past due over 1 year	-	-	120,862	120,862
Individually impaired loans	**715**	**-**	**129,748**	**130,463**
31 December 2015				
Past due up to 29 days	-	-	5,710	5,710
Past due 30 - 89 days	-	-	4,663	4,663
Past due 90 - 179 days	-	-	-	-
Past due less than 1 year	-	-	-	-
Past due over 1 year	-	845	150,272	151,117
Individually impaired loans	**-**	**845**	**160,645**	**161,490**

Wholesale borrowers are rated on a case-by-case basis following the Internal Credit Rating System. The credit rating is based on a profound analysis of qualitative and quantitative factors. Qualitative factors are those that deal with the borrower's management, industry, operating conditions, the market sector in which the borrower operates, securities, loan servicing etc. Quantitative factors are those that refer to a set of ratios (main ratios: profitability, leverage, liquidity) emerging from the borrower's financial statements (balance sheet, income statement, notes to the financial statements etc.).

Small business lending loans over 90 days overdue are assessed on a case-by-case basis, following the provisioning policy.
The impairment provisions reflect the probability that management will not be able to enforce its rights and repossess collateral on defaulted loans. Despite difficulties in enforcing repossession of collateral, the Company's management will vigorously pursue the outstanding debts with all possible means at their disposal.

2 Financial Risk Management (continued)

(3) Loans and advances to customers (continued)

(d) Impaired loans and advances collectively assessed

For collectively assessed accounts, loans are treated as impaired based on historical loss data for groups of loans with similar characteristics.

31 December 2016	Mortgage Lending	SBB Lending	Total
Past due up to 29 days	2,114	-	**2,114**
Past due 30 - 89 days	2,350	-	**2,350**
Past due 90 - 179 days	4,728	-	**4,728**
Past due less than 1 year	3,114	-	**3,114**
Past due over 1 year	26,417	-	**26,417**
Collectively assessed for impairment	**38,723**	-	**38,723**

31 December 2015	Mortgage Lending	SBB Lending	Total
Past due up to 29 days	1,945	-	**1,945**
Past due 30 - 89 days	892	-	**892**
Past due 90 - 179 days	1,067	-	**1,067**
Past due less than 1 year	11,734	-	**11,734**
Past due over 1 year	46,872	199	**47,071**
Collectively assessed for impairment	**62,510**	**199**	**62,709**

Information about collateral at 31 December 2016 is as follows:

	Corporate loans	SBB loans	Mortgage loans	Total
Unsecured loans	2,559	-	8,427	**10,986**
Loans collateralised by:				
- residential real estate	9,766	-	70,627	**80,393**
- other real estate	35,874	-	410	**36,284**
- other assets	837	-	-	**837**
Total loans and advances to customers	**49,036**	-	**79,464**	**128,500**

2 Financial Risk Management (continued)

(3) Loans and advances to customers (continued)

(d) Impaired loans and advances collectively assessed (continued)

Information about collateral at 31 December 2015 is as follows:

	Corporate loans	SBB loans	Mortgage loans	Total
Unsecured loans	6,160	30	25,239	**31,429**
Loans collateralised by:				
- residential real estate	13,315	40	95,011	**108,366**
- other real estate	47,971	87	1,228	**49,286**
- other assets	3,065	-	-	**3,065**
Total loans and advances to customers	**70,511**	**157**	**121,478**	**192,146**

The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

(4) Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 December 2015. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties.

	Bulgaria	Other countries	Total
Loans and advances to customers:	**125,608**	**2,892**	**128,500**
- Mortgages	79,465	-	79,465
- Small business lending	-	-	-
- Corporate lending	46,143	2,892	49,035
Derivarive financial instruments	200	-	**200**
Cash and cash equivalents	183		**183**
Other assets	4	-	4
31 December 2016	125,995	2,892	128,887
31 December 2015	196,504	3,168	199,672

The borrowers in the Company's loan portfolio are mainly Bulgarian individuals and entities. BRS provided services to Eurobank Bulgaria AD. Balances with related parties are presented in Note 19.

2 Financial Risk Management (continued)

(4) Concentration of risks of financial assets with credit risk exposure (continued)

(b) Industry sectors

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorized by the industry sectors of our counterparties.

	Commerce and services	Private individuals	Manu-facturing	Con-struction	Financial institutions	Other	Total
Loans and advances to customers:	**14,733**	**79,465**	**3,486**	**23,971**		**6,845**	**128,500**
- Mortgages	-	79,465	-	-	-	-	**79,465**
-Small business lending	-	-	-	-	-	-	**-**
-Corporate lending	14,733	-	3,486	23,971		6,845	**49,035**
Derivative financial instruments	-	-	-	-	200		**200**
Cash and cash equivalents					183		**183**
Other assets	-	-	-	-	-	4	**4**
31 December 2016	**14,733**	**79,465**	**3,486**	**23,971**	**383**	**6,849**	**128,887**
31 December 2015	**22,629**	**121,478**	**4,879**	**27,998**	**7,522**	**15,166**	**199,672**

(5) Market risk

The Company takes on exposures to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market variables. Market risks arise from open positions in interest rate and foreign currency products, which may be exposed to general or specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates. The main factors that generate market risk for the Company are the interest rate levels and foreign exchange rates.

Interest rate risk is the risk of potential loss from adverse changes in interest rate levels. It may include re-pricing risk, yield curve risk, basis risk, spread risk, volatility risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Management of the Company set limits on the level of mismatch of interest rate reprising that may be undertaken, which are monitored regularly.

Foreign exchange risk is the risk of potential loss from adverse changes in foreign currency exchange rates against the base currency. It may include outright risk, volatility risk and conversion risk. The Company mitigates the foreign currency risk by entering into foreign currency swap deals (Note 15) that cover the foreign currency mismatch of Company's assets and liabilities.

The Company estimates the market risk of positions held and the maximum losses expected, based upon a number of assumptions, and reviews various market risks on a monthly basis.

The Market Risk Policy is in compliance with the Parent company Risk Guidelines, which pertain to market risk.

2 Financial Risk Management (continued)

(6) Sensitivity of assets and liabilities

The Company is exposed to the fluctuations of the different types of market risk. The presented sensitivity analysis illustrates the potential impact on the income statement and equity from reasonably possible shifts in the market variables. Sensitivity to changes to two of the major market risk factors - FX and interest rates, has been calculated and presented in the table below. The calculation parameters used have been determined based on the current market environment and the dynamics observed in 2016. Figures for 2015 have been recalculated accordingly.
Interest rate risk sensitivity has been estimated by applying a parallel yield curve shift to all relevant on- and off-balance sheet positions and calculating the changes in their present value. The results have been allocated to two columns depending on the accounting treatment of each position: Income statement - for items with revaluation reflected in the P&L accounts; Non-trading book effect - for items carried at amortized cost.

2016

	Total Sensitivity	Sensitivity of income statement	Non-trading book sensitivity
Interest Rate			
+100 bps parallel yield curve shift for all CCYs	(60)	0	(60)
-100 bps parallel yield curve shift for all CCYs	60	(0)	60
Foreign exchange			
-10% depreciation of local CCY (BGN) against all foreign CCYs excl. EUR	(4)	(4)	-
+10% appreciation of local CCY (BGN) against all foreign CCYs excl. EUR	4	4	-

2015

	Total Sensitivity	Sensitivity of income statement	Non-trading book sensitivity
Interest Rate			
+100 bps parallel yield curve shift for all CCYs	(96)	0	(96)
-100 bps parallel yield curve shift for all CCYs	97	(0)	97
Foreign exchange			
-10% depreciation of local CCY (BGN) against all foreign CCYs excl. EUR	(23)	(23)	-
+10% appreciation of local CCY (BGN) against all foreign CCYs excl. EUR	23	23	-

For the estimation of the Interest Rate Sensitivity, the Company's assets and liabilities were distributed into time bands based on their maturity and re-pricing characteristics. For trading book positions, the fair value movements are reflected directly into P&L. For Foreign Exchange Sensitivity, the calculations are based on the open foreign currency positions of the Company as of the last day of the respective year.

2 Financial Risk Management (continued)

(7) Fair values of financial assets and liabilities

(a) Fair values of financial assets and liabilities not measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price). When a quoted price for an identical asset or liability is not observable, fair value is measured using valuation techniques that are appropriate in the circumstances, and maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect assumptions that market participants would use when pricing financial instruments, such as quoted prices in active markets for similar instruments, interest rates and yield curves, implied volatilities and credit spreads.
The following table presents the carrying amounts and fair values of financial assets and liabilities which are not carried at fair value on the balance sheet, analysed by the level in the fair value hierarchy into which each fair value measurement is included:

	At 31 December 2016				
	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Amount
Financial assets					
Loans and advances to customers	-	-	130,892	130,892	**128,500**

	At 31 December 2015				
	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Amount
Financial assets					
Loans and advances to customers	-	-	195,189	**195,189**	**192,146**

The assumptions and methodologies underlying the calculation of fair values of financial instruments not carried at fair value on the balance sheet date are in line with those used to calculate the fair values for financial instruments carried at fair value and are as follows:

** Loans and advances to customers*
For loans and advances to customers quoted market prices are not available as there are no active markets where these instruments are traded. The fair values are estimated by discounting future expected cash flows over the time period they are expected to be recovered, using appropriate risk-adjusted rates. Loans are grouped into homogenous assets with similar characteristics, as monitored by Management, such as product, borrower type and delinquency status, in order to improve the accuracy of the estimated valuation outputs. In estimating future cash flows, the Company makes assumptions on expected prepayments, product spreads and timing of collateral realization. The discount rates incorporate inputs for expected credit losses and interest rates, as appropriate.

** Bank borrowings*
For borrowed funds, cash and cash equivalents and loans and advances to banks, which are either short term or re-priced at frequent intervals, the carrying amounts represent reasonable approximations of fair values.

2 Financial Risk Management (continued)

(7) Fair values of financial assets and liabilities (continued)

(b) Financial instruments measured at fair value

Trading assets, derivatives and other transactions undertaken for trading purposes, as well as available-for-sale securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value by reference to quoted market prices when available. If quoted prices are not available, the fair values are estimated using valuation techniques.

These financial instruments carried at fair value are categorised into the three levels of the fair value hierarchy as at 31 December 2016 based on whether the inputs to the fair values are observable or unobservable, as follows:

Level 1 – Financial instruments measured based on quoted prices in active markets for identical financial instruments that an entity can access at the measurement date. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. These include actively quoted debt instruments, equity and derivative instruments traded on exchanges, as well as mutual funds and unit-linked products that have regularly and frequently published quotes.

Level 2 – Financial instruments measured using valuation techniques with the following inputs: i) quoted prices for similar financial instruments in active markets, ii) quoted prices for identical or similar financial instruments in markets that are not active, iii) inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers and iv) may also include other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments mainly include over-the-counter (OTC) derivatives and less-liquid debt instruments.

Level 3 – Financial instruments measured using valuation techniques with significant unobservable inputs. When developing unobservable inputs, best information available is used, including own data, while at the same time market participants' assumptions are reflected (e.g. assumptions about risk). Level 3 financial instruments include unquoted equity instruments.

The fair value hierarchy categorization of the Company's financial assets and liabilities carried at fair value is presented in the following table:

	31 December 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Derivative financial instruments	-	200	-	200
Total financial assets	**-**	**200**	**-**	**200**

	31 December 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at fair value:	-	-	-	-
Derivative financial instruments	-	275	-	275
Total financial liabilities	**-**	**275**	**-**	**275**

2 Financial Risk Management (continued)

(7) Fair values of financial assets and liabilities (continued)

(b) Financial instruments measured at fair value (continued)

Company's valuation processes

The Company uses widely recognized valuation models for determining the fair value of common financial instruments, such as interest and cross currency swaps, that use only observable market data and require little management estimation and judgment. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded and simple over-the-counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values.

Where valuation techniques are used to determine the fair values of financial instruments, they are validated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments, and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Fair values estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that market participants would take them into account in pricing the instrument. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counterparty, where appropriate.

The Company follows fair valuation processes and procedures, which are established at a Group level by Global Market Counterparty Risk Sector. Some of the specific valuation controls include: verification of observable pricing, re-performance of model valuations, a review and approval process for new models and/or changes to models, calibration and back-testing against observable market transactions, where available, analysis of significant valuation movements, etc. Where third parties' valuations are used for fair value measurement, these are reviewed in order to ensure compliance with the requirements of IFRS 13.

Valuation techniques

OTC derivative financial instruments are fair valued by discounting expected cash flows using market interest rates at the measurement date. Counterparty credit risk adjustments and own credit risk adjustments are applied to OTC derivatives, where appropriate.

(8) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Company designates appropriate liquidity policies which have to ensure that sufficient liquid assets are maintained to meet liabilities as they arise.

The maturities of assets and liabilities and the ability to replace at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Company and its exposure to changes in interest rates and exchange rates.

(a) Cash flows

The table below presents the cash flows receivable and payable by the Company under financial assets/liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash flows. All payments are estimated based on spot rate.

2 Financial Risk Management (continued)

(8) Liquidity risk (continued)

(a) Cash flows (continued)

As at 31 December 2016	**Gross nominal outflow/ inflow**	**Less than 1 month**	**1-3 months**	**3 -12 months**	**1-5 years**	**More than 5 years**
Non-derivative liabilities						
Bank borrowings outflow	165,904	2,428	3,563	159,913		
Bank borrowings inflow					-	-
Other liabilities	180	78	-	-	100	2
Derivative financial instruments						
Gross contractual inflow						
Gross contractual outflow						
Total liabilities (contractual maturity dates)	**166,084**	**2,506**	**3,563**	**159,913**	**100**	**2**
Non-derivative assets						
Loans and advances to customers	167,520	2,704	2,667	11,935	79,857	70,357
Other assets	4		1	1		2
Derivative financial instruments						
Gross contractual inflow	121,732	121,732				
Gross contractual outflow	121,572	121,572				
Total assets (contractual maturity dates)	**167,684**	**2,864**	**2,668**	**11,936**	**79,857**	**70,359**

As at 31 December 2015	**Gross nominal outflow/ inflow**	**Less than 1 month**	**1-3 months**	**3 -12 months**	**1-5 years**	**More than 5 years**
Non-derivative liabilities						
Bank borrowings outflow	230,077	13,486	3,601	212,990	-	-
Bank borrowings inflow	-	-	-	-	-	-
Other liabilities	193	56	-	-	135	2
Derivative financial instruments						
Gross contractual inflow	166,832	166,832	-	-	-	-
Gross contractual outflow	167,190	167,190	-	-	-	-
Total liabilities (contractual maturity dates)	**230,628**	**13,900**	**3,601**	**212,990**	**135**	**2**
Non-derivative assets						
Loans and advances to customers	248,714	5,094	2,823	11,391	124,518	104,888
Other assets	4	2				2
Total assets (contractual maturity dates)	**247,718**	**5,096**	**2,823**	**11,391**	**124,518**	**104,890**

2 Financial Risk Management (continued)

(8) Liquidity risk (continued)

(a) Cash flows (continued)

The liquidity table above discloses the contractual undiscounted cash flows as at the end of 2016 and 2015. It should be noted that in May 2016, the short term bank borrowing was extended to 30 June 2017 as explained in Note 14.

The table below analyses the Company's assets grouped based on their maturities:

	As at 31 Decemb	
	2016	**2015**
Current Assets		
Cash and cash equivalents	183	7,522
Derivative financial instruments	200	-
Total current assets	**383**	**7,522**
Loans and advances to customers	**128,500**	**192,146**
Non-current Assets		
Equipment and other non-current assets	4	5
Income tax receivable	-	-
Other assets	4	4
Total non-current assets	8	9
Total assets	128,891	199,677

(9) Capital risk management

The Company's Management objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the stability of its business and to reduce the cost of capital.

Consistent with others in the business, the Company monitors capital on the net basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total long term debt less cash and cash equivalents. Total capital is calculated as "equity" as shown in the balance sheet plus net debt.

During 2016, the Company's strategy was to renegotiate the credit facility received from Eurobank Private Bank (Luxembourg) S.A. and extend the terms of the facility.

3 Critical accounting estimates, and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

3 Critical accounting estimates, and judgments (continued)

a) Impairment losses on loans and advances

The Company reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company made judgments as to whether there was any observable data indicating that there was a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease could be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows were reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Effective interest rates

The application of the effective interest rate method for loan receivables requires the use of estimates about the expected life and other patterns and characteristics of the loan portfolio. In building up these estimates the Company utilizes the experience of other entities in Eurobank Ergasias Group and makes adjustments, as appropriate, to reflect Bulgarian market conditions.

(c) Fair value of derivatives

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers.

4 Net interest and similar income

Interest and similar income	**2016**	**2015**
Loans and advances to customers	5,628	10,131
Due from other banks	-	1
	5,628	**10,132**
Interest and similar charges		
Banks and other financial institutions	3,773	5,904
Expense for derivative instruments	678	834
	4,451	**6,738**

5 Net fee and commission income

	2016	2015
Fees and commission income		
Loans fees related to earlier payment of loans	63	119
Fee and commission expense		
Fee for loan portfolio processing and bank commissions	239	278

Fees generated from related parties are disclosed in Note 19.
Fee and commission expense relates to loan portfolio processing based on contractual agreement with Eurobank Bulgaria AD for services concerning the transferred loans. For further details refer to Note 19.

6 Net trading (expense)/ income

	2016	2015
Foreign exchange translation gains less losses	(1)	(1,989)

7 Operating expenses

	2016	2015
Consulting and other professional services	318	257
Staff costs (Note 8)	146	149
Rents	18	18
Communication and courier expenses	4	5
Maintenance of equipment and buildings	3	3
Depreciation (Note 13)	2	1
Other operating costs	1	20
Provision for court claims (used)/charged during the year	(29)	144
	463	597

The contracted annual amount for audit fees for initialing of statutory financial statement 2016 is BGN 18 thousand (2015-BGN 28 thousand)

8 Staff costs

	2016	2015
Wages and salaries	119	123
Other staff costs	27	26
	146	149

The average number of employees of the Company during the year was 3 (2015: 4).

9 Current and deferred income tax

The tax on the Company's financial result before tax differs from the theoretical amount that would have arisen using the applicable tax rate of the Company as follows:

	2016	2015
Loss before income tax	**(6,556)**	**(10,050)**
Credit calculated at a tax rate of 10% (2015: 10%)	(656)	(1,005)
Expenses for which no deferred income tax assets were recognized	1,148	37
Effect of expenses not deductible for tax purposes	(492)	968
Income tax expense / (credit)	-	-

Deferred income taxes are calculated on temporary differences under the liability method using an effective tax rate of 10% (2015: 10%).
The tax loss for 2016 is BGN 1,626 thousands and the deferred tax asset not recognized was BGN 163 thousands. The deferred tax asset on impairment charge for 2016 not recognised is BGN 444 thousands (2015 : BGN 966 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.
The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect. The Company has had corporate tax audit for the period 2009-2013.
The company has the right to carry forward the tax loss accumulated until the depletion thereof during the next succeeding five years.

10 Cash and cash equivalents/Bank balances

	2016	2015
Cash equivalents	183	7,522
	183	**7,522**

11 Loans and advances to customers

	2016	2015
Retail customers:		
Mortgages	94,410	153,125
Small Business Banking	-	1,044
	94,410	**154,169**
Corporate customers:		
Large corporate customers	44,052	59,482
Small and Medium Enterprises	85,696	101,162
	129,748	**160,644**
Gross loans and advances	**224,159**	**314,814**
Less allowance for loan losses on loans and advances	(95,659)	(122,668)
	128,500	**192,146**

11 Loans and advances to customers (continued)

Included in the amount of loans and advances to customers is accrued interest of BGN 2,257 thousand (2015: BGN 3,722 thousand). In 2016 BRS sold loans to Eurobank Bulgaria AD amounting to BGN 20,828 thousand (2015: BGN 23,297 thousand). Both companies are related parties of Eurobank Group.

Reconciliation of allowance account for losses on loans and advances by class is as follows:

	Retail customers		Wholesale	
	Mortgages	Small Business Lending	Corporate Lending	Total
Balance at 1 January 2015	**46,056**	**798**	**88,999**	**135,853**
Charge for the year	5,245	-	5,946	**11,191**
Disposal of loan portfolio	(5,986)	-	-	**(5,986)**
Amounts written off	(20,144)	-	(4,812)	**(24,956)**
FX revaluation through PL	6,477	89	-	**6,566**
At 1 January 2016	**31,648**	**887**	**90,133**	**122,668**
Charge for the year	479	-	7,086	**7,565**
Disposal of loan portfolio	(15,162)	(865)	-	**(16,027)**
Amounts written off	(2,003)	-	(16,506)	**(18,509)**
FX revaluation through PL	(16)	(22)	-	**(38)**
At 31 December 2016	**14,946**	**-**	**80,713**	**95,659**

The impairment reported in the Statement of comprehensive income differs from the one reported in the present note with the annual expense for bad debt collection services amounting to BGN 97 thousand (2015: BGN 189 thousand), annual income from bad debt collection amounting to BGN 54 thousand (2015: BGN 591 thousand) and other income from loan repayments amounting to BGN 514 thousands (2015: 90 thousand BGN).

	2016	2015
The ten largest loans and advances to customers	63,590	67,558
Percentage of gross loans	28,37%	21,46%

12 Other assets

	2016	2015
Other debtors	3	3
Other receivables	1	1
	4	4

The fair value of the receivables from related parties and other receivables disclosed above approximate their carrying value as at 31 December 2016 and 31 December 2015.

13 Equipment and other non-current assets

	Computer equipment and software	Machinery and office equipment	Total
2015			
Opening net book value	2	2	4
Additions/(Disposals)	2	-	2
Depreciation charge	(1)	-	(1)
Closing net book value	**3**	**2**	**5**
As at 31 December 2015			
Cost	215	11	226
Accumulated depreciation	(212)	(9)	(221)
Net book value	**3**	**2**	**5**
2016			
Opening net book value	3	2	5
Additions	1	-	1
Depreciation charge	(1)	(1)	(2)
Closing net book value	**3**	**1**	**4**
As at 31 December 2016			
Cost	216	11	227
Accumulated depreciation	(213)	(10)	(223)
Net book value	**3**	**1**	**4**

14 Bank borrowings

	2016	2015
Short-term bank borrowings (Note 19.5)	165,406	229,347
	165,406	**229,347**

Included within bank borrowings is related accrued interest payable of BGN 17 thousand (2015: 26 thousand).

On 27 February 2006 the Company signed a contract with Eurobank Private Bank (Luxembourg) for working capital facility to be used solely for the purchase of receivables from Eurobank Bulgaria AD. The interest rate of the facility is 1-month Euribor plus 2,25% p.a. for 2016 (2015: 2,25% p.a.). In May 2016, the borrowing was extended to 29 June 2018.

15 Derivative financial instruments

The Company utilizes currency swaps, which are negotiated between the Company and Eurobank Bulgaria AD for non-hedging purposes.
Currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or a combination of currencies or interest rates (i.e., cross-currency interest rate swaps). The Company's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market.

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

Year ended 31 December 2016	Contract/notional amount	Assets	Liabilities
Foreign exchange derivatives			
OTC currency swaps	121,732	200	-
Total OTC currency derivatives	**121,732**	**200**	-
Total recognised derivative liabilities	**121,732**	**200**	-

Year ended 31 December 2015	Contract / notional amount	Assets	Liabilities
Foreign exchange derivatives			
OTC currency swaps	167,107	-	275
Total OTC currency derivatives	**167,107**	-	**275**
Total recognised derivative liabilities	**167,107**	-	**275**

16 Other liabilities

	2016	2015
Provisions for court claims	100	135
Related parties payables (Note 19.4)	53	33
Trade payables	25	23
Retirement benefits obligations	2	2
	180	**193**

The Company is subject to a number of legal proceedings arising in the normal course of business. The timing of the expected cash outflow of the court cases provided for could not be precisely estimated. Based on management's estimation it is expected that in two years' time the outflow may be realized.
The table below represents the movement in provisions for legal claims:

Legal provisions	**2016**	**2015**
Opening balance at 1st of January	**135**	-
Charged to the income statement	8	135
Used during year	(44)	-
FX Revaluation through PL	1	-
Closing balance	**100**	135

The fair value of trade and other payables disclosed above approximates their carrying value as at 31 December 2016 and 31 December 2015.

17 Share capital

The number of the issued shares as at year-end is 70,000 (2015: 70,000) with nominal value of BGN 10 per share (2015: BGN 10). All issued ordinary shares are fully paid giving one voting right each.

18 Contingent liabilities and commitments

Non-cancellable operating lease commitments

During 2016 and 2015 the Company does not have contingent liabilities and commitments or contractual non-cancelable operating lease commitments.

19 Related party transactions

The Company is a member of Eurobank Ergasias Group. The Company's immediate parent is Eurobank Household Lending Services S.A. which in turn is 100% owned by Eurobank Ergasias S.A (Greece).

In November 2015, following the completion of Eurobank Ergasias share capital increase, fully covered by investors, institutional and others the percentage of the Bank's ordinary shares with voting rights held by the HFSF decreased from 35.41% to 2.38%.
Despite the aforementioned significant decrease of its percentage, the HFSF is still considered to have significant influence over Eurobank Ergasias. In particular, 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,

19 Related party transactions (continued)

divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets (including the sale of subsidiaries), or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, Eurobank Ergasias 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, which regulates, among others, (a) the Bank's corporate governance, (b) the restructuring plan and its monitoring, (c) the monitoring of the implementation of the Bank's Non-Performing Loans (NPL) management framework and of the Bank's performance on NPL resolution, (d) the Material Obligations and the switch to full voting rights, (e) the monitoring of the Bank's actual risk profile against the approved Risk and Capital Strategy, (f) the HFSF's prior written consent for the Bank's Group Risk and Capital Strategy and for the Bank's Group Strategy, Policy and Governance regarding the management of its arrears and non-performing loans and any amendment, extension, revision or deviation thereof, and (g) the duties, rights and obligations of HFSF's Representative in the Bank's Board.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and foreign currency transactions. The volumes of related-party transactions, outstanding balances at the year end, and relating expense and income for the year are as follows:

(1) Loan portfolio purchased and acquired

During 2016 Bulgarian Retail Services AD sold loans to Eurobank Bulgaria AD in the amount of BGN 20,828 thousand (2015: BGN 23,297 thousand).
During 2016 and 2015 there are no transfers of loan receivables from Eurobank Bulgaria AD to the company.

(2) Received services fee expense

	2016	2015
Eurobank Bulgaria AD (expenses for loan portfolio processing)	222	229
Eurobank Bulgaria AD (valuation expenses)	38	30
	260	259

(3) Key management personnel salaries and short-term benefits

	2016	2015
	59	54

(4) Payables to related parties (Note 16):

	2016	2015
Eurobank Bulgaria AD	53	33
	53	33

(5) Borrowings from related parties (Note 14):

	2016	2015
Eurobank Private Bank (Luxembourg)	165,406	229,347

19 Related party transactions (continued)

(6) Interest expenses to related parties

	2016	2015
Eurobank Private Bank (Luxembourg)	3,773	5,853
Eurobank Bulgaria AD/ SWAP deals	678	834
Eurobank Bulgaria AD/ Overdraft	1	51

(7) Derivatives outstanding, contracted with Eurobank Bulgaria AD

	31 December 2016				
	Contract/ notional amount	Level 1	Level 2	Level 3	Total
OTC currency swaps	121,532	-	200	-	200
Total financial assets	**121,532**	-	**200**	-	**200**

	31 December 2015				
	Contract/ notional amount	Level 1	Level 2	Level 3	Total
OTC currency swaps	167,107	-	275	-	275
Total financial liabilities	**167,107**	-	**275**	-	**275**

(8) Company's bank accounts with Eurobank Bulgaria AD

The Company has operating bank accounts with Eurobank Bulgaria AD which balances as of 31 December 2016 by currencies are as follows:

As at 31 December	2016	2015
EUR	8	27
BGN	78	67
CHF	97	289
	183	383

19 Related party transactions (continued)

(9) Company's bank accounts with Eurobank Private Bank (Luxembourg)

The Company has operating bank accounts with Eurobank Private Bank (Luxembourg) which balances as of 31 December 2016 by currencies are as follows:

As at 31 December	**2016**	**2015**
EUR	-	7,139

20 Events after the balance sheet date

There are no significant post balance sheet events with effect on the financial statements as of 31 December 2016.