

**ERB PROPERTY SERVICES SOFIA AD  
INDEPENDENT AUDITOR'S REPORT  
ANNUAL ACTIVITY REPORT  
ANNUAL FINANCIAL STATEMENTS  
31 DECEMBER 2016**

**ERB PROPERTY SERVICES SOFIA AD**  
**CONTENTS**  
**31 DECEMBER 2016**

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## *Independent Auditor's Report*

### ***To the Shareholder of ERB Property Services Sofia AD***

#### *Our Opinion*

We have audited the financial statements of ERB Property Services Sofia 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.

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T: +359 2 9355200, F: +359 2 9355266, [www.pwc.com/bg](http://www.pwc.com/bg)*

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

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



### *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: 13.06.2017  
Sofia, Bulgaria

Stefan Weiblen  
PricewaterhouseCoopers Audit OOD



**ERB PROPERTY SERVICES SOFIA AD**  
**ANNUAL ACTIVITY REPORT**  
**31 DECEMBER 2016**

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The Directors present its annual activity report and the financial statements as at 31 December 2016 prepared in accordance with International Financial Reporting Standards (IFRS), adopted by the EU. These financial statements have been audited by PricewaterhouseCoopers Audit OOD.

## **BUSINESS DESCRIPTION**

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

## **BUSINESS OVERVIEW**

The main aspects for development for the current year include:

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

Operating and financial overview of the company activity in 2016:

- In 2016 the revenues (generated from evaluation and intermediary services) have increased compared to 2015 with BGN 101 thousand and have reached BGN 1,973 thousand. Nevertheless the operating profit has fallen due to increase in the fees (prices) charged by subcontractors-appraisers (shown in item 'External services') and increase in employee expenses. Financial income in 2016 has also decreased due to lower interest rates offered on deposits;
- The company has increased its long-term deposits with new deposit of BGN 250 thousand;
- There is a renewal of elapsed car lease contract with another five year period operating car lease contract.

## **RISK FACTORS**

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

- Foreign exchange risk: The Company operates in Bulgaria and since the Bulgarian Leva (BGN) has been pegged to the EUR at the fixed rate by the means of the currency board, the Company is exposed to foreign exchange risk to the extent of transactions denominated in currencies other than the EUR. The company does not have transactions denominated in other currencies except EUR and BGN.
- Cash flow interest rate risk: in 2016 the Company's interest rate risk arises from three short-term bank deposits held at Eurobank Bulgaria AD amounting to BGN 3,592 thousand. Deposits issued at variable rates expose the Company to cash flow interest rate risk. The management of the Company has performed a sensitivity analysis in order to assess its cash flow interest rate risk. The simulation is done on a monthly basis to verify that the maximum loss potential is within the limit given by the management.
- Credit risk: The Company has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. No credit limits were exceeded during the reporting period and management does not expect any losses from non- performance.
- Liquidity risk: Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available

## **RESEARCH AND DEVELOPMENT ACTIVITIES**

In 2016 and 2015 there are no performed research and development activities in the company

## **BRANCHES**

The company does not have branches

## **CAPITAL STRUCTURE**

The share capital of the Company amounts to BGN 150,000, split in 150,000 individual shares with nominal value of BGN 1 each. 80 % of the share capital is owned by Eurobank Ergasias S.A. and 20 % of the share capital is owned by EUROBANK PROPERTY SERVICES S.A., incorporated and existing under the laws of the Republic of Greece.



## **MANAGEMENT**

As at 31 of December, 2016 the Board of Directors consisted of the following members:

1. Mr. Theodoros Karakasis – Chairman of the BoD;
2. Mr. Dimitrios Andritsos – Executive Director and member of the Board;
3. Mr. Efthymios Kritsas – Executive Director and member of the Board;
4. Ms. Eikaterini Atsali – Member of the Board;
5. Mr. Iordan Marinov Souvandjiev – Member of the Board;
6. Mr. Panagiotis Mavridis – Member of the Board;
7. Mr. Michail Stamou – Member of the Board.

On March 15<sup>th</sup>, 2016 Ms. Vasiliki Dimou officially resigned of her position as an Executive Director and Member of the Board of Directors, whereas Mr. Efthymios Kritsas was appointed as Executive Director and Member of the Board of Directors.

Mr. Panagiotis Mavridis and Mr. Michail Stamou were officially appointed as members of the Board of Directors on October 20<sup>th</sup>, 2016.

**Information on the activity of the Board of Directors of the Company during 2016 pursuant to Art. 247, Para 2 of The Commercial Act of Bulgaria:**

**Remunerations received generally by the members of the Board of Directors during 2016:**

In 2016 the members of the Board of Directors didn't receive remunerations from the Company in their capacity of the members of the Board of Directors.

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

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

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

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

Partners with unlimited liability:

*None*

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

*None*

**MANAGEMENT (CONTINUED)**

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

**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;  
Eurobank Bulgaria AD – Deputy Chairman of the Supervisory Board;  
Bulgarian Retail Services 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.

**Mr. Dimitrios Andritsos**

Eurobank Property Services, Greece, - Vice Chairman and Chief Executive Officer;  
Eurobank Property Services S.A., Romania – Member of the Board of Directors;  
IMO Property Investments Bucuresti S.A, Romania – Member of the Board of Directors;  
ERB Property Services d.o.o. Beograd, Serbia – Member of the Supervisory Board;  
IMO Property Investments Sofia EAD, Bulgaria – Member of the Board of Directors;  
IMO II Property Investments S.A., Romania – Member of the Board of Directors;  
IMO Property Investments A.D. Beograd, Serbia – Member of the Supervisory Board;  
ERB Property Services Ukraine LLC, Ukraine – Deputy General Director (until 23.9.2016)  
Propindex S.A., Greece – Member of the Board of Directors (company outside Eurobank Group).

**Mr. Efthymios Kritsas**

Eurobank Property Services S.A., Romania – Member of the Board of Directors;  
ERB Property Services d.o.o. Beograd, Serbia – Member of the Supervisory Board

**Ms. Aikaterini Atsali**

ERB Property Services d.o.o. Beograd, Serbia – Member of the Supervisory Board;  
ERB Retail Services IFN S.A., Romania – Member of the Board of Directors;  
Eurobank Property Services S.A., Romania – Member of the Board of Directors;  
IMO Property Investments Bucuresti S.A, Romania – Member of the Board of Directors;  
IMO II Property Investments S.A., Romania – Member of the Board of Directors;  
Eurobank Finance S.A., Romania – Member of the Board of Directors;  
IMO Property Investments Sofia EAD , Bulgaria – Member of the Board of Directors;  
ERB Rom Consult S.A., Romania, - Member of the Board of Directors (until July 2016).

**MANAGEMENT (CONTINUED)**

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

**Iordan Souvandjiev**

Eurobank Bulgaria AD – Member of the Management Board;  
IMO Property Investments Sofia EAD, Bulgaria – Deputy Chairman of the Board of Directors and Executive Director;  
IMO Central Office EAD, Bulgaria – Deputy Chairman of the Board of Directors and Executive Director;  
IMO Rila EAD, Bulgaria – Deputy Chairman of the Board of Directors and Executive Director (until 28 September 2016);  
ERB Property Services Sofia AD, Bulgaria – Member of the Board of Directors;  
Vinimpeks 21 AD, Bulgaria – Chairman of the Board of Directors.

**Panagiotis Mavridis**

ERB Property Services Sofia AD, Bulgaria - Member of the Board of Directors;

**Michail Stamou**

ERB Property Services Sofia AD, Bulgaria - Member of the Board of Directors;  
IMO Property Investments Sofia EAD, Bulgaria - Member of the Board of Directors;  
IMO 03 EAD, Bulgaria - Member of the Board of Directors;  
IMO Rila EAD, Bulgaria - Member of the Board of Directors; (until 20.9.2016)  
IMO Central Office EAD, Bulgaria - Member of the Board of Directors;  
Eurobank Property Services S.A., Romania - Member of the Board of Directors;  
IMO Property Investments Bucuresti S.A, Romania - Member of the Board of Directors;  
IMO II Property Investments S.A., Romania - Member of the Board of Directors;

**Vasiliki Dimou**

Eurobank Property Services S.A.(Greece) – Director.

**Contracts under article 240b of The Commercial Act of Bulgaria, entered into in 2016:**

The Company has not entered into contracts in the sense of Article 240b, paragraph 1 of The Commercial Act of Bulgaria during 2016.

**ORGANIZATIONAL STRUCTURE**

The Company consists of three divisions: Administration, Appraisal Division and Agency Division. The total number of the personnel at 31 December 2016 is 17 (2015: 17).

## **OBJECTIVES OF THE COMPANY FOR 2017**

The objectives of the Company for the coming year cover:

- Improve the delivery speed of the assigned valuations of movable and immovable assets from the business units of Eurobank Bulgaria;
- Assistance to Eurobank Bulgaria for sale of TAG collaterals and for rents renegotiation of the bank branches to reduce their operational cost;
- Expanding the network of real estate agents in the country for facilitation of IMO Property Investment (a related party company from Eurobank Group) properties sale and renting. Provision of professional services related to acquired and managed by the IMO Property Investment properties for sales or renting;
- Expanding the network of appraisers in the country, with a focus on professional and moral-ethical qualities of the candidates;
- Provision of professional services in the real estate sector and expanded number of new external to the group clients including: valuation, agency, advisory services, market analysis and preparation of indexes.

## **EVENTS AFTER THE BALANCE SHEET DATE**

There are no significant post balance sheet events, as per definition of IAS 10 with effect on the financial statements.

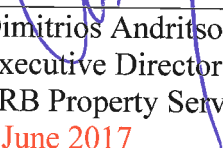
## **DIRECTOR'S RESPONSIBILITIES**

The Directors are required by Bulgarian law to prepare financial statements each financial year that give a true and fair view of the financial position of the company as at the year end and its financial results.. The management has prepared the enclosed financial statements in accordance with IFRS.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2016.

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

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

  
\_\_\_\_\_  
Dimitrios Andritsos  
Executive Director  
ERB Property Services Sofia AD  
1 June 2017  
Sofia, Bulgaria



**ERB PROPERTY SERVICES SOFIA AD**  
**BALANCE SHEET**  
**31 DECEMBER 2016**

*(All amounts are in BGN thousands)*

	Note	As at 31 December	
		2016	2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment	5	2	3
Intangible assets	6	29	48
Deferred tax asset	8	1	1
		<u>32</u>	<u>52</u>
<b>Current assets</b>			
Trade receivables	7,9	365	763
Other receivables	10	30	20
Cash and cash equivalents	7,11	91	61
Term deposits in bank	11	3,604	3,367
		<u>4,090</u>	<u>4,211</u>
<b>Total assets</b>		<u><b>4,122</b></u>	<u><b>4,263</b></u>
<b>EQUITY</b>			
Share capital	12	150	150
Other reserves	12	15	15
Retained earnings		3,781	3,762
<b>Total equity</b>		<u><b>3,946</b></u>	<u><b>3,927</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liability	8	3	4
		<u>3</u>	<u>4</u>
<b>Current liabilities</b>			
Trade payables	13	108	208
Other payables	14	65	124
		<u>173</u>	<u>332</u>
<b>Total liabilities</b>		<u><b>176</b></u>	<u><b>336</b></u>
<b>Total equity and liabilities</b>		<u><b>4,122</b></u>	<u><b>4,263</b></u>

The financial statements on page 7 to 41 have been approved on 1 June 2017 and signed as follows:

Executive Director  
Dimitrios Andritsos

Financial Manager  
Galina Todorova

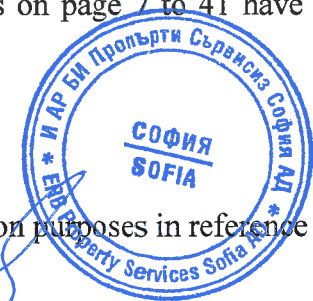
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Milka Damianova  
Registered auditor

Stefan Weiblen  
PricewaterhouseCoopers Audit OOD

Date: 13.06.2017  
Sofia, Bulgaria

Date: 13.06.2017

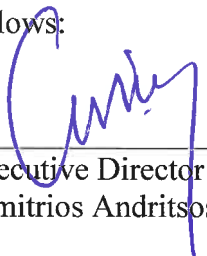


**ERB PROPERTY SERVICES SOFIA AD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**31 DECEMBER 2016**

*(All amounts are in BGN thousands)*

	Note	Year ended 31 December	
		2016	2015
Revenue	15	1,973	1,872
Consumables used	16	(12)	(8)
Expenses for external services	17	(1,326)	(1,231)
Employee benefits expense	18	(600)	(502)
Depreciation and amortisation	5,6	(22)	(22)
Other expenses	19	(3)	(1)
<b>Operating profit</b>		<b>10</b>	<b>108</b>
Financial income	20	12	24
<b>Profit before income tax</b>		<b>22</b>	<b>132</b>
Income tax expense	21	(3)	(12)
<b>Profit for the year</b>		<b>19</b>	<b>120</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>19</b>	<b>120</b>


The financial statements on page 7 to 41 have been approved on 1 June 2017 and signed as follows:


  
 Executive Director  
 Dimitrios Andritsos



  
 Financial Manager  
 Galina Todorova

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

  
 Milka Damianova  
 Registered auditor  
 Date: 13.06.2017  
 Sofia, Bulgaria

  
 Stefan Weiblen  
 PricewaterhouseCoopers Audit OOD  
 Date: 13.06.2017

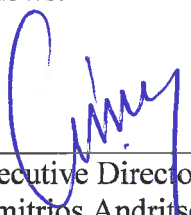


**ERB PROPERTY SERVICES SOFIA AD  
STATEMENT OF CHANGES IN EQUITY  
31 DECEMBER 2016**


*(All amounts are in BGN thousand)*

	Note	Share capital	Other reserves	Retained earnings	Total equity
<b>Balance as at 1 January 2015</b>		150	15	3,642	<b>3,807</b>
Profit for the year		-	-	120	120
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		-	-	120	<b>120</b>
<b>Balance as at 31 December 2015</b>	12	<b>150</b>	<b>15</b>	<b>3,762</b>	<b>3,927</b>
<b>Balance as at 1 January 2016</b>		<b>150</b>	<b>15</b>	<b>3,762</b>	<b>3,927</b>
Profit for the year		-	-	19	19
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		-	-	19	<b>19</b>
<b>Balance as at 31 December 2016</b>	12	<b>150</b>	<b>15</b>	<b>3,781</b>	<b>3,946</b>


The financial statements on page 7 to 41 have been approved on 1 June 2017 and signed as follows:

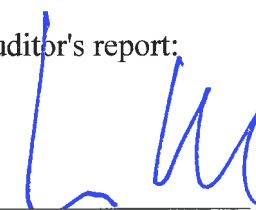
  
Executive Director  
Dimitrios Andritsos



  
Financial Manager  
Galina Todorova

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

  
Milka Damianova  
Registered auditor  
Date: 13.06.2017  
Sofia, Bulgaria

  
Stefan Weiblen  
PricewaterhouseCoopers Audit OOD  
Date: 13.06.2017

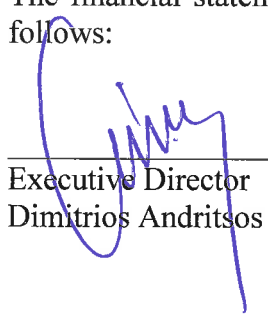


**ERB PROPERTY SERVICES SOFIA AD  
STATEMENT OF CASH FLOWS  
31 DECEMBER 2016**

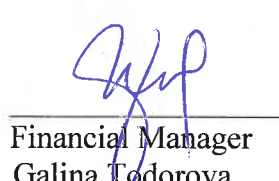
*(All amounts are in BGN thousands)*

	Note	Year ended 31 December	
		2016	2015
<b>Cash flow from operating activities</b>			
Cash receipts from customers		2,770	1,852
Cash payments to employees and suppliers		(2,499)	(1,909)
Income tax payments		(15)	-
<b>Net cash flows from/(used in) operating activities</b>		<b>256</b>	<b>(57)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	5,6	(3)	(6)
Interest received from time deposits		27	-
Funds deposited at bank		(250)	-
<b>Net cash used in investing activities</b>		<b>(226)</b>	<b>(6)</b>
<b>Net increase/(decrease) in cash</b>		<b>30</b>	<b>(63)</b>
<b>Cash at beginning of the year</b>		<b>61</b>	<b>124</b>
<b>Cash at end of the year</b>	11	<b>91</b>	<b>61</b>


The financial statements on page 7 to 41 have been approved on 1 June 2017 and signed as follows:

  
Executive Director  
Dimitrios Andritsos



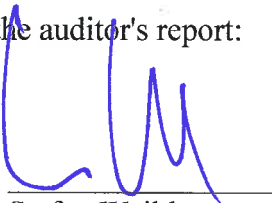
  
Financial Manager  
Galina Todorova

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

  
Milka Damianova  
Registered auditor

Date: 13.06.2017

Sofia, Bulgaria

  
Stefan Weiblen

PricewaterhouseCoopers Audit OOD

Date: 13.06.2017





## **1. General information**

ERB PROPERTY SERVICES SOFIA AD is a joint stock company and is registered under c.c. 9762/2005 in the trade register of the Sofia City Court. The company is domiciled in the Republic of Bulgaria. The address of its registered office is 260, Okolovrasten pat Str., Sofia 1766.

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

ERB PROPERTY SERVICES SOFIA AD is owned by Eurobank Ergasias S.A. with 80% of the share capital and by Eurobank Property Services S.A. with 20 % of the share capital. The Company's ultimate parent is Fairfax Financial Holdings Limited.

## **2. Summary of significant accounting policies**

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

### **2.1 Basis of preparation**

The financial statements of 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).

#### **Going concern considerations**

The annual financial statements have been prepared on a going concern basis, as the Board of the Directors considered as appropriate, taking into consideration the following:

#### **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.

## **2. Summary of significant accounting policies (continued)**

### **2.1 Basis of preparation (continued)**

#### **Position of Eurobank Group, Greece (continued)**

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 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.

#### **Amendments to standards and new interpretations adopted by the Bank**

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:

#### **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.

**2. Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

**IAS 1, Amendment - Disclosure initiative (continued)**

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 Bank'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 Bank'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 Bank'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 Bank's financial statements.

## **2. Summary of significant accounting policies (continued)**

### **2.1 Basis of preparation (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 Bank’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 Bank’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;

## **2. Summary of significant accounting policies (continued)**

### **2.1 Basis of preparation (continued)**

#### **Annual Improvements to IFRSs 2010-2012 Cycle (continued)**

- 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 Bank's financial statements.

#### **Annual Improvements to IFRSs 2012-2014 Cycle**

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

- IFRS 5 'Non-current assets held for sale and discontinued operations': It is clarified that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. Therefore the asset (or disposal group) does not need to be reinstated in the financial statements, as if it had never been classified as 'held for sale' or 'held for distribution', simply because the manner of disposal has changed.
- IFRS 7 'Financial instruments: Specific guidance is added to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. It is also clarified that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34 'Interim financial reporting'.
- IAS 19 'Employee benefits': When determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.
- IAS 34 'Interim financial reporting': It is clarified that the reference in the standard to 'information disclosed elsewhere in the interim financial report' means some other statement (such as management commentary or risk report) that is available to users of the financial statements at the same time as the interim financial statements, requiring a cross - reference from the interim financial statements to the location of that information.

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

#### **New standards, amendments to standards and interpretations not yet adopted by the Bank**

A number of new standards, amendments to existing standards and interpretations are effective after 2016, as they have not yet been endorsed by the European Union or have not been early applied by the Group. Those that may be relevant to the Group are set out below:

## **2. Summary of significant accounting policies (continued)**

### **2.1 Basis of preparation (continued)**

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

The amendment requires disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The disclosure requirements also apply to changes in financial assets, such as assets that hedge liabilities arising from financing activities, if cash flows from those financial assets were or future cash flows will be, included in cash flows from financing activities.

The adoption of the amendment is not expected to impact the Bank'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 Bank'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 Bank'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 granted and any difference is recognized in profit or loss immediately.

## 2. Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### **IFRS 2, Amendment – Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018, not yet endorsed by EU) (continued)**

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 Bank's financial statements.

#### **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 Bank'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').

**2. Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

**IFRS 9, Financial Instruments (effective 1 January 2018) (continued)**

*Classification and measurement (continued)*

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.

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 Bank manages the assets in order to generate cash flows. That is, whether the Bank'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 Bank'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 Bank 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 Group'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 Bank 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.



## **2. Summary of significant accounting policies (continued)**

### **2.1 Basis of preparation (continued)**

#### **IFRS 9, Financial Instruments (effective 1 January 2018) (continued)**

##### ***Classification and measurement (continued)***

##### ***SPPI assessment (continued)***

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.

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 Bank 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 Bank's balance sheet on the date of transition on 1 January 2018. The Bank intends to apply the exemption not to restate comparative figures for prior periods, therefore the Bank's 2017 comparatives will be presented on an IAS 39 basis.

## **2. Summary of significant accounting policies (continued)**

### **2.1 Basis of preparation (continued)**

#### **IFRS 9, Financial Instruments (effective 1 January 2018) (continued)**

##### *Transition (continued)*

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; and
- the designation of certain investments in equity instruments not held-for-trading as at FVOCI.

#### **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:

- 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 Bank, is currently assessing the effect of IFRS 15, however the adoption of the standard is not expected to have a significant impact on the Bank's financial statements.

## **2. Summary of significant accounting policies (continued)**

### **2.1 Basis of preparation (continued)**

#### **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 Bank is currently assessing the impact of IFRS 16 on its financial statements.

#### **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 Bank'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.

## **2. Summary of significant accounting policies (continued)**

### **2.1 Basis of preparation (continued)**

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

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 Bank's financial statements.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and of financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these

estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The Group's presentation currency is the Euro (€) being the functional currency of the parent company. Except as indicated, financial information presented in Euro has been rounded to the nearest million.

### **2.2 Comparatives**

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

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

### **2.3 Functional currency and recognition of exchange differences**

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

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

**2. Summary of significant accounting policies (continued)**

**2.3 Functional currency and recognition of exchange differences (continued)**

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

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

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

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
1 USD	1.85545	1.79007
1 EUR	1.95583	1.95583

**2.4 Revenue**

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

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

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

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

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

**2.5 Expenses**

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

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

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

## **2. Summary of significant accounting policies (continued)**

### **2.6 Property and equipment**

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

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

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

	<b>Years</b>
Machinery and equipment	4,17
Office furniture	6,7

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

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

### **2.7 Intangible assets**

#### **a) Trademarks and licenses**

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. This intangible asset has a specific useful time and it depreciates linearly.

#### **b) Software licenses**

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

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

## **2. Summary of significant accounting policies (continued)**

### **2.8 Trade and other current assets**

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

### **2.9 Cash and cash equivalents**

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

### **2.10 Payables to suppliers and other current liabilities**

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

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

### **2.11 Leases**

#### ***Operating lease***

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

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

## 2. Summary of significant accounting policies (continued)

### 2.12 Provisions

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

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

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

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

#### *Social, pension and health funds*

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

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

### 2.14 Share capital and reserves

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

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

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

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



**2. Summary of significant accounting policies (continued)**

**2.15 Financial instruments**

**2.15.1 Financial assets**

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

*a) Loans and receivables*

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

*b) Available-for sale financial assets*

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

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

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

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

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

## **2. Summary of significant accounting policies (continued)**

### **2.15 Financial instruments (continued)**

#### **2.15.2 Financial liabilities**

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

### **2.16 Income taxes**

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 recognised as an expense in the period in which profits arise.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The principal temporary differences arise from depreciation of equipment. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

The deferred tax asset on income tax losses carried forward is recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

## **3. Financial risk management**

### **3.1 Financial risk factors**

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

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**3. Financial risk management (continued)**

**3.1 Financial risk factors (continued)**

*(a) Foreign exchange risk*

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

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

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

<b>As at 31 December 2016</b>	<b>BGN</b>	<b>EUR</b>	<b>Total</b>
<b>Assets as per balance sheet</b>			
Related party trade receivables (Note 24.1)	356	-	356
Other trade receivables	9	-	9
Related party other receivables	17	-	17
Other receivables	13	-	13
Cash and deposits with banks	3,089	606	3,695
	<b>3,484</b>	<b>606</b>	<b>4,090</b>
<b>Liabilities as per balance sheet</b>			
Trade payables	108	-	108
	<b>108</b>	<b>-</b>	<b>108</b>
<b>As at 31 December 2015</b>			
	<b>BGN</b>	<b>EUR</b>	<b>Total</b>
<b>Assets as per balance sheet</b>			
Related party trade receivables (Note 24.1)	753	-	753
Other trade receivables	10	-	10
Other receivables	20	-	20
Cash and deposits with banks	2,823	605	3,428
	<b>3,606</b>	<b>605</b>	<b>4,211</b>
<b>Liabilities as per balance sheet</b>			
Trade payables	208	-	208
	<b>208</b>	<b>-</b>	<b>208</b>

**ERB PROPERTY SERVICES SOFIA AD**  
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*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

**3 Financial risk management (continued)**

**3.1 Financial risk factors (continued)**

*(b) Cash flow interest rate risk*

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

In 2016 the Company's interest rate risk arises from three short-term bank deposits held at Eurobank Bulgaria AD amounting to BGN 3,592 thousand with renegotiated maturity of 1 year. In 2015 the Company has two short-term bank deposits at Eurobank Bulgaria AD amounting to BGN 3,342 thousand with renegotiated maturity of 1 year.

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

*(c) Credit risk*

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

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

The table below shows balances of cash and cash equivalents as at 31 December 2016 and 2015 by banks, as follows:

<b>Contractor</b>	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>Credit rating</b>	<b>Balance</b>	<b>Credit rating</b>	<b>Balance</b>
Eurobank Bulgaria AD	BB+ (BCRA)	3,695	BB+ (BCRA)	3,428
		<u><b>3,695</b></u>		<u><b>3,428</b></u>

*d) Liquidity risk*

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

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

**ERB PROPERTY SERVICES SOFIA AD**  
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**3 Financial risk management (continued)**

**3.1 Financial risk factors (continued)**

*d) Liquidity risk (continued)*

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

<b>As at 31 December 2016</b>	<b>Less than 1 year</b>
Trade payables	108
	<u>108</u>
<b>As at 31 December 2015</b>	<b>Less than 1 year</b>
Trade payables	208
	<u>208</u>

*(e) Capital risk*

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

The table below summarizes the Company's capital structure:

	<b>31 December</b>	
	<b>2016</b>	<b>2015</b>
Payables to suppliers and clients (def tax liab excl)	173	332
Cash and bank deposits	(3,695)	(3,428)
Net debt/(cash)	<b>(3,522)</b>	<b>(3,096)</b>
Shareholders equity	3,946	3,927
Total capital	<u>424</u>	<u>831</u>

**3.2 Fair value estimation**

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

**ERB PROPERTY SERVICES SOFIA AD**  
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**4. Critical accounting estimates and judgments**

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates at 31.12.2016 that are critical to the carrying value of assets and liabilities.

**5. Equipment and other tangible non-current assets**

	<b>Machines &amp; equipment</b>	<b>Furniture &amp; fittings</b>	<b>Total</b>
<b>As at 1 January 2015</b>			
Cost	19	37	56
Accumulated depreciation	(16)	(36)	(52)
<b>Net book amount</b>	<b>3</b>	<b>1</b>	<b>4</b>
Opening net book amount	3	1	4
Additions	-	-	-
Depreciation charge	(1)	-	(1)
<b>Closing net book amount</b>	<b>2</b>	<b>1</b>	<b>3</b>
<b>As at 31 December 2015</b>			
Cost	19	37	56
Accumulated depreciation	(17)	(36)	(53)
<b>Net book amount</b>	<b>2</b>	<b>1</b>	<b>3</b>
<b>As at 1 January 2016</b>			
Opening net book amount	2	1	3
Additions	-	-	-
Depreciation charge	(1)	-	(1)
<b>Closing net book amount</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>As at 31 December 2016</b>			
Cost	19	37	56
Accumulated depreciation	(18)	(36)	(54)
<b>Net book amount</b>	<b>1</b>	<b>1</b>	<b>2</b>

**ERB PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

**6. Intangible assets**

	<b>Software</b>	<b>Total</b>
<b>As at 1 January 2015</b>		
Cost	161	161
Accumulated amortization	(98)	(98)
<b>Net book amount</b>	<b>63</b>	<b>63</b>
Opening net book amount	63	63
Additions	6	6
Amortization charge	(21)	(21)
<b>Closing net book amount</b>	<b>48</b>	<b>48</b>
<b>As at 31 December 2015</b>		
Cost	167	167
Accumulated amortization	(119)	(119)
<b>Net book amount</b>	<b>48</b>	<b>48</b>
<b>As at 1 January 2016</b>		
Opening net book amount	48	48
Additions	2	2
Amortization charge	(21)	(21)
<b>Closing net book amount</b>	<b>29</b>	<b>29</b>
<b>As at 31 December 2016</b>		
Cost	169	169
Accumulated amortization	(140)	(140)
<b>Net book amount</b>	<b>29</b>	<b>29</b>

**7. Financial instruments by category**

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
<b>Financial assets at amortised cost</b>		
Receivables from related parties (Note 24.1 iii and 9)	356	739
Receivables from third parties	9	24
Other receivables related parties (Note 24.1 iii and 10)	17	-
Other receivables	13	20
Cash and deposits with banks (Note 11)	3,695	3,428
	<b>4,090</b>	<b>4,211</b>
<b>Financial liabilities at amortised cost</b>		
	<b>2016</b>	<b>2015</b>
Trade payables (Note 13)	108	208
	<b>108</b>	<b>208</b>

**ERB PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**8. Deferred income tax**

Deferred income tax assets and liabilities are accounted for all temporary differences arising from differences between the accounting and tax carrying values of the assets and the liabilities. Deferred income taxes are calculated at the tax rate that would be effective at the time they are realised. The tax applicable for 2016 is 10% (2015: 10%).

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

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
<b>Deferred income tax assets:</b>		
– Deferred income tax assets to be recovered after more than 12 months	(1)	(1)
	<u>(1)</u>	<u>(1)</u>

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
<b>Deferred income tax liabilities:</b>		
– Deferred income tax liabilities to be recovered after more than 12 months	3	4
	<u>3</u>	<u>4</u>

The movement in deferred income tax assets and liabilities during the year is as follows:

<b>Deferred tax assets</b>	<b>Retirement benefits provision</b>	<b>Total</b>
As at 1 January 2015	(1)	(1)
Charged to the income statement	-	
As at 31 December 2015	<u>(1)</u>	<u>(1)</u>
Charged to the income statement	-	
As at 31 December 2016	<u>(1)</u>	<u>(1)</u>

<b>Deferred tax liabilities</b>	<b>Equipment</b>	<b>Total</b>
As at 1 January 2015	5	5
Credited to the income statement	(1)	(1)
As at 31 December 2015	<u>4</u>	<u>4</u>
Credited to the income statement	(1)	(1)
As at 31 December 2016	<u>3</u>	<u>3</u>



**ERB PROPERTY SERVICES SOFIA AD**  
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**9. Trade receivables**

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Receivables from related parties (Notes 24.1.iii and 7)	356	753
Receivables from third parties	9	10
<b>Total trade receivables</b>	<b>365</b>	<b>763</b>

The carrying amount of receivables approximates their fair value.

The maturity of receivables is as follows:

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Up to 1 month	365	763

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

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Currency		
BGN	365	763
	<b>365</b>	<b>763</b>

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

**10. Other receivables**

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Premises deposit – related party	17	17
Tax to be reimbursed	12	1
Prepaid expenses	1	1
Other	-	1
	<b>30</b>	<b>20</b>

The carrying amount of receivables approximates their fair value

The aging of receivables is as follows:

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Up to 12 months	30	20
	<b>30</b>	<b>20</b>

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<b>11. Cash and cash equivalents and deposits in banks</b>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Current bank account at Eurobank Bulgaria AD (Note 24.1.iv)	91	61
Bank deposit at Eurobank Bulgaria AD (Note 24.1.iv)	3,592	3,342
Accrued interest	12	25
	<b>3,695</b>	<b>3,428</b>

The Company's bank deposits held at Eurobank Bulgaria AD bear interest of 0.35% per annum. The Bank rating as at 31 December 2016 is BB+.

For the purposes of the cash flow statement the cash and cash equivalents include cash in hand and cash in bank (current account and bank term deposits).

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

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

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Currency		
BGN	3,089	2,823
EUR	606	605
	<b>3,695</b>	<b>3,428</b>

**12. Share capital**

	<b>Number of shares</b>	<b>Ordinary Share/Par value BGN</b>
<b>At 31 December 2015</b>	<b>150,000</b>	<b>1</b>
<b>At 31 December 2016</b>	<b>150,000</b>	<b>1</b>

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

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

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

**ERB PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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<b>13. Trade payables</b>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Liabilities to suppliers	108	208
	<b>108</b>	<b>208</b>
<b>14. Other payables</b>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
VAT payable	56	112
Retirement indemnity provision	8	9
Other state taxes	1	1
Accrual for unused paid leave	-	2
	<b>65</b>	<b>124</b>
<b>15. Revenue</b>	<b>2016</b>	<b>2015</b>
Sales of:		
Evaluation and intermediary services to related parties (Note 24.1.i)	1,961	1,861
Evaluation and intermediary services to clients	12	11
	<b>1,973</b>	<b>1,872</b>
<b>16. Consumables used</b>	<b>2016</b>	<b>2015</b>
Expenses for:		
- fuel	(10)	(6)
- stationery	(2)	(2)
	<b>(12)</b>	<b>(8)</b>
<b>17. Expenses for external services</b>	<b>2016</b>	<b>2015</b>
Expenses for:		
- subcontractors	(939)	(793)
- agency services	(189)	(224)
- rent	(117)	(112)
- technical commissions	(3)	-
- maintenance	(51)	(71)
- advertising and promotions	(2)	(3)
- audit	(8)	(7)
- phones	(2)	(5)
- utilities	(2)	(2)
- couriers	(5)	(6)
- cars maintenance	(5)	(5)
- other	(3)	(3)
	<b>(1,326)</b>	<b>(1,231)</b>

**ERB PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

<b>18. Employee benefits expense</b>	<b>2016</b>	<b>2015</b>
Salaries	(526)	(438)
Social securities and health insurance contribution	(70)	(59)
Life insurance	(1)	(1)
Other employee benefits	(3)	(4)
	<u>(600)</u>	<u>(502)</u>
<b>19. Other expense</b>	<b>2016</b>	<b>2015</b>
One-off taxes	(2)	(1)
Business trip expenses	(1)	
	<u>(3)</u>	<u>(1)</u>
<b>20. Financial income</b>	<b>2016</b>	<b>2015</b>
Interest income - bank accounts (Note 24.1.v)	13	25
Bank charges (Note 24.1.vi)	(1)	(1)
	<u>12</u>	<u>24</u>
<b>21. Income tax expense</b>	<b>2016</b>	<b>2015</b>
Current income tax	4	13
Deferred income tax (Note 8)	(1)	(1)
<b>Income tax charge</b>	<u>3</u>	<u>12</u>

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

	<b>2016</b>	<b>2015</b>
Profit before income tax	<u>22</u>	<u>132</u>
Tax calculated at a tax rate applicable to profits 10% (2015: 10 %)	2	13
Tax effect of not tax deductible expenses (losses brought forward)	1	(1)
<b>Tax charge</b>	<u>3</u>	<u>12</u>

**22. Contingent liabilities**

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

During 2016 the company has not been subject to any tax audits.

**ERB PROPERTY SERVICES SOFIA AD**  
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**22. Contingent liabilities (continued)**

Tax authorities may challenge the way of calculating tax losses carried forward as well as assess additional taxes, including value added tax (VAT), penalties and interest, which can be significant. The tax authorities could check the financial reports and records for the five successive tax years of the current tax period and impose additional penalties. Management of the Company is not aware of any circumstances that could lead to substantial obligations in this area.

**23. Commitments**

ERB PROPERTY SERVICES SOFIA AD has commitments according to agreement for rent of an office and two operating lease agreement for cars. The future aggregate minimum lease payments under non-cancellable leases are as follows:

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Between one and five years	58	13

**24 Related-party transactions**

ERB PROPERTY SERVICES SOFIA AD is owned by Eurobank Ergasias S.A. Greece with 80% of the share capital and it is the Company parent.

Eurobank Bulgaria AD is a subsidiary of Eurobank Ergasias S.A., which is listed on the Athens Stock Exchange.

**Related party transactions - Eurobank Ergasias S.A. shareholding structure**

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, 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.

**ERB PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2016**

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**24. Related-party transactions (continued)**

**24.1 Transactions and balances with other related parties**

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
<b>i) Rendering of services</b>		
Eurobank Bulgaria AD	1,337	1,229
Eurobank Ergasias S.A.	-	7
IMO Property Investments EAD	601	591
ERB Leasing EAD	15	24
IMO Rila EAD	-	2
IMO Central office EAD	2	6
IMO 03 EOOD	6	2
	<b>1,961</b>	<b>1,861</b>
<b>ii) Supplies of services</b>		
	<b>2016</b>	<b>2015</b>
Imo Central office EAD	123	115
ERB Leasing EAD	13	15
	<b>136</b>	<b>130</b>
<b>iii) Receivables from related parties</b>		
	<b>2016</b>	<b>2015</b>
Eurobank Bulgaria AD	94	397
Eurobank Ergasias S.A.	-	4
IMO Property Investments EAD	257	339
ERB Leasing EAD	1	6
Deposit IMO Property Investments EAD	17	17
IMO Central office EAD	2	3
IMO 03 EOOD	2	2
IMO Rila EAD	-	2
	<b>373</b>	<b>770</b>
<b>iv) Cash and cash equivalents held at related parties</b>		
	<b>2016</b>	<b>2015</b>
<b>Eurobank Bulgaria AD</b>		
Current bank account	91	61
Term bank deposit	3,592	3,342
Accrued interest	12	25
	<b>3,695</b>	<b>3,428</b>

**ERB PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2016**

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

**24. Related-party transactions (continued)**

**24.1 Transactions and balances with other related parties (continued)**

	As at 31 December	
	2016	2015
<b>v) Interest income</b>		
<b>Eurobank Bulgaria AD</b>		
Interest income on bank accounts	13	25
	<u>13</u>	<u>25</u>
<b>vi) Bank charges</b>		
<b>Eurobank Bulgaria AD</b>		
Bank charges on bank accounts	1	1
	<u>1</u>	<u>1</u>
<b>vii) Key management compensation</b>		
	<b>2016</b>	<b>2015</b>
Short term employee benefits	58	49
	<u>58</u>	<u>49</u>

As at 31 December 2016 and as of December 2015 the Company has no payables to the management

**25. Events after the balance sheet date**

There are no significant post balance sheet events, as per definition of IAS 10 with effect on the financial statements.

