ERB LEASING EAD
INDEPENDENT AUDITOR'S REPORT
ANNUAL ACTIVITY REPORT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

CONTENTS

Independent Auditor's Report

To the Shareholder ERB Leasing EAD

Our Opinion

We have audited the financial statements of ERB Leasing EAD (the "Company") which comprise 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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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	Stefan Weiblen
Registered Auditor	PricewaterhouseCoopers Audit OOD
8 June 2017	
Sofia, Bulgaria	

Одиторско дружество
София
Рег. № 085
ПрайсуотърхаусКупърс Одит ООД

The directors present the annual activity report and audited financial statements for the year ended 31 December 2016.

BUSINESS DESCRIPTION

ERB Leasing EAD (the Company) was registered in 2004. ERB Leasing EAD provides a comprehensive range of leasing products for light and commercial vehicles, equipment and real estate, to corporate clients and individuals. Pursuant to the provisions of the Credit Institutions Act ("the CIA"), promulgated in State Gazette, issue 24 of 31.03.2009 the Company is considered financial institution (ref. Art. 3, Para 1, item 1 of the CIA) and as such was duly registered in a special registered maintained by the Bulgarian National Bank under reg. No BGR00114 (ref. Art. 3a, Para 1 of the CIA).

BUSINESS OVERVIEW

As of the end of December 2016, the outstanding loans and finance lease receivables before provisions amounted to BGN 212,306 thousand (2015: BGN 261,404 thousand). This places ERB Leasing among the leaders on the Bulgarian market of leasing services with a market share of about 6.5%. This performance is attributed both to the strong support from Eurobank Ergasias Leasing, and to the beneficial cooperation with Eurobank Bulgaria in the area of car financing and corporate banking.

The Company offers financial leasing of different types of assets that aims to respond to the dynamic and multifarious customers' needs. Real estate has the largest share in the lease portfolio – 46%, followed by vehicles with 43% and industrial equipment with 11% share. The Company's total outstanding portfolio decreased by about 4% on a yearly average bases before provisions compared to 2015 mainly due to the decrease in corporate exposures while the Retail portfolio increased by 10% for the respective period. During 2016, the total interest income decreased by 26% from BGN 8,947 thousand to BGN 6,606 thousand while the interest income from the Retail portfolio increased by 3.4%. For the same period, interest expense decreased by 16% from BGN 4,305 thousand to BGN 3,606 thousand, and therefore, the net interest income decreased by 35% from BGN 4,642 to BGN 3,000 thousand. At the same time, the Company maintained the level of other operating income and expenses which marked a decrease by 1% and 4% respectively. The Company realised a profit of BGN 312 thousand for year ended 31 December 2016 (2015: BGN 1,160 thousand).

As of year-end, the Company employed 24 people. It operates in Sofia and Plovdiv, Varna, Bourgas, Stara Zagora, Rousse, Pleven, Veliko Tarnovo, Gabrovo, Blagoevgrad, Sliven, Haskovo, Pazardjik and Shumen through its branches.

In view of the competitive market, the main strategic priorities of the Company for 2016 were focused on preserving the quality and profitability of its existing portfolio, growth through sustainable business development in target markets, introduce innovative and flexible products, high quality customer service, efficient cost management and prudent risk management.

SHARE CAPITAL STRUCTURE (CONTINUED)

The Company is a wholly owned subsidiary of Eurobank Ergasias S.A which is listed on the Athens Stock Exchange.

The share capital of the Company amounts to BGN 1,050 thousand split in 1,050 thousand registered shares (2015: BGN 1,050 thousand, split in 1,050 thousand shares) fully owned by Eurobank Ergasias S.A. (the Bank).

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.

BOARD OF DIRECTORS

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

1. Gergana Gerdzhikova – Chairperson of the Board of Directors and Executive Director
2. Zacharias Vlachos – Deputy Chairperson and member of the Board of Directors;
3. Radoslav Yordanov – Member of the Board of Directors and Executive Director;
4. Konstantios Kanakis – Member of the Board of Directors;
5. Efthymios Zois – Member of the Board of Directors;
6. Panagiotis Mavridis – Member of the Board of Directors;
7. Michail Stamou – Member of the Board of Directors.

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

BOARD OF DIRECTORS (CONTINUED)

Mr. Panagiotis Mavridis and Mr. Michail Stamou were officially appointed as members of the Board of Directors on September 2nd, 2016, whereas Mr. Dimitar Shumarov resigned of his position of a Chairman and a member of the Board of Directors.

In 2016 the members of the Board of Directors have not received compensation in their capacity of members of the Board of Directors.

No shares or bonds of the Company have been acquired, owned and/or transferred by the members of the Board of Directors during the year.

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

In 2016 none of the Board members participated in other commercial enterprises, as unlimited liability partner or as an owner of more than 25% of the capital of another company.

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

Participation in the capital and in the management of other companies or cooperatives as procurators, managers or boards members:

Mr. Zacharias Vlachos

ERB Leasing IFN S.A., Romania - Member of the Board of Directors;
ERB Leasing A.D. Beograd, Serbia - Member of the Board of Directors

Mr. Konstantinos Kanakis

Eurobank Ergasias Leasing, Greece - Chief Executive Officer and Member of the Board of Directors
ERB Leasing IFN S.A., Romania – Member of the Board of Directors;
ERB Leasing A.D. Beograd, Serbia – Member of the Board of Directors

Mr. Efthymios Zois

ERB Retail Services IFN S.A., Romania – Member of the Board of Directors;
ERB New Europe Funding B.V., The Netherlands – Managing Director A
ERB New Europe Funding II B.V., The Netherlands – Managing Director A

BOARD OF DIRECTORS (CONTINUED)

Dimitar Shumarov

Eurobank Bulgaria AD – Chief Financial Officer, Executive Director and Member of the management Board;
IMO Rila EAD, Bulgaria – Member of the Board of Directors (until September 28th, 2016);
IMO 03 EAD, Bulgaria – Executive Director and Member of the Board of Directors (until 9 September 2016);
Chief Financial Officers Club, Bulgaria – Member of the Management Board.

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;

The Company has not entered into contracts specified in Article 240b, paragraph 1 of the Commerce Act during 2016. The Company has not acquired its own shares in 2016.

COMPANY STRUCTURE AND BRANCH NETWORK

ERB Leasing EAD had thirteen registered branches through which the Company provides services to clients in Plovdiv, Varna, Bourgas, Pleven, Rousse, Stara Zagora, Veliko Tarnovo, Gabrovo, Blagoevgrad, Sliven, Haskovo, Pazardjik and Shumen.

As of the end of 2016 the Branch Manager of all registered branches is Mr. Svetoslav Maximov Kalo, who manages and represents the branches always jointly with an Executive Director of ERB Leasing EAD.

FINANCIAL RISKS

ERB Leasing EAD's activities expose it to a variety of risks, including interest rate risk, currency risk, credit risk.

The interest rate risk is mitigated by monthly re-pricing of the lease contracts (currently the interest periods of the Company's financing do not exceed 1 month and the interest rate applied is based on EURIBOR/Sofibor).

To prevent the exposure to currency risk, the Company concludes the lease contracts with clients in Euro, and the Bulgarian Lev is pegged to the Euro under the terms of currency Board.

The credit risk is taken into account by monthly monitoring of clients' receivables and applying provisions in accordance with the Group's provisioning policy, as well as undertaking preventive measures ensuring the Company interest is protected.

The Company's overall risk management policy seeks to minimize potential adverse effects on the financial performance of the Company.

BUSINESS OBJECTIVES FOR 2017

Anticipating certain signs showing a recovery of the economy, in 2017 ERB Leasing EAD shall focus mainly on generating a healthy new business, while maintaining and improving the quality and profitability of its existing portfolio.

The focus in the management of non-performing exposures at an accelerated pace target to substantially reduce their stock in accordance with the Group targets.

In terms of new business the Company shall focus on its core business activities, key vendors and corporate clients in collaboration with the Group.

In order to achieve this, we will continue to invest in training and development of the professional team working for the company. This will allow them to maintain high customer satisfaction, assume additional responsibilities and grow the business in a reasonable manner. With a team of motivated employees, competitive and innovative products and strong support from the Group, the Company is well-positioned to achieve these goals and meet the challenges that it will face in 2017.

In 2017 ERB Leasing will continue working towards becoming the leasing company of first choice for the clients, and a partner of first choice for the leading vendors on the market.

EVENTS AFTER THE BALANCE SHEET DATE

In 2017 the maturity of the borrowings was extended to 30 June 2018.

In 2016 the Company has not been engaged in R&D activities.

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

MANAGEMENT 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 separate financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Directors confirm that suitable accounting policies have been used.

The Directors also confirm that applicable International Financial Reporting Standards (IFRS) 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 and for taking reasonable steps for the prevention and detection of potential fraud and other irregularities.

By order of the Board:

Gergana Gerdzhikova
Executive Director

ERB Leasing EAD

8 June 2017

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

Statement of comprehensive income

	Notes	2016	2015
Interest income	5	6,606	8,947
Interest expense	5	(3,606)	(4,305)
Net interest income		**3,000**	**4,642**
Other operating income	6	1,773	1,792
Foreign exchange loss, net		(2)	(3)
Other operating expenses	7	(2,372)	(2,463)
Gains from sale of lease assets	8	262	514
Provisions for impairment	11	(2,349)	(3,322)
Profit before income tax		**312**	**1,160**
Income tax expense	9	-	-
Profit for the year		**312**	**1,160**
Other comprehensive income		**-**	**-**
Total comprehensive income		**312**	**1,160**

The financial statements were authorised on 8 June 2017

Gergana Gerdzhikova
Executive Director

Radoslav Yordanov
Executive Director and Finance Manager

Initialled for identification purposes in reference to the audit report.

Milka Damianova
Registered Auditor
Date: 08-06-2017

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 085
ПРАЙСУОТЪРХАУСКУПЪРС ОДИТ ООД

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
08-06-2017

The accompanying notes set out on pages 12-53 are inseparable part of these financial statements.

ERB LEASING EAD
BALANCE SHEET
31 DECEMBER 2016

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

Balance sheet	**Notes**	**As at 31 December 2016**	**2015**
Assets			
Cash and bank balances	10	34	16
Finance lease receivables and other loans	11	155,583	188,833
Corporate tax recoverable		-	692
Other assets	13	1,886	4,256
Equipment	14	1,862	2,528
Intangible assets	15	471	518
Total assets		**159,836**	**196,843**
Liabilities			
Borrowings	16	151,248	189,566
Payables to suppliers and clients	17	353	610
Other liabilities	18	1,753	497
Total liabilities		**153,354**	**190,673**
Shareholder's equity			
Share capital	19	1,050	1,050
Other reserves	19	23,855	22,695
Accumulated losses		(18,423)	(17,575)
Total shareholder's equity		**6,482**	**6,170**
Total liabilities and equity		**159,836**	**196,843**

The financial statements were authorised on 8 June 2017

Gergana Gerdzhikova
Executive Director

Radoslav Yordanov
Executive Director and Finance Manager

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Milka Damianova
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ERB LEASING EAD
STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2016

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

Statement of changes in shareholders' equity	**Share capital**	**Other reserves**	**Accumulated losses**	**Total**
Balance at 1 January 2015	**1,000**	**1,231**	**(18,735)**	**(16,504)**
Comprehensive income				
Profit for the year	-	-	1,160	**1,160**
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**1,160**	**1,160**
Transactions with owners				
Issue of share capital (Note 19)	50	21,464	-	**21,514**
Total transactions with owners	**50**	**21,464**	**-**	**21,514**
Balance at 31 December 2015	**1,050**	**22,695**	**(17,575)**	**6,170**
Balance at 1 January 2016	**1,050**	**22,695**	**(17,575)**	**6,170**
Comprehensive income				
Profit for the year	-	-	312	**312**
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**312**	**312**
Transactions with owners				
Transfer of profit to reserves	-	1,160	(1,160)	-
Total transactions with owners	**-**	1,160	**(1,160)**	-
Balance at 31 December 2016	**1,050**	**23,855**	**(18,423)**	**6,482**

The financial statements were authorised on 8 June 2017

Gergana Gerdzhikova
Executive Director

Radoslav Yordanov
Executive Director and Finance Manager

Initialled for identification purposes in reference to the audit report.

Milka Damianova
Registered Auditor
Date: 08-06-2017

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
08-06-2017

ERB LEASING EAD
STATEMENT OF CASH FLOWS
31 DECEMBER 2016

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

	Notes	2016	2015
Cash flows from operating activities			
Interest received		6,931	10,376
Interest paid		(3,626)	(4,299)
Other income received		1,773	1,758
Proceeds from sale of lease assets		12,864	1,238
Payments to employees and suppliers		(2,477)	(1,743)
Changes in operating assets and liabilities:			
- Decrease/(Increase) in finance lease receivables		19,546	(3,753)
- Decrease/(Increase) in other assets		2,401	(3,652)
- (Decrease)/Increase in payables to clients and suppliers		(257)	8
- Increase/(Decrease) in other liabilities		1,256	(375)
Corporate tax recovered		73	-
Cash from/(used in) operating activities		**38,484**	**(442)**
Cash flows from investing activities			
Purchase of equipment and intangible assets		(833)	(196)
Proceeds on disposal of equipment		665	159
Cash used in investing activities		**(168)**	**(37)**
Cash flows from financing activities			
Issue of share capital	19	-	21,514
Repayment of borrowed funds		(38,298)	(21,120)
Cash (used in)/from financing activities		**(38,298)**	**394**
Net increase/(decrease) in cash and cash equivalents		**18**	**(85)**
Cash and cash equivalents at the beginning of the year		16	101
Cash and cash equivalents at the end of the year	10	**34**	**16**

The financial statements were authorised on 8 June 2017

Gergana Gerdzhikova
Executive Director

Radoslav Yordanov
Executive Director and Finance Manager

Initialled for identification purposes in reference to the audit report.

Milka Damianova
Registered Auditor
Date: 08-06-2017

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
08-06-2017

Одиторско дружество
София
Рег. № 085
Прайсуотърхаускупърс Одит ООД

The accompanying notes set out on pages 12-53 are inseparable part of these financial statements.

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

1. General information

ERB Leasing EAD (the Company) was established on 28 September 2004. The Company is a wholly owned subsidiary of Eurobank Ergasias S.A. (the Bank) which is listed on the Athens Stock Exchange. Pursuant to the provisions of the Credit Institutions Act (the CIA), promulgated in State Gazette, the Company is considered financial institution (ref. Art. 3, Par.1, item 1 of the CIA) and as such was duly registered in a special registered maintained by the Bulgarian National Bank under reg. No BGR00114 (ref. Art. 3a, Par. 1 of the CIA).

The Company is governed by the Board of Directors consisting of seven members. The Company is represented jointly by the two Executive Directors.

ERB Leasing EAD is part of the Eurobank Group (the Group). In accordance with Group guidelines all local subsidiaries receive full support from the local bank part of Eurobank Group. This support covers all main areas, such as Risk Management, Client Relations, Finance, Legal, HR.

Position of Eurobank Group, Greece

In June 2016, Greece, after the completion of a number of key prior actions, has successfully concluded the first review of the Third Economic Adjustment Program (TEAP), which permitted the disbursement of € 10.3 bn from the second instalment of the European Stability Mechanism (ESM) loan that allowed the country to cover its debt servicing needs and clear a part of the state's arrears to the private sector. In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the ESM program.

The next key milestone for Greece is the timely and successful completion of the second review of the TEAP, currently in progress, which would help reinstating depositors' confidence and thus accelerate the return of deposits, it would facilitate the faster relaxation of capital controls and would allow for the participation in ECB's Quantitative Easing (QE) program, conditional on the decisions of the Institutions regarding the plan for the implementation of the medium-term debt relief measures. Moreover, the reduction of the short term uncertainty along with, the decisive implementation of the reforms agreed in the context of the ESM program and the mobilization of European Union (EU) funding to support domestic investment and job creation, would facilitate the restoration of confidence in the prospects of the Greek economy and the further stabilization of the domestic economic environment, which are necessary conditions for the return of the country to a sustainable growth path.

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

1. General information (continued)

Position of Eurobank Group, Greece (continued)

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.

Position of the Company

As disclosed in Note 19, in February 2015, following a decision of the sole owner, the share capital of the Company was increased by BGN 21,514 thousand through a cash contribution, which lead to sufficient positive equity and stable financial and liquidity position of the Company. Furthermore, the Company realised a profit of BGN 312 thousand in 2016. Considering all of the above, and the support provided by the parent company (Note 20), the Company's financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

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

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

1. General information (continued)

Related party transactions - Eurobank Ergasias S.A. shareholding structure (continued)

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.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (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). The financial statements are prepared on going concern basis.

The policies set out below have been consistently applied to the years 2016 and 2015 except as described below.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Amendments to standards and new interpretations adopted by the Company

IAS 1, Amendment - Disclosure initiative

The amendment clarifies that an entity need not provide in the financial statements, including the notes, a specific disclosure required by an IFRS if the information resulting from that disclosure is not material and also clarifies that additional disclosures may be necessary if the information required by IFRSs is not sufficient for an understanding of the impact of particular transactions and events on the entity's financial position and performance.

The line items listed in IAS 1 for the balance sheet and the statement of profit or loss should be disaggregated if this is relevant to an understanding of the entity's financial position and additional guidance on the use of subtotals is provided. In the statement of comprehensive income the share of the other comprehensive income of equity –accounted associates and joint ventures should be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss and when determining a systematic approach to presenting notes, the entity should consider the understandability and comparability of its financial statements.

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

IAS 16 and IAS 38, Amendments - Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify that the use of revenue-based methods to calculate the depreciation for property plant and equipment is not appropriate and they also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

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

IAS 19, Amendment-Defined Benefit Plans: Employee Contributions

The amendment clarifies the accounting for post-employment benefit plans where employees or third parties are required to make contributions which do not vary with the length of employee service, for example, employee contributions calculated according to a fixed percentage of salary. The amendment allows these contributions to be deducted from service cost in the year in which the related employee service is delivered, instead of attributing them to periods of employee service. Contributions which vary with the length of employee service, must be spread over the service period using the plan's contribution formula or on a straight line basis, consistent with the attribution method applied to the gross benefit in accordance with paragraph 70 of IAS 19.

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IAS 27, Amendment-Equity Method in Separate Financial Statements

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

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

IFRS 11, Amendment – Accounting for Acquisitions of Interests in Joint Operations

This amendment requires an investor to apply the principles of business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs, which do not conflict with IFRS 11, when it acquires an interest in a joint operation that constitutes a 'business' as defined in IFRS 3. The amendments, which also apply when an existing business is contributed to the joint operation on its formation, require the disclosure of information specified in IFRS 3 and other IFRSs for business combinations. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation while the joint operator retains joint control. However, a previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

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

IFRS 10, IFRS 12 and IAS 28, Amendments - Investment Entities: Applying the Consolidation Exception

The amendments clarify the application of the consolidation exception for the subsidiaries of investment entities.

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

Annual Improvements to IFRSs 2010-2012 Cycle

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

- IFRS 2 'Share – based Payment': The terms 'performance condition' and 'service condition' are separately defined;
- IFRS 3 'Business Combinations': It is clarified that contingent consideration in a business acquisition that is not classified as equity, whether or not it falls within the scope of IAS 39 (or IFRS 9 once adopted), is subsequently measured at fair value at each reporting date, with changes in fair value recognized in profit or loss;

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- IFRS 8 'Operating Segment': Disclosure of the judgments made by management in aggregating operating segments is required, including a description of the segments aggregated and the economic indicators assessed in determining that the aggregated segments share similar economic characteristics. Furthermore, a reconciliation of segment assets to the entity's total assets is required if the reconciliation is reported to the chief operating decision maker;
- IFRS 13 'Fair Value Measurement': It is clarified that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial;
- IAS 16 'Property, Plant and Equipment': It is clarified how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model;
- IAS 24 'Related Party Disclosures': It is clarified that an entity that provides key management personnel services to the reporting entity or to its parent ('the management entity') is a related party to the reporting entity and the amounts charged to it for services provided should be disclosed; and
- IAS 38 'Intangible Assets': It is clarified how the gross carrying amount and the accumulated amortization are treated where an entity uses the revaluation model;

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

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.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- 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 Company's financial statements.

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

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 Company. Those that may be relevant to the Company are set out below:

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IAS 40, Amendment – Transfers of Investment Property (effective 1 January 2018, not yet endorsed by EU)

The amendment clarifies that a transfer of property, including property under construction or development, into or out of investment property should be made only when there has been a change in use of the property. Such a change in use occurs when the property meets, or ceases to meet, the definition of investment property and should be supported by evidence.

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

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

The amendment addresses a) the measurement of cash-settled share-based payments, b) the accounting for modifications of a share-based payment from cash-settled to equity-settled and c) the classification of share-based payments settled net of tax withholdings.

Specifically, the amendment clarifies that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments It also clarifies that the liability of cash- settled share - based payment modified to equity-settled one is derecognized and the equity-settled share-based payment is recognized at the modification date fair value of the equity instrument grantedand any difference is recognized in profit or loss immediately.

Furthermore, a share–based payment net by withholding tax on the employee's behalf (a net settlement feature) is classified as equity settled in its entirety, provided it would have been classified as equity-settled had it not included the net settlement feature.

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 9, Financial Instruments (effective 1 January 2018)

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

Classification and measurement

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

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

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

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

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.

As of 31 December 2016, the Company does not hold any material financial instruments in the scope of the classification and measurement requirements of IFRS 9, therefore the Company's

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

preliminary assessment is that it does not expect any significant impact from the initial application of the Standard. The final impact will depend on the Company's structure on initial application which may not be the same as at 31 December 2016.

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 Company compared to IAS 39.

Hedge accounting

IFRS 9 includes a new general hedge accounting model which aligns hedge accounting more closely with risk management. Under the new model, more hedging strategies may qualify for hedge accounting, new hedge effectiveness requirements apply and discontinuation of hedge accounting will be allowed only under specific circumstances.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The IASB currently has a separate project for the accounting of macro hedging activities. Until the above project is completed, entities have an accounting policy choice to continue applying the hedge accounting requirements in IAS 39.

Transition

The new requirements of IFRS 9 will be applied retrospectively by adjusting the Company's balance sheet on the date of transition on 1 January 2018. The Company intends to apply the exemption not to restate comparative figures for prior periods, therefore the Company's 2017 comparatives will be presented on an IAS 39 basis.

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

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 Company 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 Company's financial statements.

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)
IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions that involve an advance payment or receipt. The interpretation clarifies that in this case, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration, ie when the entity initially recognized the non-monetary asset (prepayment asset) or non-monetary liability (deferred income liability) arising from the advance consideration. If there are multiple payments or receipts in advance, the entity must determine a date of transaction for each payment or receipt.
The adoption of the interpretation is not expected to impact the Company's financial statements.

The financial statements have been prepared under the historical cost convention.-

The Company maintains its accounting books in Bulgarian Lev (BGN), which is accepted as being its presentation currency. The data in the financial statements and the notes thereto is presented in thousands of Bulgarian Lev (BGN'000) except where it is explicitly stated otherwise.

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 items presuming a higher level of subjective judgment or complexity or where the assumptions and accounting estimates are material for the financial statements, are disclosed below.

2.2 Foreign currency translation

Items included in the financial statements of the Company are measured using Bulgarian Lev (BGN), which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency").

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. As of 31 December 2016 the monetary assets and liabilities are denominated using the official rate of Bulgarian National Bank – EUR 1= BGN 1.95583 (2015: 1.95583).

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.3 Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.4 Other income and expense

Other income and expense are recognised on an accrual basis when the service has been provided.

2.5 Equipment

All equipment is stated at historical cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives, as follows:

	2016	2015
Computers	5 years	5 years
Vehicles	1-4 years	1-4 years
Machinery and equipment	6-7 years	6-7 years
Other fixed assets	5-10 years	5-10 years

Equipment is periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expenditure is incurred.

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

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.6 Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

(i) Significant financial difficulty of the issuer or obligor;
(ii) A breach of contract, such as a default or delinquency in interest or principal payments;
(iii) The Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) It becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
– Adverse changes in the payment status of borrowers in the group; or
– National or local economic conditions that correlate with defaults on the assets in the group.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on leases and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

2. Summary of significant accounting policies (continued)

2.6 Impairment of financial assets (continued)

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

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

2.7 Leases

Finance leases – the Company as a lessor

When assets are held subject to a financial lease the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. The lease income is recognised over the entire lease period using the method of effective yield rate so as to obtain a constant periodic rate of return on the outstanding lease principal balance.

Operating leases- the Company as a lessor

Lease income (excluding receipts for services provided such as insurance and maintenance) is recognised on a straight-line basis over the lease term. Costs, including depreciation, incurred in earning the lease income are recognised as an expense.

Operating leases- the Company as a lessee

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

2. Summary of significant accounting policies (continued)

2.8 Assets held for sale

Properties with returned possession are sold as soon as practicable. Repossessed property is classified in the balance sheet within other assets. The assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell at the balance sheet date.

2.9 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available for sale.

2.10 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition including: cash and amounts due from banks.

2.11 Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective yield method.

2.12 Current and deferred income tax

Taxation has been provided for in the financial statements in accordance with Bulgarian legislation currently in force. The charge for taxation in the income statement for the year comprises current tax and changes in deferred tax. Current tax is calculated on the basis of the taxable profit for the year, using the tax rates enacted at the balance sheet date. Income tax payable on profits, based on the applicable tax law is recognized as an expense in the period in which profits arise. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

2. Summary of significant accounting policies (continued)

2.12 Current and deferred income tax (continued)

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

2.13 Share capital

Ordinary shares are classified as share capital which is stated at its nominal value according to the Bulgarian Commercial legislation.

(a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders.

2.14 Employee benefits

(a) Social, pension and health funds.

The Company is obliged by the current Bulgarian legislation to make fixed contribution on behalf of the employees to a social fund operated by the Government. All those payments/liabilities are related to current salary expenses and 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.

(b) Pension obligations

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

2. Summary of significant accounting policies (continued)

2.14 Employee benefits (continued)

(b) Pension obligations (continued)

At the end of every reporting period the Company estimates and recognizes the provision for its pension obligations. In calculating the provision the Company estimates the present value of its future pension obligations considering the probability of the employees retiring while employed in the Company.

3. Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements 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.

(a) Impairment losses on loans and advances and finance lease receivables

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

(b) Fair value of repossessed assets held for sale

The Company determines the fair value of repossessed assets held for sale from market-based evidence by appraisal that is undertaken by professionally qualified valuers. The Company follows its accounting policy to revalue the assets every four months. Based on the accounting policy of the Company the revaluation of repossessed assets was performed by a qualified independent valuer.

The main valuation approaches used to determine the fair value were *income, cost and sales comparison approaches.*

4. Financial risk management and fair value

ERB Leasing EAD's activities expose it to a variety of financial risks, including credit risk, liquidity risks, and the effects of changes in foreign currency exchange rates and interest rates. The Company's overall risk management policy seeks to minimize potential adverse effects on the financial performance of the Company.

The main purpose of the risk management is the control and analysis of the Lease portfolio, updating the leasing rules and procedures in order to be in compliance with Group`s requirements, the supervision of their proper implementation, monitoring the completeness and correctness of leasing documentation, as well as compliance with internal and external regulations and reporting on lease portfolio to the Bulgarian National Bank, to internal and external auditors. The Credit control officer prepares periodic internal and external reports, as required by the Bulgarian National Bank, insurance companies, Eurobank Bulgaria AD, Eurobank Ergasias Leasing S.A., in order to determine and update the credit rating of corporate clients, to calculate provisions for corporate and retail clients, to provide to Corporate Banking timely information on forthcoming annual reviews, to monitor the development of legislation that affects the activities of leasing companies and advise the Executive director of relevant changes. The main activity of the Credit control officer includes also the implementation of internal system of credit rating and provisioning.

Risk management is carried out under the supervision of the Board of Directors.

4.1 Credit risk

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

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

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and reviewing these lending limits where appropriate. Exposure to credit risk is managed in part by obtaining collateral.

The Company uses a credit rating system according to which wholesale borrowers are assigned to a risk category: satisfactory credit performance, potentially problematic entities, watch listed and loss making cases that are fully provided for. The criteria used to assess the credit rate include:

4. Financial risk management and fair value (continued)

4.1 Credit risk (continued)

- Financial data for the client, the sector and the market;
- Information on the client's management;
- The clients past credit history either with the Bank or with other banks;
- Existence of detrimental information;
- Type and size of collateral offered;
- History of changes in ownership and
- History of changes in assets.

The Company assesses the credit quality of the wholesale loans on a case-by-case basis using standard grading system and based on a profound analysis of a set of qualitative and quantitative factors.

Corporate clients are rated in 11 categories. The Company groups wholesale clients categorized from 1 to 6 in the grade acceptable risk and these categorized with 7 - in the watch list area. The Company presents the wholesale clients in the category from 8 to 11 as individually impaired loans based on individual impairment analysis.

Qualitative factors are those that deal with the borrower's management, industry, operating conditions, the market sector in which the borrower operates, securities, loan servicing etc.

Quantitative factors are those that refer to a set of ratios (main ratios: profitability, leverage, liquidity) emerging from the borrower's financial statements (balance sheet, income statement, notes to the financial statements etc.)

According to Group Guidelines, exposures to wholesale clients rated in categories 1 to 7 are presented as "Neither past due nor impaired" if they are regular and "Past due but not impaired" if they are up to 90 days past due. If they are above 90 days past due exposures to these clients are presented as "Impaired". All exposures to wholesale clients above 90 days past due and all exposures to wholesale clients rated in categories 8 to 11 are presented as "Impaired". All terminated or flagged as default wholesale exposures are presented as "Impaired". All wholesale exposures flagged as NPL managed or denounced are presented as "Impaired".

Regarding restructured wholesale loans to clients rated in categories 1 to 7 are presented as "Neither past due nor impaired" if they are regular and in category "Past due but not impaired" if they are up to 90 days past due. All exposures to wholesale clients above 90 days past due and all exposures to wholesale clients rated in categories 8 to 11 are presented as "Impaired". All terminated or flagged as default wholesale exposures are presented as "Impaired". All restructured wholesale exposures flagged as NPL managed or denounced are presented as "Impaired".

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

4. Financial risk management and fair value (continued)

4.1 Credit risk (continued)

According to the Group guidelines regular exposures are loans not in delay or with amounts in delay not exceeding internally set grace amount.

The Company considers that delinquencies should not be the only reason for downgrading; the "case by case" rule should always prevail. Delinquencies over 90 days should always constitute a reason for downgrading, however provisioning rates have to be determined on a case by case basis assessment taking into consideration all risk factors as well as the market value of the leased assets, expected cash inflows, the existing collateral etc.

4.1.1 Exposure to credit risk	**Balance at 31 December**	
	2016	**2015**
Credit risk exposures relating to on-balance sheet assets are as follows:		
Cash and bank balances (Note 10)	34	16
Finance lease receivables from customers (Note 11):	154,546	186,871
Consumer lending	*15,119*	*12,640*
Small Business lending	*31,846*	*31,847*
Corporate lending	*107,581*	*142,384*
Other loans (Note 11)	1,037	1,962
Total	**155,617**	**188,849**

Finance lease receivables are summarised as follows:

	Balance at 31 December	
	2016	**2015**
Neither past due nor impaired	87,098	90,924
Past due but not impaired	8,468	11,467
Impaired	115,703	157,051
Gross	**211,269**	**259,442**
Less: allowance for impairment (Note 11)	(56,723)	(72,571)
Net	**154,546**	**186,871**

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

4. Financial risk management and fair value (continued)

4.1. Credit risk (continued)

4.1.1. Exposure to credit risk (continued)

Other Loans are summarized as follows:

	Balance at 31 December 2016	2015
Neither past due nor impaired	1,037	1,962
Less: allowance for impairment	-	-
Net	**1,037**	**1,962**

(a) Finance lease receivables and other loans - Neither past due nor impaired

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

	Balance at 31 December 2016	2015
Acceptable risk	88,135	92,886
	88,135	**92,886**

These finance lease receivables are secured by promissory notes for the gross amount of the contracts (incl. interest and management fees). The Company has legal title over assets leased under finance and operating lease.

(b) Finance lease receivables and other loans past due but not impaired

31 December 2016	Consumer Lending	Small Business Lending	Corporate Lending	Total
Past due up to 29 days	816	2,756	3,466	**7,038**
Past due 30 – 89 days	207	738	485	**1,430**
Total	**1,023**	**3,494**	**3,951**	**8,468**

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

4. Financial risk management and fair value (continued)

4.1 Credit risk (continued)

4.1.1. Exposure to credit risk (continued)

31 December 2015	Consumer Lending	Small Business Lending	Corporate Lending	Total
Past due up to 29 days	505	1,944	7,963	**10,412**
Past due 30 – 89 days	121	503	431	**1,055**
Total	**626**	**2,447**	**8,394**	**11,467**

(c) Finance lease receivables impaired

For individually assessed accounts, finance lease receivables are treated as impaired as soon as there is objective evidence that an impairment loss has been incurred. The criteria used by the Company to determine that there is objective evidence of impairment include:
- known cash flow difficulties experienced by the borrower
- overdue contractual payments of either principal or interest
- breach of loan covenants or conditions;
- the probability that the borrower will enter bankruptcy or other financial reorganisation;
- a downgrading in credit rating by an external credit rating agency.

Impairment charges are calculated as the difference between the assets' carrying amount and the present value of the estimated future cash flows. Fair value of collateral is the estimated current market price of leased equipment.

The individually impaired finance lease receivables as at 31 December 2016 were BGN 99,230 thousand (2015: BGN 137,494 thousand) and all of them are Corporate Lending.

The breakdown of the gross amount of all impaired loans and advances by class is as follows:

31 December 2016	Consumer Lending	Small Business Lending	Corporate Lending	Total
Impaired leases	1,819	14,156	99,728	**115,703**
Number of leases	138	625	584	**1,347**

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

4. Financial risk management and fair value (continued)

4.1 Credit risk (continued)

4.1.1. Exposure to credit risk (continued)

31 December 2015	Consumer Lending	Small Business Lending	Corporate Lending	Total
Impaired leases	1,820	13,590	141,641	**157,051**
Number of leases	135	595	634	**1,364**

Management considers the finance lease receivables as impaired despite being covered by assets owned by the leasing company. The impairment provisions reflect the probability that management may not be able to enforce its rights and return the possession over the leased asset on defaulted loans.

(d) Allowance for impairment (Note 11)

	Consumer Lending	Small Business Lending	Corporate Lending	Total
Balance as at 31 December 2014	**1,391**	**10,599**	**59,648**	**71,638**
Charge to profit or loss	155	258	954	**1,367**
Provision written off during the year	(5)	(8)	(421)	**(434)**
Balance as at 31 December 2015	**1,541**	**10,849**	**60,181**	**72,571**
Charge to profit or loss	(1)	587	1,687	**2,273**
Collection expenses	(11)	(7)	(839)	**(857)**
Provision written off during the year	(8)	(20)	(17,236)	**(17,264)**
Balance as at 31 December 2016	**1,521**	**11409**	**43,793**	**56,723**

4.1.2. Assets with returned possession

Repossessed assets are sold as soon as practicable. Repossessed assets are classified in the balance sheet within other assets.

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

4. Financial risk management and fair value (continued)

4.1 Credit risk (continued)

4.1.3. Concentration of risks of financial assets with credit risk exposure

Industry sectors

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

	Commerce and services	Private individuals	Manufact uring	Constru ction	Other	Total
Finance lease receivables						
-Consumer lending	-	17,196	-	-	-	**17,196**
-Small business lending	23,316	568	3,692	3,436	12,700	**43,712**
-Corporate lending	129,585	-	5,921	5,856	10,036	**151,398**
31 December 2016	**152,901**	**17,764**	**9,613**	**9,292**	**22,736**	**212,306**
31 December 2015	**173,146**	**15,377**	**37,852**	**9,360**	**25,669**	**261,404**

The Company portfolio by type of assets leased is as follows:

	2016	**2015**
Industrial equipment	10%	19 %
Real Estate	46%	43 %
Vehicles	43%	37 %
Other	1%	1 %
	100%	**100%**

4.2 Market risk

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

4. Financial risk management and fair value (continued)

4.2 Market risk (continued)

The factors that generate market risk are the interest rate risk and foreign exchange risk.

The interest rate risk is the risk of potential loss from adverse changes in interest rates. These include pricing risk, yield curve risk, basis risk, spread risk, volatility risk.

The foreign exchange risk is the risk of potential loss from adverse changes in foreign currency exchange rates, against the base currency. It includes outright risk, volatility risk and conversion risk.

The Company's Market Risk Policy is maintained by Risk Division of Eurobank Bulgaria AD and approved by the Board of Directors of the Bank. The Market Risk policy is reviewed at least annually and submits changes to the Board. The Market Risk Policy applies to the control of market risk arising on all Company's assets, liabilities and off-balance sheet positions; it therefore covers Treasury and non-Treasury activities that are subject to market risk. The Market Risk Policy is in compliance with the mother company Risk Guidelines, which pertain to market risk.

The objectives of market risk control and supervision are to

- Protect the company against unforeseen market losses;
- Contribute to more stable and predictable earnings;
- Develop transparent, objective and consistent market risk information as the basis for sound decision making.

4.2.1. Market risk measurement techniques

The Company has to include all positions that are exposed to market risk in the measurement system.

The risk factors that generate market risk and have to be included in the market risk measurement system consist of, but are not limited to:

- Foreign Exchange rates
- Interest Rates

4.2.2. Foreign exchange risk

The Company is exposed to the effect of fluctuations in the prevailing foreign currency exchange rates and may register a loss / respectively a profit / from the exchange differences.

The Company receives financing in Euro from Eurobank Private Banking – Luxemburg and in Bulgarian Lev from Eurobank Bulgaria AD. To prevent the exposure to currency risk, the Company concludes the leasing contracts with the clients in Euro, the Bulgarian Lev being pegged to the Euro under the terms of currency board.

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

4. Financial risk management and fair value (continued)

4.2 Market risk (continued)

4.2.2. Foreign exchange risk (continued)

In case of import and a payment to foreign supplier in currency, different from EUR, to prevent the loss, the Company invoices to the Lessee the amount of the exchange difference.

Currently the exchange rate of the Bulgarian Lev is fixed against the EUR at 1.95583 BGN/EUR via Currency board which is not expected to be amended in the near future. For that reason, the Company did not make sensitivity analysis against Euro.

4.3. Cash flow and fair value interest risk

Interest rate sensitivity of assets, liabilities and off-balance sheet items

The Leasing Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

As of 31 December 2016 and 2015, the Company's liabilities under interest-bearing instruments are from instruments with floating interest rates.

The Management and the Managing Board constantly monitor interest rate levels and conduct an active policy of adjusting interest spreads. In view of general market trends the Company is using variable interest rates in all financial lease contracts. The objective of the Company's policy on interest rate risk management is to minimize potential losses due to negative impacts from changes in market interest rates.

Interest rate risk sensitivity has been estimated by applying a parallel yield curve shift to all relevant on- and off-balance sheet positions.

	2016	2015
Interest Rate Risk – sensitivity analysis		
1) +100 bps shift in interest rate curves (2015: +100 bps shift in interest rate curves) (all currencies)	(6)	(7)
2) -100 bps shift in interest rate curves (2015: -100 bps shift in interest rate curves) (all currencies)	6	7

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

4. Financial risk management and fair value (continued)

4.3. Cash flow and fair value interest risk (continued)

Interest rate sensitivity of assets, liabilities and off-balance sheet items (continued)

From economic value perspective, a parallel yield curve shift in all currencies will bring no direct P&L or equity reserves effect. The figures in the table above represent the long-term effect of a parallel yield curve shift of +/-100 bps on the Company's net worth (the change in the net present value of its assets and liabilities).

4.4 Fair value of financial assets and liabilities

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

The estimated fair values of financial instruments have been determined by the Company using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. While Management has used available market information in estimating the fair value of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances.

The following table presents the carrying amounts and fair values of financial assets and liabilities which are not carried at fair value on the balance sheet, analysed by the level in the fair value hierarchy into which each fair value measurement is included:

	31 December 2016				
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**	**Total Carrying amount**
Financial assets					
Finance lease receivables (Note 11)	-	-	160,504	160,504	155,583

	31 December 2015				
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**	**Total Carrying amount**
Financial assets					
Finance lease receivables (Note 11)	-	-	191,357	191,357	188,833

4. Financial risk management and fair value (continued)

4.4 Fair value of financial assets and liabilities (continued)

The levels in the fair value hierarchy are determined as follows:

a) Level 1 – Financial instruments measured based on quoted prices in active markets for identical financial instruments. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. These include actively quoted debt instruments, as well as equity and derivative instruments traded on exchanges.

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

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

The assumptions and methodologies underlying the calculation of fair values of financial instruments not carried at fair value on the balance sheet date are as follows:

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

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

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

4. Financial risk management and fair value (continued)

4.5 Liquidity risk

Liquidity risk is managed at group level, and the Company utilizes financing from Eurobank Private Bank Luxemburg and Eurobank Bulgaria. The revolving credit facilities are utilized on the basis of expected outflows for purchase of equipment to be leased.

The table below analyses the liabilities of ERB Leasing into relevant maturity groupings based on contractual cash flows and the remaining period at balance sheet date to the contractual maturity date. In 2017 the maturity of the borrowings was extended to 30 June 2018 (Note 22).

Maturities of financial liabilities

As of 31 December 2016	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Liabilities						
Borrowings (Note 16)	242	484	151,686	-	-	**152,412**
Payables to clients and suppliers (Note 17)	353	-	-	-	-	**353**
Other payables (Note 18)	1,587	-	-	-	-	**1,587**
Total liabilities	**2,182**	**484**	**151,686**	-	-	**154,352**
Total assets held for managing liquidity	**25,875**	**6,099**	**44,988**	**112,148**	**44,088**	**233,198**

As of 31 December 2015	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Liabilities						
Borrowings (Note 16)	329	658	190,159	-	-	**191,146**
Payables to clients and suppliers (Note 17)	610	-	-	-	-	**610**
Other payables (Note 18)	462	-	-	-	-	**462**
Total liabilities	**1,401**	**658**	**190,159**	-	-	**192,218**
Total assets held for managing liquidity	**8,145**	**6,388**	**74,611**	**141,827**	**61,221**	**292,192**

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

4.6 Capital management

ERB Leasing's 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. The Company uses the ratio of net debt to total capital. 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 as the sum of shareholders equity and net debt.

The Company relies on a continued financial support from the Eurobank Group, which is a stable and reliable Financial Institution, to cover the risk from the existing liquidity gap. This policy was adopted in 2006 and will continue in the foreseeable future.

The table below summarizes the Company's capital structure:

	2016	2015
Borrowings (Note 16)	151,248	189,566
Payables to suppliers and clients (Note 17)	353	610
Total borrowed funds	**151,601**	**190,176**
Cash and bank balances (Note 10)	(34)	(16)
Net debt	151,567	190,160
Shareholder's equity	6,482	6,170
Total capital	**158,049**	**196,330**
Net debt / Total capital	**96%**	**97%**

5 Net interest income

	2016	2015
Interest income		
Finance lease receivables	6,606	8,947
	6,606	**8,947**
Interest expense		
Interest on bank borrowings	3,606	4,305
	3,606	**4,305**

6 Other operating income

	2016	2015
Commission income insurance brokers	193	174
Income from operating leases	916	917
Maintenance fee income	75	73
Gain on disposal of equipment	-	34
Other	589	594
	1,773	**1,792**

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

7 Other operating expenses	2016	2015
Staff costs (Note 7a)	833	825
Expenses related to repossession, storage and repairs of assets	99	158
Consulting services	73	65
Operating lease rentals	151	154
Office maintenance	129	129
Advertising	3	13
Courier services	10	11
Depreciation and amortisation (Note 14, 15)	754	723
Other expenses	320	385
	2,372	**2,463**

7a Staff costs	2016	2015
Salaries	731	723
Social security costs	102	102
	833	**825**

8 Gains from sale of lease assets	2016	2015
Proceeds from sale, net	13,529	1,444
Net book value as of date of sale	(13,267)	(930)
	262	**514**

9 Income Tax

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

	2016	2015
Profit before income taxes	312	1,160
Tax expense calculated at a tax rate of 10 %	(31)	(116)
Utilized tax losses/Non-recognised deferred tax asset	31	116
Income tax (expense)/credit including:	-	-

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

9 Income Tax (continued)

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential liability in this respect.

10 Cash and bank balances

	2016	2015
Current accounts with banks	34	16
Included in cash and cash equivalents	**34**	**16**

11 Lease receivables and other loans

	2016	2015
Finance lease receivables		
Corporate entities	151,379	202,566
Small Business Lending	43,248	42,695
Consumer Lending	16,642	14,181
	211,269	**259,442**
Less: provision for impairment	(56,723)	(72,571)
Total net finance lease receivables	**154,546**	**186,871**
Other loans	1,037	1,962
Less: Provision for impairment	-	-
Net loans	1,037	1,962
Total net finance lease receivables and loans	**155,583**	**188,833**

The position other loans includes prepayments by the Company for leasing contracts that will be delivered in 2017. Those amounts are net of clients' down-payments and the Company accrues interest until delivery.

Gross investment in finance leases and loans, receivables:	2016	2015
Up to 1 year	113,368	145,240
Between 1 and 5 years	80,359	90,604
Over 5 years	39,819	54,345
	233,546	**290,189**
Unearned future finance income from finance leases	(21,240)	(28,785)
Net investment in finance leases	**212,306**	**261,404**

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

11 Lease receivables and other loans (continued)

Net investment in finance leases is analysed as follows:	**2016**	**2015**
Up to 1 year	108,092	138,639
Between 1 and 5 years	68,814	75,514
Over 5 years	35,400	47,251
Net investment in finance leases	**212,306**	**261,404**

Movement in provisions was as follows:

	2016	**2015**
Balance at the beginning of the year	**72,571**	**71,638**
Charge to profit or loss	2,273	1,367
Collection expenses	(857)	-
Provisions written off during the year	(17,264)	(434)
Balance at end of year	**56,723**	**72,571**

Provisions for impairment	**2016**	**2015**
Provisions for lease impairment	2,273	1,367
Impairment of repossessed assets (Note 13a)	76	1,955
Total provision for impairment	**2,349**	**3,322**

The future minimum lease payments receivable under non-cancellable operating lease agreements are as follows:

	2016	**2015**
Not later than 1 year	554	773
Later than 1 year but not later than 5 years	985	614
Later than 5 years	-	-
Total	**1,539**	**1,387**

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

12 Deferred income taxes

Deferred income tax assets and liabilities are attributable to the following items:

	31.12.2015	Increase	Decrease	Net change	31.12.2016
Other temporary differences	(99)	7	-	7	(92)
Tax losses carried forward	99	-	(7)	(7)	92
Deferred tax asset balance	-	7	(7)	-	-
Income statement credit/(charge)				-	

	31.12.2014	Increase	Decrease	Net change	31.12.2015
Other temporary differences	(71)	-	(28)	(28)	(99)
Tax losses carried forward	71	28	-	28	99
Deferred tax asset balance	-	28	(28)	-	-
Income statement credit/(charge)				-	

Tax losses carried forward for which no deferred income tax asset was recognised, and the year of their expiry are as follows:

Year of expiry	2016	2015
2017	12,268	13,514
2018	1,250	1,250
2019	26,028	26,028
	39,546	**40,792**

13 Other assets

	2016	2015
Repossessed assets on finance lease	3,538	3,152
Provision on repossessed assets (Note 13a)	(2,365)	(2,396)
Prepayments	55	94
VAT receivable	594	3,305
Other	64	101
	1,886	**4,256**

13a Provision on repossessed assets

	2016	2015
As of 1 January	2,396	1,029
Impairment of repossessed assets (Note 11)	76	1,955
Accumulated impairment of assets sold	(107)	(588)
As of 31 December	**2,365**	**2,396**

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

14 Equipment

	Furniture, equipment and motor vehicles	Computers and hardware	Total
At 1 January 2015			
Cost	4,750	80	**4,830**
Accumulated depreciation	(1,548)	(74)	**(1,622)**
Net book amount	**3,202**	6	**3,208**
Year ended 31 December 2015			
Opening net book amount	**3,202**	6	**3,208**
Additions	126	-	**126**
Disposals (net of depreciation)	(125)	-	**(125)**
Depreciation charge (Note 7)	(679)	(2)	**(681)**
Closing net book amount	**2,524**	4	**2,528**
At 31 December 2015			
Cost	4,455	80	4,535
Accumulated depreciation	(1,931)	(76)	**(2,007)**
Net book amount	**2,524**	4	**2,528**
Year ended 31 December 2016			
Opening net book amount	2,524	4	**2,528**
Additions	827	-	**827**
Disposals (net of depreciation)	(649)	-	**(649)**
Assets leased out under finance lease	(143)	-	**(143)**
Depreciation charge (Note 7)	(699)	(2)	**(701)**
Closing net book amount	**1,860**	**2**	**1,862**
At 31 December 2016			
Cost	3,327	11	3,338
Accumulated depreciation	(1,467)	(9)	**(1,476)**
Net book amount	**1,860**	**2**	**1,862**

The category of vehicles includes vehicles leased by the Company to third parties under operating leases with the following carrying amounts:

	31.12.2016	31.12.2015
Cost at 31 December	2,931	3,994
Accumulated depreciation at 31 December	(1,131)	(1,492)
Net book amount at 31 December	**1,800**	**2,502**

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

15 Intangible assets

	Software	Total
At 1 January 2015		
Cost	756	756
Accumulated amortisation	(266)	(266)
Net book amount	**490**	**490**
Year ended 31 December 2015		
Opening net book amount	**490**	**490**
Additions	70	70
Amortisation charge (Note 7)	(42)	(42)
Closing net book amount	**518**	**518**
At 31 December 2015		
Cost	826	826
Accumulated amortisation	(308)	(308)
Net book amount	**518**	**518**
Year ended 31 December 2016		
Opening net book amount	**518**	**518**
Additions	6	6
Amortisation charge (Note 7)	(53)	(53)
Closing net book amount	**471**	**471**
At 31 December 2016		
Cost	832	832
Accumulated amortisation	(361)	(361)
Net book amount	**471**	**471**

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

16 Borrowings

Short-term	2016	2015
Bank borrowings	151,202	189,500
Accrued interest	46	66
Total	**151,248**	**189,566**

The Company uses revolving credit facilities, which are re-priced on a monthly basis, from Eurobank Private Bank Luxembourg S.A. and from Eurobank Bulgaria AD, members of Eurobank Group. The Company is not subject to covenants related to its borrowings.

17 Payables to clients and suppliers

	2016	2015
Deposits from clients	106	119
Liabilities to suppliers	247	491
	353	**610**

18 Other liabilities

	2016	2015
Prepayments from clients	1,464	212
Employee benefits	29	35
VAT payable	137	-
Other	123	250
	1,753	**497**

19 Share capital

As at 31 December 2016 the total share capital of the Company was BGN 1,050 thousand (2015: BGN 1,050 thousand). In February 2015, following a decision of the sole owner of the Company, the Company issued new 50,000 shares having par value of BGN 1 per share and total issue value of BGN 21,514,130, which were also fully subscribed and paid by the sole owner.

The excess of the issue value above the nominal value of the shares of BGN 21,464,130 in 2015, is credited to reserves in accordance with requirements of art. 176, par.3 and art. 246, par. 2, p.2 of the Commercial Act, which requirements are also reflected in the decision of the sole owner for the share capital increase.

The Company's sole-owner is Eurobank Ergasias S.A. The registered capital of the Company is divided into 1,050,000 shares (2015: 1,050,000 shares) with a nominal value of BGN 1 each. All shares give equal voting rights and are fully paid.

19 Share capital (continued)

Other reserves include: a) the reserve fund at the amount of BGN 22,695 thousand, formed in accordance with requirements of the Bulgarian Commercial Act through profit allocations at the amount of BGN 25 thousand and share premiums at the amount of BGN 22,670 thousand fully paid by the sole owner and b) additional reserves formed through profit allocation of BGN 1,160 thousand.

The accumulated losses presented in the balance sheet of the Company as at 31 December 2016 include retained earnings of BGN 18,135 thousand, retained earnings from ERB Auto Leasing EOOD at the moment of its absorption by the Company at the amount of BGN 5,304 thousand , as well as accumulated losses at the amount of BGN 41,862 thousand.

20 Related party transactions

ERB Leasing EAD is a subsidiary of Eurobank Ergasias S.A., which is listed on the Athens Stock Exchange.

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.

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

20 Related party transactions (continued)

Since the foundation of the Company, its owners have provided financial support, so that the Company is able to continue its operations. The Company's ability to meet its obligations and to continue as a going concern is dependent on the funds provided by the owners. The Company's parent confirmed in its letter of support dated 19 February 2016 its current policy to provide financial support to ERB Leasing EAD.

A number of transactions are being entered during the normal course of business. These transactions are being carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the year end, and relating expense and income for the period are as follows:

	2016	2015
Assets		
Current accounts (Eurobank Bulgaria AD) - Note10	33	15
Current accounts (Eurobank Private Bank Luxembourg S.A.) - Note10	1	1
Other assets (IMO Central Office EAD)	25	25
Other assets (Eurobank Bulgaria AD)	13	3
Liabilities		
Bank borrowings (Eurobank Private Bank Luxembourg S.A.) - Note 16	109,057	121,514
Interest payable (Eurobank Private Bank Luxembourg S.A.) – Note 16	17	21
Bank borrowings (Eurobank Bulgaria AD) – Note 16	42,145	67,986
Interest payable (Eurobank Bulgaria AD) – Note 16	29	45
Other liabilities (ERB Property Services Sofia)	1	6
Other liabilities (ERB IT Shared Services S.A.)	4	-
Income/(expense)		
Interest income (Eurobank Bulgaria AD)	8	10
Interest expense (Eurobank Private Bank Luxembourg S.A.) – Note 5	(2,333)	(2,927)
Interest expense (Eurobank Bulgaria AD) – Note 5	(1,273)	(1,378)
Foreign currency exchange (Eurobank Bulgaria AD)	(2)	(3)
Other operating expenses (IMO Central Office EAD)	(177)	(180)
Sale of lease assets (IMO Property Investments Sofia EAD)	12,457	-
Other operating expenses (IMO Property Investments Sofia EAD)	-	(10)
Other operating income (IMO Property Investments Sofia EAD)	5	5
Other operating income (Eurobank Bulgaria AD)	473	424
Other operating expenses (Eurobank Bulgaria AD)	(7)	(9)
Other operating income (ERB Property Services Sofia AD)	13	15
Intangible assets (Eurobank Bulgaria AD)	-	(115)
Other services (ERB IT Shared Services S.A.)	(44)	-
Other services (ERB Property Services Sofia AD)	(15)	(24)

(All amounts are shown in thousands of Bulgarian Lev unless otherwise stated)

20 Related party transactions (continued)

Key management compensation for the year ended 31 December 2016 amounted to:

	2016	2015
Management compensation	223	230

21 Contingent liabilities and commitments

Operating lease commitments - the Company as a lessee

The Company leases office premises and vehicles under non-cancellable operating lease agreements.

Non-cancellable operating lease rentals are payable as follows:	2016	2015
Not later than 1 year	88	88
Later than 1 year but not later than 5 years	-	-
Total	**88**	**88**

22 Events after the balance sheet date

In 2017 the Company extended its loan facilities from Eurobank Private Bank Luxembourg S.A. and Eurobank Bulgaria AD (Note 16 and 20) till 30 June 2018.