IMO PROPERTY INVESTMENTS SOFIA EAD
INDEPENDENT AUDITOR'S REPORT
ANNUAL ACTIVITY REPORT
ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2017

Independent Auditor's Report

To the Shareholder of Imo Property Investments Sofia EAD

Our Opinion

We have audited the financial statements of Imo Property Investments Sofia EAD (the "Company") the balance sheet as at 31 December 2017, 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 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

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

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

Independence

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

Material Uncertainty Relating to Going Concern

We draw attention to Note 2.1 to these financial statements, which states that as of 31 December 2017 the Company's net assets had a negative value of BGN 180,314 thousand and the Company's registered share capital exceeds its net assets which is not in compliance with the Bulgarian Commercial Act. These matters, as described in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern as its continued existence is dependent on the capital support by the parent and liquidity support by Eurobank Private Bank Luxembourg. Our opinion is not modified in respect of this matter.

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 Regarding the New and Enhanced Auditor Reporting and Communication by the Auditor" of the professional organisation of registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion on whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

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

Based on the procedures performed, our opinion is that:

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

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Milka Damianova

Registered Auditor

15 June 2018

Sofia, Bulgaria

Одиторско дружество
София
Рег. № 085
Прайсуотърхаускупърс Одит ООД

Jock Nunan

PricewaterhouseCoopers Audit OOD

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The Directors present the report and the financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), for the year ended 31 December 2017. The financial statements have been audited by PricewaterhouseCoopers Audit OOD.

GENERAL INFORMATION

Establishment and activity

Imo Property Investments Sofia EAD Court Registration Number 14845/2007 110, UIK 175386257 is a single-stock company registered in Bulgaria. On 2 February 2010 the shareholder of the Company took decision to change the company's trade name from EFG Business Services Bulgaria EAD to Imo Property Investments Sofia EAD. EFG Business Services Bulgaria EAD had not any activity prior to that. The address of its registered office is as follows: 260 Okolovrasten pat Str. 1766 Sofia, Bulgaria. The Company has no branches.

The sole owner of the Company is Neu Property Holdings Ltd. Neu Property Holdings Ltd. is a private company incorporated and existing under the laws of Cyprus, entered into the Ministry of Energy Commerce Industry and Tourism – Department of Registrar of Companies and official receiver, Nicosia, under registration number HE254249.
The Company's ultimate parent is Eurobank Ergasias S.A. (see also Note 20).

The Company's basic activities are purchase, construction and fitting up of properties in order to sell or rent them.

The Company does not carry out research and development activities.

Share capital structure

The share capital as of 31 December 2017 is BGN 457 thousands and is fully paid. The shares are ordinary and registered. The number of shares is 456,719 of nominal value BGN 1 (one) each.

Board of Directors

As at 31 December 2017 the Board of Directors consists of the following members:

Emil Pilafov – Member of the Board of Directors and Executive Director
Iordan Souvandjiev – Member of the Board of Directors and Executive Director
Dimitrios Andritsos – Member of the Board of Directors
Ekaterini Atsali – Member of the Board of Directors
Michail Stamou – Member of the Board of Directors
General Manager of the Company is Borislav Slavov.

GENERAL INFORMATION (CONTINUED)

Total annual remuneration of the members of the Board of Directors

In 2017 the members of the Board of Directors did not receive remuneration from the Company in their capacity of Board of Directors members.

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

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

Board member's rights to acquire shares and bonds of the Company

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

The Board of Directors member's ownership in other commercial enterprises, as: Partners with unlimited liability

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

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

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

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

Emil Pilafov

- IMO Central Office EAD, Bulgaria – Chairman of the Board of Directors and Executive Director;
- IMO 03 EAD, Bulgaria – Chairman of the Board of Directors and Executive Director.

Iordan Souvandjiev

- Eurobank Bulgaria AD, Bulgaria – Member of the Management Board;
- ERB Property Services Sofia AD, Bulgaria – Member of the Board of Directors;
- IMO Central Office EAD, Bulgaria – Deputy Chairman of the Board of Directors and Executive Director;
- Vinimpeks 21 AD, Bulgaria - Chairman of the Board of Directors.

GENERAL INFORMATION (CONTINUED)

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

Dimitrios Andritsos

- Eurobank Property Services S.A., Greece – Vice Chairman and Chief Executive Officer;
- IMO Property Investments Bucuresti S.A., Romania – Member of the Board of Directors;
- Eurobank Property Services S.A., Romania – Member of the Board of Directors;
- IMO - II PROPERTY INVESTMENTS S.A., Romania – Member of the Board of Directors;
- IMO Property Investments AD Beograd, Serbia – Member of the Supervisory Board;
- ERB Property Services d.o.o. Beograd, Serbia – Member of the Supervisory Board;
- ERB Property Services Sofia AD, Bulgaria – Deputy Chairman of the Board of Directors and Executive Director;
- Propindex S.A., Greece – Member of the Board of Directors.

Ekaterini Atsali

- IMO Property Investments Bucuresti S.A., Romania – Member of the Board of Directors;
- Eurobank Finance S.A., Romania - Member of the Board of Directors;
- ERB Rom Consult S.A., Romania – Member of the Board of Directors;
- ERB Property Services Sofia AD – Member of the Board of Directors;
- ERB Property Services d.o.o. Beograd, Serbia – Member of the Supervisory Board;
- ERB Retail Services IFN S.A., Romania - Member of the Board of Directors;
- Eurobank Property Services S.A., Romania - Member of the Board of Directors.

Michalis Stamou

- 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;
- IMO 03 EAD, Bulgaria – Member of the Board of Directors;
- IMO Central Office EAD, Bulgaria – Member of the Board of Directors;
- ERB Leasing EAD., Bulgaria - Member of the Board of Directors;
- ERB Property Services Sofia AD, Bulgaria - Member of the Board of Directors;
- Eurobank Property Services S.A., Romania - Member of the Board of Directors;
- NEU BG Central Office Limited, Cyprus - Member of the Board of Directors.

GENERAL INFORMATION (CONTINUED)

Contracts under Article 240b of the Commerce Act

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

OVERVIEW OF RESULTS

Financial results for the current period

The financial result before tax for 2017 is loss in the amount of BGN 27,072 thousands. The expenses related to investment properties are the main part of the loss – 37%, the impairment cost are 29% and the financial costs are – 32% of the total expenses.

Investing activity

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

In 2017 and 2016 the Company acquired properties through public auctions and direct purchases. There were 4 and 4 purchases through auctions and 7 and 10 direct ones for 2017 and 2016 respectively. The acquired properties are regulated and non-regulated land plots, residential, industrial and commercial properties and hotels.

MAIN OBJECTIVES FOR 2018

For 2018 the Company will continue to acquire new properties through participation in public auctions. However the main focus for 2018 will be the increase of sales and rent income.

Priorities

The Company intends to continue investing in properties in Bulgaria with the purpose of renting them to third parties or selling them with profit.

FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks. Detailed description of these risks and the policies and procedures applied by the Management are set out in Note 3 of the financial statements as at 31 December 2017.

EVENTS AFTER THE BALANCE SHEET DATE

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

RESPONSIBILITIES OF MANAGEMENT

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

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2017.

The Directors confirm that the financial statements were prepared in accordance with IFRS as adopted by EU and on a going concern basis.

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

Emil Pilafov
Executive Director and Chairman of the Board of Directors

ИМО ПРОПЪРТИ ИНВЕСТМЪНТС СОФИЯ ЕАД * IMO PROPERTY INVESTMENTS SOFIA EAD * СОФИЯ SOFIA

Iordan Souvandjiev
Executive Director and Deputy Chairman of the Board of Directors
15 June 2018

IMO PROPERTY INVESTMENTS SOFIA EAD
STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2017

(All amounts are stated in BGN thousand)

	Note	2017	2016
Income /(Expense) from investment properties, net	5	182	(1,446)
Expenses related to investment properties	6	(9,982)	(8,818)
Impairment of investment properties	6	(7,823)	(5,867)
Impairment related to rent agreements	14	(69)	(292)
Administrative expenses	7	(645)	(666)
Operating loss		**(18,337)**	**(17,089)**
Financial costs, net	8	(8,731)	(8,003)
Loss before income tax		**(27,068)**	**(25,092)**
Income tax	9	-	-
Loss for the year		**(27,068)**	**(25,092)**
Other comprehensive income		(4)	7
Total comprehensive (loss) for the year		**(27,072)**	**(25,085)**

The financial statements have been approved on 15 June 2018 and signed as follows:

Emil Pilafov
Executive Director and Chairman
of the Board of Directors

Yordanka Karapetrova
Financial Manager

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

Milka Damianova
Registered auditor
Date: 15-06-2018
Sofia, Bulgaria

Jock Nunan
PricewaterhouseCoopers Audit OOD
Date: 15-06-2018

IMO PROPERTY INVESTMENTS SOFIA EAD
BALANCE SHEET
31 DECEMBER 2017

(All amounts are stated in BGN thousand)

	Note	As at 31 December 2017	2016
Non-current assets			
Investment property	10	216,813	261,373
Prepayments for acquisition of investment property	12	545	2,263
Other tangible and intangible assets	11	5	8
Total non-current assets		**217,363**	**263,644**
Current assets			
Other receivables	13	5,574	4,678
Cash and cash equivalents	14	12,035	3,253
Total current assets		**17,609**	**7,931**
Total assets		**234,972**	**271,575**
Equity			
Share capital	15	457	457
Share premium		58,468	58,468
Accumulated losses		(239,239)	(212,167)
Total equity		**(180,314)**	**(153,242)**
Current liabilities			
Borrowings	16	413,799	423,579
Other payables	17	1,473	1,231
Total current liabilities		**415,272**	**424,817**
Non current liabilities			
Pension liabilities		14	7
Total non current liabilities		**14**	**7**
Total liabilities		**415,286**	**424,817**
Total equity and liabilities		**234,972**	**271,575**

The financial statements have been approved on 15 June 2018 and signed as follows:

Emil Pilafov
Executive Director and Chairman of the Board of Directors

Yordanka Karapetrova
Financial Manager

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

Milka Damianova
Registered auditor
Date: 15-06-2018
Sofia, Bulgaria

Jock Nunan
PricewaterhouseCoopers Audit OOD
Date: 15-06-2018

(All amounts are stated in BGN thousand)

STATEMENT OF CHANGES IN EQUITY	Note	Share capital	Share premium reserve	Accumulated losses	Total equity
Balance as at 1 January 2016		457	58,468	(187,082)	(128,157)
Loss for the year		-	-	(25,092)	(25,092)
Other comprehensive income					
Actuarial profit		-	-	7	7
Total comprehensive income		-	-	(25,085)	(25,085)
Balance as at 31 December 2016		**457**	**58,468**	**(212,167)**	**(153,242)**
Balance as at 1 January 2017		457	58,468	(212,167)	(153,242)
Loss for the year		-	-	(27,068)	(27,068)
Other comprehensive income					
Actuarial loss		-	-	(4)	(4)
Total comprehensive income		-	-	**(27,072)**	**(27,072)**
Balance as at 31 December 2017		**457**	**58,468**	**(239,239)**	**(180,314)**

The financial statements have been approved on 15 June 2018 and signed as follows:

Emil Pilafov
Executive Director and Chairman
of the Board of Directors

ИМО ПРОПЪРТИ ИНВЕСТМЪНТС СОФИЯ ЕАД
СОФИЯ
SOFIA
IMO PROPERTY INVESTMENTS SOFIA EAD

Yordanka Karapetrova
Financial Manager

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

Milka Damianova
Registered auditor
Date: 15-06-2018
Sofia, Bulgaria

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 085
ПРАЙСУОТЪРХАУСКУПЪРС ОДИТ ООД

Jock Nunan
PricewaterhouseCoopers Audit OOD
Date: 15-06-2018

IMO PROPERTY INVESTMENTS SOFIA EAD
STATEMENT OF CASH FLOWS
31 DECEMBER 2017

(All amounts are stated in BGN thousand)

	Note	2017	2016
Operating activities			
Receipts from clients		218	8,119
Payments for administrative expenses		(516)	(861)
Employee benefits and social securities paid		(437)	(437)
VAT received/paid		1,973	(1,171)
Payments related to investment properties		(6,270)	(9,893)
Net cash flows used in operating activities		**(5,032)**	**(4,243)**
Investing activities			
Purchase and prepayments for investment property		(2,807)	(23,836)
Sale of investment properties		35,132	30,017
Purchases of equipment		-	(3)
Net cash flows from investing activities		**32,325**	**6,178**
Financing activities			
Borrowings received		-	11,735
Interest paid		(8,732)	(8,273)
Borrowings repaid		(9,779)	(4,890)
Net cash flows used in financing activities		**(18,511)**	**(1,428)**
Increase in cash and cash equivalents		8,782	507
Cash and cash equivalents at 1 January		**3,253**	**2,746**
Cash and cash equivalents at 31 December	14	**12,035**	**3,253**

The financial statements have been approved on 15 June 2018 and signed as follows:

Emil Pilafov
Executive Director and Chairman
of the Board of Directors

ИМО ПРОПЪРТИ ИНВЕСТМЪНТС СОФИЯ ЕАД
СОФИЯ
SOFIA
IMO PROPERTY INVESTMENTS SOFIA EAD

Yordanka Karapetrova
Financial Manager

Initiated for identification purposes in the reference to the audit report:

Milka Damianova
Registered auditor
Date: 15-06-2018
Sofia, Bulgaria

ДРУЖЕСТВО
София
Рег. № 085
ПРАЙСУОТЪРХАУСКУПЪРС

Jock Nunan
PricewaterhouseCoopers Audit OOD
Date: 15-06-2018

1. General information

Imo Property Investments Sofia EAD ("the Company") is a solely owned joint stock company with limited liability registered in Republic of Bulgaria.

The sole owner of the Company is Neu Property Holdings Ltd., is a private company incorporated and existing under the laws of Cyprus, entered into the Ministry of Energy Commerce Industry and Tourism – Department of Registrar of Companies and official receiver, Nicosia, under registration number HE254249.

The Ultimate controlling entity and shareholder of the company is Eurobank Ergasias S.A. (see also note 20).

The Company basic activity is purchase, building and construction of real estate property for the purpose of rent and sale. The Company had no activity until 2009.2. Summary of significant accounting policies

2. Summary of significant accounting

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

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU). IFRSs as adopted by the EU is the commonly accepted name of the general purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act "International Accounting Standards" (IASs).

Going concern of the Company

The financial statements are prepared on the principle of going concern which implies that the Company will continue operations in the foreseeable future. IMO Property Investments Sofia EAD finances its activities through a revolving short term borrowing by Eurobank Private Bank Luxembourg and its capital base. In support of that in 2012 the Shareholder increased the share capital and share premium reserve account of the Company with BGN 56,719 thousands. As of 31 December 2017 the Company has negative equity and it relies on the future support and financing by the Group to continue its operations as a going concern. The current credit line was renewed until 28 June 2019.

IMO Property Investments EAD has negative equity of BGN 180,318 thousand and is in breach of article 252, para (1), item 5 from Bulgarian Commerce Act as its registered capital exceeds net assets. Based on the above the financial statements are prepared on the going concern principle.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Position of the Group

Greece's real GDP grew by 1.4% in 2017, according to the Hellenic Statistical Authority's (ELSTAT) first estimate from -0.02% in 2016, while the real GDP growth consensus forecast for 2018 is at 2.1% (compared to an official target of 2.5%). The unemployment rate in December 2017 was 20.8%, based on ELSTAT data (31 December 2016: 23.5%). On the fiscal front, Greece's primary surplus for 2017 is expected at 2.44% of GDP, according to the 2018 Budget data, outperforming the respective Third Economic Adjustment Program (TEAP) primary balance target of 1.75%. According to Bank of Greece and ELSTAT data the current account deficit decreased at -0.8% of GDP in 2017 (2016: -1.1 %).

Greece, following the conclusion of the TEAP second review in June 2017 and the consequent release of the € 8.5 bn loan tranche, reached a staff level agreement with the European institutions on the policy package of the third review on 4 December 2017 and implemented all prior actions by early 2018, which paved the way for the disbursement of the first sub-tranche of € 5.7 bn in the second half of March 2018. The second sub-tranche of € 1 bn will be disbursed in the second quarter of 2018 subject to positive reporting by the European institutions on the clearance of net arrears and the unimpeded flow of e-auctions. On the back of the aforementioned positive developments, Greece returned to the financial markets through the issue of a € 3 bn five-year bond at a yield of 4.625% on 24 July 2017 (for the first time since July 2014) and a € 3 bn seven-year bond at a yield of 3.5% on 8 February 2018. The proceeds of the bond issues are used for further liability/debt management and for the build-up of a state cash buffer that would facilitate the country's market access after the end of the program in August 2018.

The completion of the fourth and final review of the TEAP, which will be carried out by June 2018 according to the implementation plan, an expected significant rise in investments (2018 Budget estimate at 11.4% compared to 9.6% increase in 2017), and a forecasted strong tourism season support expectations for a further improvement in domestic economic activity in 2018. The decisive implementation of the reforms agreed in the context of the TEAP, the implementation of further debt relief measures in accordance with 24 May 2016 Eurogroup decisions, the mobilization of European Union (EU) funding to support domestic investment and job creation, the attraction of foreign and domestic capital and the adoption of an extrovert economic development model will 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 strong and sustainable growth path.

The main risks and uncertainties are associated with (a) the possible delays in the implementation of the reforms' agenda in order to meet the next targets and milestones of the TEAP, (b) the possible delays in the agreement of the post-program relation between Greece and the Institutions, (c) the impact on the level of economic activity and on the attraction of direct investments from the fiscal and social security-related measures agreed under the reviews of the TEAP, (d) the ability to attract new investments in the country, (e) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity, (f) the possible slow pace of deposits inflows and/ or possible delays in the effective management of non-performing exposures (NPEs) as a result of the challenging macroeconomic conditions in Greece and (g) the geopolitical conditions in the broader region and the external shocks from a slowdown in the global economy.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Position of the Group (continued)

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 European Stability Mechanism (ESM) program. The gradual stabilisation of the macroeconomic environment, following the completion of the second and the third review of the TEAP, has enhanced Greece's credibility towards the international markets, improved the domestic economic sentiment and facilitated the return of deposits as well as the further relaxation of capital controls. The successful completion of the fourth review of the TEAP and an agreement on the post-program relation of Greece with its official creditors will help further reinstating depositors' confidence and thus accelerate the return of deposits, and it will positively influence the financing of the economy.

The Group monitors closely the developments in the Greek macroeconomic environment taking into account its direct and indirect exposure to sovereign risk. A key priority is the active management of NPEs, with the aim to substantially reduce their stock in accordance with the Bank's operational targets and taking advantage of the Group's internal infrastructure, the important legislative changes and the external partnerships that have taken or are expected to take place.

In parallel, the Group recorded a net profit attributable to shareholders of € 104 million for 2017. In the context of its strategic plan, the Bank has undertaken significant initiatives towards the fulfillment of the remaining commitments of the restructuring plan and it proceeded with the redemption of the preference shares by issuing Tier 2 bonds at early 2018, which count in its total capital adequacy ratio. The Group's Common Equity Tier 1 (CET1) ratio stood at 17.9 % at 31 December 2017, while the respective pro-forma ratio with the redemption of preference shares/issue of Tier 2 bonds and the completion of the sale transaction in Romania would be 15.8%. The impact of the adoption of IFRS 9 on Group's CET1 as at the end of 2018, according to the transitional arrangements for the 5-year phase in period, will be 16 bps.

Eurobank, along with the other three Greek systemic banks directly supervised by the European Central Bank (ECB), undergoes the 2018 EU-wide stress test launched by the European Banking Authority (EBA) on 31 January 2018. The results for the Greek systemic banks are expected to be published in May 2018.

Within an environment of positive growth, the Group is well on track to achieve the 2018 NPE reduction targets, maintain profitability, continue the creation of organic capital and strengthen its position in the Greek market and abroad.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

In November 2015, following the completion of the Bank's 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 the Bank. 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, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014, 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 (NPLs) management framework and of the Bank's performance on NPLs resolution, (d) the Material Obligations and the switch to full voting rights, (e) the monitoring of the Bank's actual risk profile against the approved Risk and Capital Strategy, (f) the HFSF's prior written consent for the Bank's Group Risk and Capital Strategy and for the Bank's Group Strategy, Policy and Governance regarding the management of its arrears and non-performing loans and any amendment, extension, revision or deviation thereof, and (g) the duties, rights and obligations of HFSF's Representative in the Bank's Board.

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arm's length basis. These include loans, deposits and guarantees. In addition, as part of its normal course of business in investment banking activities, the Group at times may hold positions in debt and equity instruments of related parties.

Amendments to standards and new interpretations adopted by the Company

The following amendments to standards, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), apply from 1 January 2017:

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IAS 7, Amendment-Disclosure Initiative

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. In the year ended 31 December 2017, the change in the Company's liabilities arising from a financial activity is related to the payment of borrowed funds (note 16) amounting to BGN 9,779 thousand and interest paid BGN 8,732 thousand which non-monetary change during the year include accrued interest at the amount of BGN 141 thousand.

Annual Improvements to IFRSs 2014-2016 Cycle

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 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 Group

A number of new standards, amendments to existing standards and interpretations are effective after 2017, 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 19, Amendment –Plan Amendment, Curtailment or Settlement (effective 1 January 2019, not yet endorsed by EU)

The amendment clarifies that when a change to a defined benefit plan i.e an amendment, curtailment or settlement takes place and a remeasurement of the net defined benefit liability or asset is required, the updated actuarial assumptions from the remeasurement should be used to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Additionally, the amendment includes clarifications about the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

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

IAS 28, Amendment – Long Term Interests in Associates and Joint Ventures (effective 1 January 2019, not yet endorsed by EU)

The amendment clarifies that IFRS 9 'Financial Instruments' including its impairment requirements, applies to long term interests in associates or joint ventures that form part of the entity's net investment in the associate or joint venture but are not accounted for using equity accounting.
According to the amendment, any adjustments to the carrying amount of long term interests resulting from the application of IAS 28 should not be considered when applying the IFRS 9requirements which apply to long term interests before applying the loss allocation and impairment requirements of IAS 28.

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 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 had no impact on 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 granted and 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 amendments had no impact on the Company's financial statements.

IFRS 4, Amendment-Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)

The amendment addresses the accounting consequences of the different effective dates of IFRS 9 'Financial Instruments' and the forthcoming new insurance contracts Standard. It 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: amortized 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 amortized 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 through 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 recognized in profit or loss, unless this would create or enlarge an accounting mismatch.

The Company has assessed the impact of the new standart and no significant effect on the financial statements is expected.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 9, Amendment–Prepayment features with negative compensation and modifications of financial liabilities (effective 1 January 2019, not yet endorsed by EU)

The amendment changes IFRS 9 requirements in order to allow measurement of a financial asset at amortized cost or at FVOCI, depending on the business model, even in the case of prepayment options which could result in the party that triggers the early termination receiving compensation from the other party (negative compensation).Therefore, measurement of these financial assets will be regardless of the event or circumstance that caused the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination. Applying IFRS 9 before the amendment would probably result in the measurement of these financial assets at FVTPL.

The amendment also confirms the modification accounting of financial liabilities under IFRS 9. In specific, when a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss, calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognized in profit or loss
The adoption of the amendments had no impact on the Company's financial statements.

IFRS 15, Revenue from Contracts with Customers and IFRS 15 Amendments (effective 1 January 2018)

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'); and
• 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 (i.e. the ability to direct the use of and obtain the benefits from them), is obtained by the customer. For services provided over time, such as management fee income earned for asset management services provided and variable performance fee income based on the return of the underlying asset at a particular date, consideration is recognized when the service is provided to the customer provided that it is probable that a significant reversal of consideration will not occur.
Extensive disclosures will be required in relation to revenue recognized and expected from existing contracts.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 15, Revenue from Contracts with Customers and IFRS 15 Amendments (effective 1 January 2018) (continued)

IFRS 15 was amended in April 2016 to provide several clarifications, including that in relation to the identification of the performance obligations within a contract.

The Company, is currently in the process of finalizing the impact assessment of IFRS 15, however the adoption of the standard is not expected to have a significant impact on the Company's financial statements as net interest income, which is a primary revenue stream of the Company, is not impacted by the adoption of IFRS 15 and the existing Company accounting treatment for revenue from contracts with customers is generally in line with IFRS 15.

IFRS 16, Leases (effective 1 January 2019)

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 Gompany is currently assessing the impact of IFRS 16 on its financial statements, which is impracticable to quantify as at the date of the publication of these financial statements.

IFRS 17, Insurance Contracts (effective 1 January 2021, not yet endorsed by EU)

IFRS 17, which supersedes IFRS 4 'Insurance Contracts' provides a comprehensive and consistent accounting model for insurance contracts. It applies to insurance contracts issued, all reinsurance contracts and to investment contracts with discretionary participating features that an entity issues provided it also issues insurance contracts. Financial guarantee contracts are allowed to be within the scope of IFRS 17 if the entity has previously asserted that it regarded them as insurance contracts.

According to IFRS 17 general model, groups of insurance contracts which are managed together and are subject to similar risks, are measured based on building blocks of discounted, probability-weighted future cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contracts. Under the model, estimates are remeasured in each reporting period. A simplified measurement approach may be used if it is expected that doing so a reasonable approximation of the general model is produced or if the contracts are of short duration.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 17, Insurance Contracts (effective 1 January 2021, not yet endorsed by EU) (continued)

Revenue is allocated to periods in proportion to the value of expected coverage and other services that the insurer provides during the period, claims are presented when incurred and any investment components i.e amounts repaid to policyholders even in the insured event does not occur, are not included in revenue and claims. Insurance services results are presented separately from the insurance finance income or expense.
IFRS 17 is not relevant to the Company's activities

Annual Improvements to IFRSs 2014-2016 Cycle (effective 1 January 2018)

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

Annual Improvements to IFRSs 2015-2017 Cycle (effective 1 January 2019, not yet endorsed by EU)

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2015-17 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements': It is clarified how an entity accounts for increasing its interest in a joint operation that meets the definition of a business.

- If a party obtains control of a business that is a joint operation, then the transaction constitutes a business combination achieved in stages and the acquiring party remeasures the entire previously held interest in the assets and liabilities of the joint operation at fair value.
- If a party obtains joint control, then the previously held interest is not remeasured.

IAS 12 'Income Taxes': It is clarified that all income tax consequences of dividends, including payments on financial instruments classified as equity, should be recognized in profit or loss, other comprehensive income or equity, depending on where the originating transaction or event that generated distributable profits giving rise to the dividend, was recognized.

IAS 23 'Borrowing costs': It is clarified that any borrowing originally made to develop a qualifying asset should be treated as part of general borrowings when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.
The adoption of the amendments is not expected to impact the Company's financial statements.

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

IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions that involve an advance payment or receipt. The interpretation clarifies that in this case, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration, i.e. 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.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRIC 23, Uncertainty over Income Tax Treatments (effective 1 January 2019, not yet endorsed by EU)

The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments. In such a circumstance, recognition and measurement of current or deferred tax asset or liability according to IAS 12 is based on taxable profit (tax loss), tax bases, unused tax losses and tax credits and tax rates determined applying IFRIC 23.

According to the interpretation, each uncertain tax treatment is considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty and the entity should assume that a tax authority with the right to examine tax treatments will examine them and will have full knowledge of all relevant information.

If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, it should determine its accounting for income taxes consistently with that tax treatment. If it concludes that it is not probable that the treatment will be accepted, the effect of the uncertainty in its income tax accounting should be reflected in the period in which that determination is made, using the method that best predicts the resolution of the uncertainty (ie the most likely amount or the expected value method).

Judgments and estimates made for the recognition and measurement of the effect of uncertain tax treatments should be reassessed whenever circumstances change or new information that affects those judgments arise (eg actions by the tax authority, evidence that it has taken a particular position in connection with a similar item or the expiry of its right to examine a particular tax treatment).

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

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

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

2.2 Foreign currency transactions

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

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

2. Summary of significant accounting policies (continued)

2.3 Investment property

Based on IAS 40, Investment property is property, land or a building or part of a building or both held to earn rentals or for capital appreciation or both and that is not occupied by the Company. Investment property is recognised as an asset when it is probable that future economic benefits that are associated with the property will flow to the entity, and the cost of the property can be reliably measured. Before the Company completes the legal procedure of obtaining access to the respective property the expenditures are presented as prepayments for acquisition of investment property.

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

All acquisition costs are accumulated in the book value of investment property. An investment property is measured initially at its cost. Transaction costs are included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes, and other transaction costs.

The real estate assets acquired, where further construction or development is necessary before they become ready for sale, can be treated as ''qualifying assets'' and in this case, the borrowing costs directly attributable to the acquisition and construction/development are eligible for capitalization.

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

Assets under construction are not depreciated.

Movable assets are depreciated on annual depreciation rate 15%.

Land recognized as investment property is not depreciated.

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

Transfers between investment property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

According to IAS 40 and the Company's policy, Imo Property Investments Sofia EAD has to perform an impairment assessment of the acquired properties closer to the year-end reporting date.

2. Summary of significant accounting policies (continued)

2.4.Property, plant and equipment

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

2.5 Receivables and other financial assets

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

2.6 Cash and cash equivalents

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

2.7 Payables and other financial liabilities

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

2.8 Accouting for operating lease contracts

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

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

2. Summary of significant accounting policies (continued)

2.9 Borrowings

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

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

2.10 Interest expense

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

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

The effective interest rate is the rate that exactly discounts estimated future cash

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

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

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

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.11 Revenue recognition

Rental income

Revenue includes rental income, service and management charges collected from properties and gain/loss from property sale.

Rental income from operating leases is recognised in revenue on a straight-line basis over the lease term.

2. Summary of significant accounting policies (continued)

2.12 Taxation

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

Taxes other than on income are recorded within operating expenses.

The deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
The deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

3. Financial risk management

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

3.1. Market risk

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

(b) Interest rate risk
As the Company has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.
The Company's interest rate risk arises from its borrowings (Note 17). Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Interest re-pricing period of the borrowings is on a yearly base, thus mitigating to some extent the interest rate risk.

The Company's cash flow and interest rate risk is periodically monitored by the Company's management and by the parent Company (i.e. the Group management). As the borrowings are provided by the Eurobank Private Bank Luxembourg S.A, the exposure of the Company to interest rate risk is reviewed individually for each new facility provided.
Trade and other receivables and payables are interest-free and have settlement dates within one year.

Impact on liquidity

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

(All amounts are stated in BGN thousand)

3. Financial risk management (continued)

3.2 Credit risk

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

The table below shows balances of cash and cash equivalents as at 31 December 2017 and 2016 with banks, as follows:

	31 December 2017		31 December 2016	
Contractor	**Credit rating**	**Balance**	**Credit rating**	**Balance**
Eurobank Bulgaria AD	BB+ (BCRA)	12,035	BB+ (BCRA)	3,253
		12,035		**3,253**

The Company has not suffered losses as a result of default of the counterparties. The fair value of those assets do not differ materially from their carrying amount.

3.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The liquidity risk is strictly monitored by the Management. The Management expects positive cash flows for the year ended 2017 and onwards, mainly due to cash inflows from operations.

The table below analyses the Company's financial liabilities into relevant maturity based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Total
As at 31 December 2016				
Payables	570	518	150	**1,238**
Borrowings	142	-	423,437	423,579
Total financial liabilities	**712**	**518**	**423,587**	**424,817**

	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Total
As at 31 December 2017				
Payables	546	795	150	**1,491**
Borrowings	141	-	413,658	413,799
Total financial liabilities	**687**	**795**	**413,808**	**415,290**

3. Financial risk management (continued)

3.4 Capital management

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

4. Critical accounting estimates and judgments

Management makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimate of fair value of investment properties

The fair value of the investment properties, accounted at cost model in accordance with IAS 40 is updated, in order to reflect the market conditions at the end of the reporting period by using the valuation reports of licensed appraiser company.

The fair value of the investment properties is the price that would be received to sell the asset in an orderly transaction between market paticipants at the measurement date. The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the fair value estimation of the external appraiser company is based on recent prices of properties with different condition or location, adjusted to reflect those differenses. For disclosure purposes fair value is based on reports prepared by valuation company at the end of the reporting period. The management assesses that there remains sufficient market activity to provide comparable prices for orderly transactions with similar properties when determining the fair value. However management notes difficulty of arriving at appropriate valuation for unique buildings under current market conditions, due to a lack of like-for-like comparables. Thus, the determined fair value of the properties may or may not be the selling price that could be achieved in the short-term. As the adjustments made to them are highly judgmental, the currently achieved and expected level of assumptions used in the investment approach may not be achieved in the future as well.

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

(i) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

4. Critical accounting estimates and judgments (continued)

The investment properties are categorized into three levels of the fair value hierarchy as of 31 December 2017 based on whether the inputs to the fair value are obseable or unobservable, as follows:

Level 1 – Investment properties measured based on quoted prices in active markets for identical assets that the company can access at the measurement date.
Level 2 – Investment properties measured using valuation techniques with the following inputs: i) quoted prices for similar assets in active market, ii) quoted prices for identical or similar assets in markets that are not active, iii) inputs other than quoted prices that are observable for the assets, iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3 – Investment properties measured using valuation techniques with significant unobservable inputs.

Quantative information about fair value mesurments using significant unobservable input Level 3

Description	Fair value at 31.12.2017 in BGN thousands	Valuation technique(s)	Unobservable input	Range (weighted average) 2015 in BGN	Connection between unobservable input and FV
Investment properties in Bulgaria :					
Residential properties	44,475	Sales comparable approach	price per square metre	195.58-2 266.81 (841.01)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
		Cost approach	price per square metre	72.41-1,057.96 (384.71)	
Commercial properties	90,357	Sales comparable approach	price per square metre	114.04-2,876.22 (1,086.60)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
		Cost approach	price per square metre	184.26-662.82 (276.18)	
		Income approach	rent per square metre	7.88-19.05 (11.08)	Should the rent per square metre increase, the Fair value of the investment properties would increase too
Industrial	43,073	Sales comparable approach	price per square metre	132.02-1,580.31 (395.35)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
		Cost approach	price per square metre	210.36-687.33 (243.45)	
Lands	24,393	Sales comparable approach	price per square metre	2.51 - 682.37 (53.84)	Should the price per square metre increase, the Fair value of the investment properties would increase too.

(All amounts are stated in BGN thousand)

4. Critical accounting estimates and judgments (continued)

According to IAS 40 and the Company's policy, Imo Property Investments Sofia EAD performed an impairment analysis of the acquired properties closer to the year-end reporting date.

As at 31 December 2017 the Company has 881 properties with book value before 2017 impairment in the amount of BGN 288,857 thousands (invesment properties in process of acquisition included). The impairment analysis was performed for 862 properties. The analysis does not encompass properties that are recently acquired because such market to book value analysis has been performed for the purchase's purpose.

The total net book value (NBV) of these 881 properties before 2017 impairment amounts to BGN 268,795 thousands. New market valuations have been performed which represent the fair value of the particular properties. The impairment analysis is done by comparing the most recent available valuation, which should not be older than 1 year, with the carrying amount (NBV) of a particular property. For the ones where a substantial deviation between recoverable amount and the carrying amount appears, the difference is recognized as an impairment loss.

The properties with a substantial deviation between the recoverable amount and the carrying amount are 80 and their total NBV before 2017 impairment amounts to BGN 53,361 thousands. The difference recognized as impairment loss is at the amount BGN 7,823 thousands.

5. Income/(Expenses) from investment properties, net

	2017	**2016**
Loss/Gain from sale of properties	(1,395)	(2,474)
Revenue from customers	1,577	1,028
Total	**182**	**(1,446)**

6. Expenses related to investment properties and impairment

	2017	**2016**
Impairment	(7,823)	(5,867)
Depreciation	(5,314)	(4,279)
Maintenance	(4,668)	(4,539)
Total	**(17,805)**	**(14,685)**

7. Administrative expenses

	2017	**2016**
Salaries	(389)	(390)
Rent	(78)	(68)
Social security costs	(48)	(47)
Audit fees	(26)	(24)
Travel costs	(18)	(17)
Other expenses related to personnel	(10)	(25)
Other	(76)	(95)
Total	**(645)**	**(666)**

(All amounts are stated in BGN thousand)

8. Financial costs

Finance costs	**2017**	**2016**
Interest expense	(8,711)	(8,084)
Other finance costs	(20)	(26)
Total finance cost	**(8,731)**	**(8,110)**
Finance income		
Interest income from cession	-	105
Interest income from bank deposit	-	2
Total finance income	**-**	**107**
Total finance cost, net	**(8,731)**	**(8,003)**

9. Income tax expense

	2017	**2016**
Loss before income tax	(27,072)	(25,085)
Tax calculated at a tax rate applicable to profits 10% (2016:10%)	(2,707)	(2,509)
Tax effect of expenses not deductible for tax purposes	-	-
Unrecognized deferred tax income for the year	2,707	2,509
Income tax expense	-	-

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

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	**2017**	**2016**
2017	2,282,061	-
2018	7,146,926	2,282,061
2019	12,672,951	7,146,926
2020	13,798,053	12,672,951
2021	24,113,956	13,798,053
	60,013,947	**35,899,991**

(All amounts are stated in BGN thousand)

10. Investment property

	Buildings	Land	Equipment related to properties	Total
Carrying amount as at 1 January 2016	**192,312**	**84,638**	**1,336**	**278,287**
Additions	10,643	979	14,636	**26,258**
Depreciation	(3,780)	-	(499)	**(4,279)**
Disposals	(24,131)	(8,885)	(11)	**(33,027)**
Impairment charge	(4,527)	(1,340)	-	**(5,867)**
Carrying amount as at 31 December 2016	**170,517**	**75,392**	**15,463**	**261,373**
Additions	3,343	1,007	0	**4,350**
Depreciation	(3,538)	-	(1,776)	**(5,314)**
Disposals	(24,607)	(10,996)	(169)	**(35,774)**
Impairment charge	(5,957)	(1,866)	-	**(7,823)**
Carrying amount as at 31 December 2017	**139,758**	**63,537**	**13,518**	**216,812**

The annual impairment assessment, close to the year end was performed by independent professionally recognised valuers, who hold recognized and relevant professional certficate. As a result impairment expense at the amount of BGN 7,823 thousands was booked. In view of the managament, fair value approximates the net book value.

Some purchases of properties include the purchase of the equipment which represents inseparable part of the property. The aim of the Company is to sell or to rent them together with the respective property. As at 31 December 2017 the NBV of the movable assets is BGN 13,518 thousands.

11. Tangible and intangible assets

	Office furniture	Computers	Software	Total
Carrying amount as at 1 January 2016	**3**	**3**	**3**	**9**
Additions	-	-	3	**3**
Depreciation	(2)	(1)	(1)	**(4)**
Carrying amount as at 31 December 2016	**1**	**2**	**5**	**8**
Additions	-	-	-	-
Depreciation	(1)	(1)	(1)	(3)
Carrying amount as at 31 December 2017	-	1	4	5
Cost	8	10	8	**26**
Accumulated depreciation	(8)	(9)	(4)	**(21)**
Carrying amount as at 31 December 2017	-	1	4	5

12. Prepayments for acquisition of investment property

	As at 31 December	
	2017	**2016**
Investment property in process of acquisition	545	2,263
	545	**2,263**

13. Other receivables

	As at 31 December	
	2017	**2016**
Non-financial assets		
VAT receivables	-	3,849
Prepaid expenses	49	74
Other receivables	13	115
Court receivables	3	3
Financial assets		
Receivables from clients	6,552	1,797
Receivables from bailiffs and other suppliers	216	30
Impairment of receivables	(1,259)	(1,190)
	5,574	**4,678**

As of 31 December 2017 the Management made assessment of the receivables from clients. A provision for impairment of these receivables in the amount of BGN 69 thousand for 2017 was recognized and booked additionally (2016: BGN 1,190 thousand).

14. Cash and cash equivalents

	As at 31 December	
	2017	**2016**
Cash in BGN	11,511	1,099
Cash in EUR	524	2,154
Total Cash and Cash Equivalents	**12,035**	**3,253**

15. Share capital

	Number of shares	**Nominal value of 1 share BGN**	**Value BGN'000**
At 31 December 2016	**456,719**	**1**	**457**
At 31 December 2017	**456,719**	**1**	**457**

As at 31 December 2017 and 2016 the share capital is divided into 456,719 shares, each with a nominal value of BGN 1. The Sole owner of the capital is NEU Property Holdings Ltd., Cyprus.

(All amounts are stated in BGN thousand)

16. Borrowings

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

Current liabilities	**2017**	**2016**
Bank loans	413,658	423,437
Accrued interest	141	142
	413,799	**423,579**

The carrying amounts of these floating-rate borrowings approximate their fair values at the balance sheet date. All borrowings are contracted with floating rate of (1M EURIBOR) plus margin of 2.00%. There are no covenants included in the loan agreements.

The current credit line was renewed until 28 June 2019. The credit line limit as of 31 December 2017 is EUR 223 millions (BGN 436 millions).

17. Payables

	As at 31 December	
	2017	**2016**
Financial liabilities		
To suppliers	353	636
VAT payable	265	-
Guarantees	56	72
Other payables	799	523
	1,473	**1,231**

18. Financial instruments by category

As at 31 December 2017

Financial assets as per balance sheet	**Loans and receivables**
Trade and other receivables (Note 13)	5,509
Cash and cash equivalents (Note 14)	12,035
	17,544

Liabilities as per balance sheet	**Financial liabilities at amortized cost**
Trade payables (Note 17)	1,491
Payables for bank loan (Note 16, 19)	413,799
	415,290

The fair value of all financial assets and liabilities as at the end of 2017 and 2016 approximates their carrying value.

19. Related party transactions

In November 2015, following the completion of the Bank's 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%.

(All amounts are stated in BGN thousand)

19. Related party transactions (continued)

Despite the aforementioned significant decrease of its percentage, the HFSF is still considered to have significant influence over the Bank. 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, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014, 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 (NPLs) management framework and of the Bank's performance on NPLs resolution, (d) the Material Obligations and the switch to full voting rights, (e) the monitoring of the Bank's actual risk profile against the approved Risk and Capital Strategy, (f) the HFSF's prior written consent for the Bank's Group Risk and Capital Strategy and for the Bank's Group Strategy, Policy and Governance regarding the management of its arrears and non-performing loans and any amendment, extension, revision or deviation thereof, and (g) the duties, rights and obligations of HFSF's Representative in the Bank's Board.

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arm's length basis. These include loans, deposits and guarantees. In addition, as part of its normal course of business in investment banking activities, the Group at times may hold positions in debt and equity instruments of related parties.

All transactions with related parties are with fellow subsidiaries.

	2017	2016
Payables to related parties		
ERB Property Services Sofia AD	223	257

	2017	2016
Borrowings		
Eurobank Private Bank Luxembourg S.A.	413,799	423,579

	2017	2016
Cash and cash equivalents		
Eurobank Bulgaria AD (Note 13)	12,035	3,253

	2017	2016
Interest income from bank deposits		
Eurobank Bulgaria AD	-	2

	2017	2016
Interest expenses		
Eurobank Private Bank Luxembourg S.A.	8,711	8,084

	2017	2016
FX transaction expenses, net		
Eurobank Bulgaria AD	2	4

(All amounts are stated in BGN thousand)

19. Related party transactions (continued)

	2017	2016
Commissions and fees expenses		
Eurobank Bulgaria AD	18	22

	2017	2016
Expenses related to investment properties		
ERB Property Services Sofia AD	662	585

	2017	2016
Rent Income		
Eurobank Bulgaria AD	120	26

	2017	2016
Rent expenses		
IMO Central Office EAD	47	47
ERB Leasing EAD	15	5

The management of the Company has received BGN 76 thousands in 2017 (2016: 74 thousands).

20. Contingent liabilities and commitments

The management has not identified any significant contingent liabilities and commitments valid as at 31 December 2017.

21. Events after the balance sheet date

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