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EFG LEASING EAD

DIRECTORS' REPORT

The directors present the annual report and audited financial statements for the year ended 31 December 2011.

BUSINESS DESCRIPTION

The company was registered in 2004. EFG Leasing EAD provides a comprehensive range of leasing products for commercial vehicles, equipment and real estate, mainly to corporate clients.

BUSINESS OVERVIEW

As of the end of December 2011, the outstanding loans and finance lease receivables before provisions amounted to € 125 million. This places EFG Leasing among the leaders on the Bulgarian market of leasing services. This performance is attributed both to the strong support from EFG Eurobank Ergasias Leasing, and to the beneficial cooperation with Eurobank EFG Bulgaria in the area of car financing and corporate banking.

In 2011 the Company's total outstanding portfolio remained stable, compared to the end of 2010. The products that the Company offers include direct leasing, sale-and-lease back, real estate leasing, sub-leasing, stock leasing, and operating leasing. Real estate has the largest share in the lease portfolio – 47 %, followed by industrial equipment with 27 % share and vehicles with 20 %.

As of year-end, the Company employed 21 people. It operates in Sofia and Plovdiv, Varna, Bourgas, Stara Zagora, Rousse, Pleven and Veliko Tarnovo through its branches.

The ongoing global economic crisis which commenced in the middle of 2007 has resulted in a lower level of capital market funding, lower liquidity levels across the banking sector, and higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets affect the banks and companies in Bulgaria at the end of 2008 and has influenced considerably their businesses over the past 3 years. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

In view of the difficult conditions, the main strategic priorities of the Leasing Company for 2011 were focused on preserving the quality and profitability of its existing portfolio efficient operating cost management and prudent risk management.

SHARE CAPITAL STRUCTURE

The company is a wholly owned subsidiary of EFG Eurobank Ergasias which is listed on the Athens Stock Exchange. EFG Eurobank Ergasias is a member of the worldwide EFG Group, which consists of credit institutions, financial services and financial holding companies. The operating parent company of the EFG Group is European Financial Group EFG (Luxembourg) S.A., whilst its ultimate parent company is Private Financial Holdings Limited (PFH), which is owned and controlled indirectly by members of the Latsis family. As at 31 December 2011, the EFG Group held 44.7% of the ordinary shares and voting rights of EFG Eurobank Ergasias through wholly owned subsidiaries of the ultimate parent company, the remaining ordinary shares and voting rights being held by institutional and retail investors, none of which, to the knowledge of the Bank, holds 5% or more.

EFG LEASING EAD

DIRECTORS' REPORT

SHARE CAPITAL STRUCTURE(CONTINUED)

The share capital of the Company amounts to BGN 250 thousand, split in 250 thousand registered shares fully owned by EFG Eurobank Ergasias S.A.

Pursuant to the amendments 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, Para1, item 1 of the CIA) and as such was duly registered in a special register maintained by the Bulgarian National Bank under reg. No BGR00114 (ref. Art. 3, Para 2 of the CIA).

BOARD OF DIRECTORS

At the beginning of the reported period (01.01.2011) until 13.04.2011 the Company was managed by Board of Directors including the following members:

1. Mr. Ioannis Vougyioulas, Member of the Board, Chairman and Executive Director
2. Mr. Zacharias Vlachos, Member of the Board and Deputy Chairman
3. Petroula Papakyriaki, Member of the Board
4. Plamen Nenkov Pavlov, Member of the Board and Executive Director
5. Mr. Anthony C. Hassiotis, Member of the Board
6. Mr. Theodoros Karakasis, Member of the Board
7. Mr. Konstantios Kanakis, Member of the Board

Since 13.04.2011 till the end of the reporting period (31.12.2011) the composition of the Board of Directors and the distribution of functions among its members has been the following:

1. Mr. Ioannis Vougyioulas, Member of the Board, Chairman and Executive Director
2. Mr. Zacharias Vlachos, Member of the Board and Deputy Chairman
3. Ms. Plamen Pavlov, Member of the Board and Executive Director
4. Mr. Anthony C. Hassiotis, Member of the Board
5. Mr. Theodoros Karakasis, Member of the Board
6. Mr. Konstantios Kanakis, Member of the Board
7. Mr. Efthymios Zois, Member of the Board.

In 2011 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 during the year. No member of the Board of Directors holds special rights of acquisition of shares or bonds of the Company.

In 2011 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, except for Anthony C. Hassiotis as a Sole owner of the capital of Investments AMK Ltd.

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

EFG LEASING EAD

DIRECTORS' REPORT

BOARD OF DIRECTORS (CONTINUED)

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

Petroula Papakyriaki

EFG Eurobank Ergasias Leasing S.A., Greece – Deputy Chairman of the BoD
Eurobank Fin and Rent S.A., Greece – Deputy Chairman of the BoD
EFG Leasing IFN S.A., Romania – Deputy Chairman of the BoD
EFG Leasing Poland Sp.zo.o., Poland – Deputy Chairman of the BoD (until 20.01.2011)

Zacharias Vlachos

EFG Leasing IFN S.A., Romania – Member of the BoD
EFG Leasing a.d. Beograd, Serbia – Member of the BoD
EFG Finansal Kiralama A.S., Turkey – Deputy Chairman of the BoD
EFG Leasing Poland Sp.zo.o., Poland – Member of the BoD

Theodoros Karakasis

Bancpost S.A., Romania – Deputy Chairman of the BoD
EFG Retail Services IFN S.A., Romania – Member of the BoD
EFG Leasing IFN S.A., Romania – Member of the BoD
EFG Eurobank Property Services S.A., Romania – Chairman of the BoD
Eurobank EFG a.d. Beograd, Serbia – Chairman of the BoD
EFG Property Services d.o.o. Beograd, Serbia – Chairman of the BoD
Eurobank EFG Bulgaria AD, Bulgaria – Deputy Chairman of the BoD (until 05.05.2011); Deputy Chairman of the SB (effective as of 05.05.2011)
EFG Property Services Sofia A.D., Bulgaria – Chairman of the BoD
EFG Eurobank Ergasias S.A., Greece – Deputy General Manager
Greek-Serbian Chamber of Commerce – Deputy Chairman of the BoD
Hellenic-Romanian Chamber of Commerce and Industry – Member and Secretary General of the BoD

Konstantinos Kanakis

EFG Eurobank Ergasias Leasing S.A., Greece – CEO, Member of the BoD
Eurobank EFG Fin and Rent S.A., Greece – CEO, Member of the BoD (until 17.06.2011)
EFG Leasing IFN S.A., Romania – Member of the BoD
EFG Leasing A.D Beograd, Serbia – Member of the BoD
EFG Finansal Kiralama A.S., Turkey – Member of the BoD

EFG LEASING EAD

DIRECTORS' REPORT

BOARD OF DIRECTORS (CONTINUED)

Anthony Hassiotis

Eurobank EFG Bulgaria AD, Bulgaria – CEO and Member of the BoD (until 05.05.2011); CEO and Chairman of the MB(effective as of 05.05.2011)

Investments AMK EOOD, Bulgaria – Manager and Sole Shareholder

CEIBG (Confederation of Employers & Industrialists in Bulgaria), Bulgaria – Member of the MB Club Manager, Bulgaria – Member of the MB (until 13.07.2011)

Plamen Pavlov

Plamen Pavlov – 96 Sole proprietor, Bulgaria – Sole proprietor

EFG Auto Leasing EOOD, Bulgaria – Manager

Bulgarian CFA Association, Bulgaria – Member of the MB

Ioannis Vouyioukas

EFG Auto Leasing EOOD, Bulgaria – Manager

Eurobank EFG Bulgaria AD, Bulgaria – Member of the MB (effective as of 05.05.2011)

GROUP STRUCTURE AND BRANCH NETWORK

I. In 2010 EFG Leasing EAD registered seven branches, through which the Company provides services to clients in Plovdiv, Varna, Bourgas, Pleven, Rousse, Stara Zagora and Veliko Tarnovo.

Branch Manager of all registered branches in Mr. Svetoslav Maximov Kalo, who manages and represents the branches always jointly with an Executive Director of EFG Leasing EAD.



EFG LEASING EAD

DIRECTORS' REPORT

GROUP STRUCTURE AND BRANCH NETWORK (CONTINUED)

II. EFG Leasing EAD is the sole-owner of EFG Auto Leasing EOOD, established in January 2005.

With its seven branches, EFG Auto Leasing EOOD provides services to clients in Plovdiv, Varna, Bourgas, Pleven, Rousse, Stara Zagora and Veliko Tarnovo.



FINANCIAL RISKS

EFG 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).

To prevent the exposure to currency risk, the leasing company concludes the lease contracts with clients in the same currency (EUR) in which it receives its financing. In case of payment in BGN, the Company applies the fixed exchange rate of the Bulgarian National Bank.

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.

The residual value risk of all assets except vehicles is limited by signing buyback agreements with third parties.

EFG LEASING EAD

DIRECTORS' REPORT

BUSINESS OBJECTIVES FOR 2012

Anticipating certain signs showing a recovery of the economy, in 2012 EFG Leasing EAD shall focus mainly on generating a healthy new business, while maintaining and improving the quality and profitability of its existing portfolio. In terms of new business the Company shall focus on its key vendors and corporate clients of the Group. The close cooperation with Eurobank EFG Bulgaria and the other subsidiaries of Eurobank in Bulgaria will be further developed.

In order to achieve this goal, we will continue to invest in training and development of the existing staff. This will allow them to maintain customer satisfaction, assume additional responsibilities and grow the business in a reasonable manner. With a team of motivated employees and strong support from both Eurobank Ergasias SA and Eurobank EFG Bulgaria AD, the Company is well-positioned to achieve this goal and meet the challenges that it will face in 2012.

Following its strategy to improve customer service and invest in technology, EFG Leasing plans to invest in a new and sophisticated core system during 2012.

In 2012 EFG Leasing will continue working towards becoming the leasing company of choice for the corporate segment and a partner of choice for the car vendors.

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 stand-alone financial statement 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

EFG Leasing EAD

April 20, 2012

31 DECEMBER 2011

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

Separate statement of comprehensive income

	Notes	2011	2010
Interest income	1	16,141	19,303
Interest expense	1	(8,088)	(6,206)
Net interest income		8,053	13,097
Other operating income	2	615	1,140
Foreign exchange loss (net)		(6)	(7)
Other operating expenses	3	(2,362)	(2,286)
Gains/(losses) from sale of repossessed assets	4	(468)	(1,389)
Provisions for impairment	7	(5,546)	(7,156)
Profit before income tax		286	3,399
Income tax expense	5	(30)	(334)
Profit for the year		256	3,065
Other comprehensive income		-	-
Total comprehensive income		256	3,065



Gergana Gerdzhikova
Executive Director



Mariya Garalova
Chief Financial Officer

The financial statements were authorised by the Management on April 20, 2012

Initialled for identification purposes in reference to the audit report.



Rossitsa Boteva
Registered Auditor




Petko Dimitrov
PricewaterhouseCoopers Audit OOD

April 20, 2012
Sofia, Bulgaria


The accompanying notes set out on pages 11-42 are inseparable part of financial statements.


31 DECEMBER 2011

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

Separate balance sheet


	Notes	As at 31 December	
		2011	2010
Assets			
Cash and bank balances	6	32,053	34,094
Finance lease receivables and other loans	7	222,656	231,354
Deferred income tax assets	8	70	61
Corporate tax recoverable		384	326
Other assets	9	3,440	4,746
Equipment	10	917	770
Investment in subsidiary	11	250	250
Total assets		259,770	271,601
Liabilities			
Borrowings	12	240,629	245,033
Payables to suppliers and clients	13	338	7,997
Other liabilities	14	705	729
Total liabilities		241,672	253,759
Shareholder's equity			
Share capital	15	250	250
Other reserves		25	25
Retained earnings		17,823	17,567
Total shareholder's equity		18,098	17,842
Total liabilities and equity		259,770	271,601


Gergana Gerdzhikova
Executive Director


Mariya Garalova
Chief Financial Officer

The financial statements were authorised by the Management on April 20, 2012

Initialed for identification purposes in reference to the audit report.


Rossitsa Boteva
Registered Auditor


Petko Dimitrov
PricewaterhouseCoopers Audit OOD

April 20, 2012
Sofia, Bulgaria

The accompanying notes set out on pages 11-42 are inseparable part of financial statements.





31 DECEMBER 2011

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

**Separate Statement of changes
in shareholders' equity**


	Share capital	Other reserves	Retained earnings	Total
Balance at 1 January 2010	250	5	14,522	14,777
Movement between reserves	-	20	(20)	-
Profit for the year	-	-	3,065	3,065
Balance at 31 December 2010	250	25	17,567	17,842
Balance at 1 January 2011	250	25	17,567	17,842
Profit for the year	-	-	256	256
Balance at 31 December 2011	250	25	17,823	18,098


Gergana Gekdzhikova
Executive Director


Mariya Garalova
Chief Financial Officer

The financial statements were authorised by the Management on April 20, 2012

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Rossitsa Boteva
Registered Auditor

April 20, 2012
Sofia, Bulgaria




Petko Dimitrov
PricewaterhouseCoopers Audit OOD

The accompanying notes set out on pages 11-42 are inseparable part of financial statements

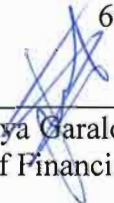
31 DECEMBER 2011

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


Separate statement of cash flows

	Notes	2011	2010
Cash flow from operating activities			
Interest received		16,167	19,045
Interest paid		(8,188)	(6,118)
Other income received		615	801
Proceeds from sale of repossessed assets		6,241	5,219
Payments to employees and suppliers		(2,180)	(2,393)
Income tax paid		(97)	(497)
Changes in operating assets and liabilities:			
- Decrease in finance lease receivables		4,920	41,180
- Increase/(decrease) in other assets		(7,204)	599
- Decrease in payables to clients and suppliers		(7,659)	6,428
- Decrease in other liabilities		(24)	(1,376)
Cash from operating activities		2,591	63,578
Cash flows from investing activities			
Investments in subsidiaries		-	-
Purchase of equipment		(329)	(605)
Proceeds from sales of equipment		-	8
Cash proceeds used in investing activities		(329)	(597)
Cash flows from financing activities			
Repayment of borrowed funds		(4,303)	(46,550)
Cash from financing activities		(4,303)	(46,550)
Net increase/(decrease) in cash and cash equivalents		(2,041)	16,431
Cash and cash equivalents at the beginning of the year		34,094	17,663
Cash and cash equivalents at the end of the year	6	32,053	34,094


Gergana Gerdzhikova
Executive Director


Mariya Garalova
Chief Financial Officer

The financial statements were authorised by the Management on April 20, 2012
Initialed for identification purposes in reference to the audit report.


Rossitsa Boteva
Registered Auditor




Petko Dimitrov
PricewaterhouseCoopers Audit OOD

April 20, 2012
Sofia, Bulgaria

The accompanying notes set out on pages 11-42 are inseparable part of financial statements.

NOTES TO THE FINANCIAL STATEMENT

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

General information

EFG Leasing EAD (the Company) was established on 28 September 2004. As of 31 December 2011 the total share capital of the Company is BGN 250 thousand (31.12.2010 BGN 250 thousand). The operating parent company of the EFG Group is European Financial Group EFG (Luxembourg) S.A., whilst its ultimate parent company is Private Financial Holdings Limited (PFH).

The Company is governed by the Board of Directors consisting of seven members for 2011 (please see point "Board of directors" above) elected for the period of three years. The Board of Directors is represented by the three Executive Directors, also elected for the period of three years.

Eurobank EFG Bulgaria AD is part of the EFG Eurobank Ergasias Group. In accordance with Group guidelines all local subsidiaries receive full support from the local bank part of EFG Eurobank Ergasias Group. This support covers all main areas, such as Risk Management, Client Relations, Finance, Legal, HR.

Impact of the economic crisis and situation in Greece

Since late 2009, fears of a European sovereign debt crisis developed among investors as a result of the rising government debt levels, together with a wave of downgrading of government debt in some European states. Concerns intensified in early 2010 making it difficult for some countries in the euro area to re-finance their government debt without external assistance. The three countries most affected by this were Greece, Ireland and Portugal.

On the Greek debt front, a new funding program was agreed with the European Commission, the ECB and the Eurozone member-states, in the Eurogroup meeting held on 21 February 2012. The new program aims to bring the country's public debt-to-GDP ratio to 116.5% by 2020, below the 120.0% target envisioned in the European Council session held on 26 and 27 October 2011 via Private Sector's Involvement (PSI) in the reduction of Greek debt.

The new funding program is expected to have a significant beneficial effect on the country's solvency outlook. This is due, not only to the reduction of public debt, but also to the expected decline of interest expenditure from 2012 onwards. The funding program constitutes a credible opportunity for the Greek economy to remove uncertainty surrounding it from the middle of 2010 onwards, regarding both sustainability of fiscal position as well as preservation of the country's Eurozone participation.

In addition, the Eurogroup confirmed that the necessary elements have been put in place for Member States to carry out the relevant national procedures to allow for the support by EFSF, including the necessary financing for recapitalisation of Greek banks (including EFG Eurobank Ergasias) following their participation in the recent sovereign debt restructuring (PSI). In February 2012, the Greek parliament adopted the necessary legal framework to enable the necessary financing for the recapitalization of Greek banks.

NOTES TO THE FINANCIAL STATEMENT

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

Impact of the economic crisis and situation in Greece (Continued)*Position of the Group*

EFG Eurobank Ergasias, although significantly affected by the impairment charge on Greek Government bonds (due to its participation in the PSI), continues to closely monitor these constructive developments and has taken necessary steps and continues adjusting to the new requirements.

The shift towards a greater level of collateralized lending, growth in self-funding and the more promising market situation has been in place for some time. Additionally, the Group continues to reduce its cost base in order to increase the efficiency of operations. It also strengthens its collection efforts to maximize loan recoveries by redeploying resources where necessary and implements conservative provisioning policies. Finally and notwithstanding the required recapitalisation of the Parent, the Group is improving continuously the effectiveness of balance sheet management and is undertaking significant strategic initiatives in respect of its capital and liquidity positions.

Position of the Company

As at 31 December 2011, EFG Leasing is financed through a revolving credit facility from EFG Private Bank Luxemburg, own funds and its own capital base.

Summary of significant accounting policies

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

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as adopted by the European Union and in particular with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements.

The policies set out below have been consistently applied to the years 2010 and 2011.

(a) Amended and new standards and interpretations effective in 2011

- IAS 24, Amendment - Related Party Disclosures
- IAS 32, Amendment - Classification of Rights Issues
- IFRIC 14, Amendment - Prepayments of a Minimum Funding Requirement
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendments to various Standards that form part of IASB's 2010 Annual Improvement Project.

NOTES TO THE FINANCIAL STATEMENT

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

Accounting policy (continued)**Basis of preparation (continued)****(b) Standards and Interpretations issued but not yet effective**

- IAS 1, Amendment - Presentation of Items of Other Comprehensive Income (effective 1 January 2013, not yet endorsed by EU)
- IAS 12, Amendment - Deferred tax: Recovery of Underlying Assets (effective 1 January 2012, not yet endorsed by EU)
- IAS 19, Amendment - Employee Benefits (effective 1 January 2013, not yet endorsed by EU)
- IAS 27, Amendment - Separate Financial Statements (effective 1 January 2013, not yet endorsed by EU)
- IAS 28, Amendment - Investments in Associates and Joint Ventures (effective 1 January 2013, not yet endorsed by EU)
- IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014, not yet endorsed by EU)
- IFRS 7, Amendment - Disclosures, Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013, not yet endorsed by EU)
- IFRS 7, Amendment - Disclosures, Transfers of Financial Assets (effective 1 January 2012)
- IFRS 9, Financial Instruments (effective 1 January 2015, not yet endorsed by EU)
- IFRS 9 and IFRS 7, Amendment - Mandatory Effective Date and Transition Disclosures (effective 1 January 2015, not yet endorsed by EU)
- IFRS 10, Consolidated Financial Statements (effective 1 January 2013, not yet endorsed by EU)
- IFRS 11, Joint Arrangements (effective 1 January 2013, not yet endorsed by EU)
- IFRS 12, Disclosure of Interests in Other Entities (effective 1 January 2013, not yet endorsed by EU)
- IFRS 13, Fair Value Measurement (effective 1 January 2013, not yet endorsed by EU)

IFRS 9 is part of IASB's project to replace IAS 39 Financial Instruments which has not been finalised yet and as a result, it is not practicable to quantify its impact. The application of the other above mentioned standards and interpretations is not expected to have a material impact on the Group's financial statements in the period of the initial application.

The application of the above mentioned standards and interpretations does not have and is not expected to have a material impact on the Company's financial statements in the period of the initial application.

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.

These financial statements have been prepared on a stand-alone, non-consolidated basis.

The Company is a fully owned subsidiary of EFG Eurobank Ergasias S.A. and used the exemption from consolidation under IAS 27.10.

NOTES TO THE FINANCIAL STATEMENT

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

Accounting policy (continued)

EFG Eurobank Ergasias S.A. is incorporated in Greece and resident of Greece. The Bank's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and issued for public use. They can be obtained at the following address:

EFG Eurobank Ergasias
20, Amalias Ave.
GR 105 57 Athens
Tel: +30 210 333 7000

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 thousand Bulgarian levs (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.

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 2011 the monetary assets and liabilities are denominated using the official rate of Bulgarian National Bank – 1 EUR = 1.95583 BGN (2010: 1.95583) and 1 USD = 1.51158 BGN (2010: 1.47276).

NOTES TO THE FINANCIAL STATEMENT

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

Accounting policy (continued)**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 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.

Other income and expense

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

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:

	2011	2010
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

NOTES TO THE FINANCIAL STATEMENT

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

Accounting policy (continued)**Equipment (continued)**

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.

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.

NOTES TO THE FINANCIAL STATEMENT

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

Accounting policy (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENT

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

Accounting policy (continued)**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.

Repossessed collateral

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the balance sheet within other assets.

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; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

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.

Borrowings

Borrowings are recognised initially 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.

NOTES TO THE FINANCIAL STATEMENT

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

Accounting policy (continued)**Current tax 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.

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

Share capital

Ordinary shares are classified as equity which is stated at its nominal value according to a court decision for the registration of the Company.

(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.

Investments in Subsidiaries

Investments in subsidiaries are measured at cost less impairment, if any, in accordance with IAS 27.

NOTES TO THE FINANCIAL STATEMENT

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

Accounting policy (continued)**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.

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.

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 quarterly 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.

NOTES TO THE FINANCIAL STATEMENT

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

Critical accounting estimates and judgements in applying accounting policies (continued)*(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*.

Financial risk management

EFG 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 Risk officer prepares periodic internal and external reports, as required by the Bulgarian National Bank, insurance companies, Eurobank EFG Bulgaria AD, EFG Ergassias Leasing, Eurobank, 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 General Manager of relevant changes. The main activity of the risk 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.

A. 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.

NOTES TO THE FINANCIAL STATEMENT

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

A. Credit risk (continued)

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:

- 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 watchlist 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 179 days past due. If they are between 180-359 days past due exposures to these clients are presented as "Impaired". All exposures to wholesale clients above 360 days past due and all exposures to wholesale clients rated in categories 8 to 11 are presented as "Impaired".

Regarding restructured wholesale loans to clients rated in categories 1 to 6 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 179 days past due. If they are between 180-359 days past due these clients are presented as "Impaired". The clients rated in category 7 are presented as „Past due but not impaired". The clients rated between 8 and 11 are presented as "Impaired".

31 DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENT

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

A. 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.

1 Maximum exposure to credit risk

	<u>2011</u>	<u>2010</u>
Credit risk exposures relating to on-balance sheet assets are as follows:		
Current accounts and deposits with banks	32,053	34,094
Finance lease receivables from customers:	221,981	223,470
<i>Consumer lending</i>	2,639	270
<i>Small Business lending</i>	8,859	8,762
<i>Corporate lending</i>	210,483	214,438
Other loans	675	7,884
Total	<u>254,709</u>	<u>265,448</u>

Balance at 31 December 2011	<u>Total</u>
Neither past due nor impaired	75,658
Past due but not impaired	117,202
Impaired	<u>51,889</u>
Gross	244,749
Less: allowance for impairment	(22,768)
Net	221,981

31 DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENT

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

A. Credit risk (continued)

1 Maximum exposure to credit risk (continued)

Balance at 31 December 2010	Total
Neither past due nor impaired	95,872
Past due but not impaired	88,177
Impaired	58,437
Gross	242,486
Less: allowance for impairment	(19,016)
Net	223,470

Other Loans are summarized as follows:

Balance at 31 December 2011	Total
Neither past due nor impaired	675
Less: allowance for impairment	-
Net	675

Balance at 31 December 2010	Total
Neither past due nor impaired	7,884
Less: allowance for impairment	-
Net	7,884

(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 2011 can be assessed by reference to the internal standard grading system. The following information is based on that system:

Balance at 31 December 2011	Total
Acceptable risk	73,288
<i>of which renegotiated</i>	20
Watch list	2,370
<i>of which renegotiated</i>	-

NOTES TO THE FINANCIAL STATEMENT

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

A. Credit risk (continued)

1 Maximum exposure to credit risk (continued)

Balance at 31 December 2010	Total
Acceptable risk	95,428
<i>of which renegotiated</i>	199
Watch list	444
<i>of which renegotiated</i>	-

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. Other loans are secured by mortgage on real state and/or pledge of equipment to be leased.

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

	Consumer Lending	Small Business Lending	Corporate Lending	Total
31 December 2011				
Past due up to 29 days	152	641	77,306	78,099
Past due 30 – 89 days	11	585	30,498	31,094
Past due 90 days – less than 1 year	-	-	8,009	8,009
Total	163	1,226	115,813	117,202
of which: Other loans past due 90 days – less than 1 year	-	-	-	-
	Consumer Lending	Small Business Lending	Corporate Lending	Total
31 December 2010				
Past due up to 29 days	21	595	47,961	48,577
Past due 30 – 89 days	2	738	28,296	29,036
Past due 90 days – less than 1 year	-	71	10,492	10,564
Total	23	1,404	86,750	88,177

NOTES TO THE FINANCIAL STATEMENT

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

A. Credit risk (continued)

1 Maximum exposure to credit risk (continued)

(c) Finance lease receivables individually 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's 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 2011 were BGN 30,988 thousands. The breakdown of the gross amount of individually impaired loans and advances by class is as follows:

31 December 2011	Small			Total
	Consumer Lending	Business Lending	Corporate Lending	
Impaired leases	34	4,719	47,136	51,889
Number of leases	2	157	502	661

31 December 2010	Small			Total
	Consumer Lending	Business Lending	Corporate Lending	
Impaired leases	41	5,074	53,321	58,437
Number of leases	3	152	482	637

Management considers the finance lease receivables covered by assets owned by the leasing company as impaired because experience shows that there are significant administrative and legal difficulties in obtaining the leased asset mainly due to new consumer lending legislation, fraud, etc. The impairment provisions reflect the probability that management will not be able to enforce its rights and repossess the leased asset on defaulted loans.

NOTES TO THE FINANCIAL STATEMENT

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

A Credit risk (continued)

1 Maximum exposure to credit risk (continued)

(d) Allowance for impairment

	Consumer Lending	Small Business Lending	Corporate Lending	Total
Balance as at 31 December 2009	2	2,546	10,738	13,286
Increase in allowance for lease impairment	19	(336)	6,047	5,730
Balance as at 31 December 2010	21	2,210	16,785	19,016
Increase in allowance for lease impairment	203	288	3,471	3,962
Loans written off during the year as uncollectible	(210)	-	-	(210)
Balance as at 31 December 2011	14	2,498	20,256	22,768

2. Repossessed assets

Repossessed assets are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed assets are classified in the balance sheet within other assets. During the year, the Company repossessed 80 of its own assets for the amount of 7,143 BGN thousands (2010: 102 for the amount of 4,521 BGN thousands).

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	Manufacturing	Construction	Other	Total
Finance lease receivables						
-Consumer lending	-	2,699	-	-	-	2,699
-Small business lending	6,243	-	1,513	731	2,957	11,444
-Corporate lending	157,808	-	48,819	11,574	13,080	231,281
31 December 2011	164,051	2,699	50,332	12,305	16,037	245,424
31 December 2010	162,318	291	51,020	15,403	21,337	250,370

NOTES TO THE FINANCIAL STATEMENT

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

A Credit risk (continued)**3. Concentration of risks of financial assets with credit risk exposure (continued)**

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

	2011	2010
Industrial equipment	27.10 %	29.93 %
Real Estate	46.89 %	43.39 %
Vehicles	19.56 %	20.90 %
Other	6.45 %	5.78 %
	100.00 %	100.00 %

B 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.

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 EFG 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.

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:

NOTES TO THE FINANCIAL STATEMENT

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

B Market risk (continued)**1. Market risk measurement techniques (continued)**

- Foreign Exchange rates
- Interest Rates

2. Foreign exchange risk

The Leasing 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 Leasing Company receives financing in EUR from EFG Private Banking – Luxemburg which is a part of EFG Eurobank finance group. To prevent the exposure to currency risk, the Company concludes the leasing contracts with the clients in the same currency- EUR. In case of payment in BGN the company applies the exchange rate of the Bulgarian National Bank .

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

Currently the exchange rate of the Bulgarian lev (BGN) is fixed against the EUR at 1.95583 BGN/EUR via Currency board which is not expected to be amended in the near future.

Foreign exchange risk – sensitivity analysis

Sensitivity of income statement	2011	2010
1) -25% depreciation of local currency	(181)	999
2) 20% appreciation of local currency	145	(799)

FX risk sensitivity has been calculated directly on the total net open FX position as of 25% depreciation / 20% appreciation of the local currency against all foreign currencies.

C. 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 December 31, 2011 and 2010, 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 2009, in view of general market trends for increases in the levels of interest rates, the Company started 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.

NOTES TO THE FINANCIAL STATEMENT

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

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

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

<u>Interest Rate Risk – sensitivity analysis</u>	<u>2011</u>	<u>2010</u>
1) +250 bps shift in interest rate curves (all currencies)	46	67
2) -250 bps shift in interest rate curves (all currencies)	(46)	(67)

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 +/-250 bps on the Company's net worth (the change in the net present value of its assets and liabilities

D Fair value of financial assets and liabilities

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 realized in the current circumstances.

For the following assets and liabilities carried at amortized cost the carrying value approximates their fair value:

- Cash and bank balances include only current accounts in BGN and EUR in Eurobank EFG Bulgaria and cash on hand;
- Borrowings are short term negotiated at floating interest rates.

Finance lease receivables are net of provisions for impairment. The estimated fair value of finance lease receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. The expected cash flows are adjusted to include the future losses expected to occur from the existing finance lease portfolio.

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented in the Company's balance sheet at their fair value.

NOTES TO THE FINANCIAL STATEMENT

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

D Fair value of financial assets and liabilities (continued)

	Carrying amount		Fair value	
	2011	2010	2011	2010
Financial assets				
Finance lease receivables	221,981	231,354	221,981	231,354
Other loans	675	-	675	-
Cash and bank balances	32,053	34,094	32,053	34,094
Financial liabilities				
Borrowings	240,629	245,033	240,629	245,033

E Liquidity risk

Liquidity risk is managed at group level, utilizing financing from EFG Private Bank Luxemburg. The revolving credit facility is utilized on the basis of expected outflows for purchase of equipment to be leased.

The table below analyses the liabilities of EFG Leasing into relevant maturity groupings based on contractual cash flows and the remaining period at balance sheet date to the contractual maturity date.

Maturities of financial liabilities

As of 31 December 2011

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Gross nominal inflow/ (outflow)
Liabilities						
Borrowings	661	1,322	5,949	241,228	-	249,160
Payables to suppliers	338	-	-	-	-	338
Other payables	705	-	-	-	-	705
Total liabilities	1,704	1,322	5,949	241,228	-	250,203
Total assets held for managing liquidity						
	32,053	20,879	16,455	81,145	126,945	277,477

NOTES TO THE FINANCIAL STATEMENT

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

E Liquidity risk (continued)

As of 31 December 2010

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Gross nominal inflow/ (outflow)
Liabilities						
Borrowings	651	1,303	5,962	245,509	-	253,425
Payables to suppliers	7,997	-	-	-	-	7,997
Other payables	729	-	-	-	-	729
Total liabilities	9,377	1,303	5,962	245,509	-	262,151
Total assets held for managing liquidity	34,094	9,757	19,052	88,076	135,485	284,464

F Capital management

EFG 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 EFG Bank European Financial 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, and at least until 31.12.2012.

The table below summarizes the Company's capital structure:

	2011	2010
Long-term debt	240,629	245,033
Payables to suppliers and clients	338	7,997
Total borrowed funds	240,967	253,030
Cash and bank balances	(32,053)	(34,094)
Net debt	208,914	218,936
Shareholders equity	18,098	17,843
Total capital	227,012	236,779
Net debt /total capital	92%	92%

NOTES TO THE FINANCIAL STATEMENT

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

1 Net interest income	2011	2010
Interest income		
Finance lease receivables	14,940	18,453
Interest on bank deposits	1,201	850
	16,141	19,303
Interest expense		
Interest on bank borrowings	8,088	6,206
	8,088	6,206
2 Other operating income	2011	2010
Commission income insurance brokers	181	347
Other services	203	326
Income from operating leases	193	129
Maintenance fee income	38	41
Other	-	362
	615	1,205
3 Other operating expenses	2011	2010
Staff costs (Note 3a)	1,321	1,126
Expenses related to repossession, storage and repairs of assets	297	371
Consulting services	25	51
Operating lease rentals	173	176
Office maintenance	169	125
Advertising	2	11
Courier services	21	64
Depreciation (Note 10)	182	202
Other expenses	172	160
	2,362	2,286

NOTES TO THE FINANCIAL STATEMENT

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

3 Other operating expenses (continued)

3a Staff costs	2011	2010
Salaries	897	891
Social security costs	424	235
	1,321	1,126

As of 31 December 2011 the Company employed 20 people (2010: 36 people).

4 Gains/(losses) from sale of repossessed assets	2011	2010
Proceeds from sale of assets	6,241	5,219
Net book value as of date of sale	(6,709)	(6,608)
	(468)	(1,389)

5 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:

	2011	2010
Profit before income taxes	286	3,399
Tax expense calculated at a tax rate of 10 %	29	340
Permanent differences (tax effect)	1	(6)
Income tax expense including:	30	334
Deferred income tax (credit)/expense(Note 8)	(9)	111
Current income tax expense	39	223

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.

NOTES TO THE FINANCIAL STATEMENT

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

6 Cash and bank balances	2011	2010
Current accounts with banks	32,053	34,093
Cash in hand	-	1
Included in cash and cash equivalents	32,053	34,094

Current accounts and overnight deposits are held in Eurobank EFG Bulgaria. The credit rating of the bank assigned by BCRA is BBB.

7 Lease receivables and other loans	2011	2010
Finance lease receivables		
Corporate entities	230,739	231,223
Small Business Lending	11,357	10,972
Consumer Lending	2,652	291
	244,749	242,486
Less provision for impairment	(22,768)	(19,016)
Total net finance lease receivables	221,981	223,470
Loans	675	7,884
Less: Provision for impairment	-	-
Net loans	675	7,884
Total net finance lease receivables and loans	222,656	231,354

NOTES TO THE FINANCIAL STATEMENT

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

7 Lease receivables and other loans (continued)

The position other loans includes prepayments by the Company for leasing contracts that will be delivered in 2011. Those amounts are net of clients' downpayments and the Company accrues interest until delivery. The amounts are fully secured with promissory notes and mortgage and/or pledges on receivables/inventory.

Gross investment in finance leases, receivables:	2011	2010
Up to 1 year	37,564	29,923
Between 1 and 5 years	88,542	93,081
Over 5 years	178,195	188,894
	304,301	311,898
Unearned future finance income from finance leases	(58,877)	(61,528)
Net investment in finance leases	245,424	250,370

Movement in provisions was as follows:

	2011	2010
Balance at the beginning of the year	19,016	13,286
Increase in provisions for lease impairment	3,962	5,730
Receivables written off during the year as uncollectible	(210)	-
Increase in provisions for other loans	-	-
Balance at end of year	22,768	19,016

Provisions for impairment	2011	2010
Increase in provisions for lease impairment	3,962	5,730
Increase in provisions for other loans	-	-
Recoveries from written off lease receivables	(26)	(129)
Impairment of repossessed assets (Note 9a)	1,610	1,555
Total provision for impairment	5,546	7,156

NOTES TO THE FINANCIAL STATEMENT

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

8 Deferred income taxes

	<u>2011</u>	<u>2010</u>
Deferred tax asset at beginning of year	61	172
Income statement credit (Note 5)	9	(111)
Deferred tax asset at end of year	<u>70</u>	<u>61</u>

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

	<u>31.12.2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Net change</u>	<u>31.12.2011</u>
Revaluation of repossessed assets	46	37	(19)	18	64
Unused annual leaves	2	-	(2)	(2)	-
Other provisions for staff remunerations	12	26	(18)	8	20
Other temporary differences	1	18	(33)	(15)	(14)
Deferred tax asset balance	<u>61</u>				<u>70</u>
Income statement credit/(charge)		<u>81</u>	<u>(72)</u>	<u>9</u>	

9 Other assets

	<u>2011</u>	<u>2010</u>
Assets held for sale	3,821	4,973
Provision on assets held for sale	(639)	(452)
Prepayments	24	16
Other	234	210
	<u>3,440</u>	<u>4,747</u>

9a Provision on assets held for sale

	<u>2011</u>	<u>2010</u>
As of 1 January	452	1,408
Impairment of repossessed assets (note 7)	1,610	1,555
Accumulated impairment of assets sold	(1,423)	(2,511)
As of 31 December	<u>639</u>	<u>452</u>

31 DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENT

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

10 Equipment

	Furniture, equipment and motor vehicles	Computers, hardware and software	Total
At 1 January 2010			
Cost	704	246	950
Accumulated depreciation	(397)	(178)	(575)
Net book amount	<u>307</u>	<u>68</u>	<u>375</u>
Year ended 31 December 2010			
Opening net book amount	307	68	375
Additions	275	330	605
	(9)	9	-
Disposals (Net of depreciation)	(8)	-	(8)
Depreciation charge (Note 3)	(171)	(31)	(202)
Closing net book amount	<u>394</u>	<u>376</u>	<u>770</u>
At 31 December 2010			
Cost	880	541	1421
Accumulated depreciation	(486)	(165)	(651)
Net book amount	<u>394</u>	<u>376</u>	<u>770</u>
Year ended 31 December 2011			
Opening net book amount	394	376	770
Additions	334	29	363
Transfers	(39)	39	-
Disposals (Net of depreciation)	(34)	-	(34)
Depreciation charge (Note 3)	(152)	(30)	(182)
Closing net book amount	<u>503</u>	<u>414</u>	<u>917</u>
At 31 December 2011			
Cost	958	534	1,492
Accumulated depreciation	(455)	(120)	(575)
Net book amount	<u>503</u>	<u>414</u>	<u>917</u>

31 DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENT

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

10 Equipment (continued)

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

	<u>2011</u>	<u>2010</u>
Cost at 31 December	615	577
Accumulated depreciation at 31 December	(125)	(261)
Net book amount at 31 December	490	316

11 Investment in subsidiary

Investment in subsidiary represents a 100% participation in the share capital of EFG Auto Leasing EOOD which was incorporated on 24 January 2005. The investment is measured at cost.

12 Borrowings**Short-term**

	<u>2011</u>	<u>2010</u>
Bank borrowings	240,567	244,870
Accrued interest	62	163
Total	240,629	245,033

The Company uses revolving credit facility, which is renewed on a monthly basis. The borrower is EFG Private Bank Luxembourg SA, member of EFG Group. The interest is one month EURIBOR + 2.075%. The Company is not subject to covenants related to its borrowings.

13 Payables to clients and suppliers

	<u>2011</u>	<u>2010</u>
Deposits from clients	12	53
Liabilities to suppliers	326	7,944
	338	7,997

14 Other liabilities

	<u>2011</u>	<u>2010</u>
Prepayments and other payables from clients	203	33
Personnel and social security	204	197
VAT payable	232	478
Other	66	21
	705	729

NOTES TO THE FINANCIAL STATEMENT

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

15 Share capital

As at 31 December 2011 the total share capital of the Company was BGN 250 thousand (2010: BGN 250 thousand). The Company's sole-owner is EFG Eurobank Ergasias S.A. The registered capital of the Company is divided into 250,000 shares with a nominal value of BGN 1 each. All shares give equal voting rights and are fully paid.

Pursuant to the last amendments of the Credit Institutions Act (CIA), promulgated in State Gazette, issue 24 of 31.03.2011, the company is considered financial institution (ref. Art. 3, Para1, item 1 of the CIA) and as such was duly registered in a special register maintained by the Bulgarian National Bank under reg. No BGR00114 (ref. Art. 3, Para 2 of the CIA).

16 Related party transactions

EFG Leasing EAD is owned by EFG Eurobank Ergasias S.A. The ultimate parent of the Company is EFG Bank European Financial Group.

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 confirms that it is its current policy to ensure that EFG Leasing EAD is in the position to meet its debts and capital expenditure commitments as they fall due. The Company's parent also confirms that they will provide support to EFG Leasing EAD as to ensure that it will have adequate funds to meet its liabilities when they fall due.

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:

NOTES TO THE FINANCIAL STATEMENT

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

16 Related party transactions (continued)

	<u>2011</u>	<u>2010</u>
Assets		
Current accounts (Eurobank EFG Bulgaria AD)	32,053	34,094
Liabilities		
Bank borrowings (EFG Private Bank Luxembourg)	240,567	244,870
Interest payable (EFG Private Bank Luxembourg)	62	163
Other liabilities(EFG Property Services AD)	1	6
Income/(Expense)		
Interest income (Eurobank EFG Bulgaria AD)	1,201	850
Interest expense (EFG Private Bank Luxembourg)	(7,777)	(5,868)
		-
Other services (EFG Ergasias Leasing S.A.)	(310)	(336)
Other operating income (EFG Auto Leasing)	2	22
Other operating expense (EFG Auto Leasing)	(16)	(3)
Other operating income (Eurobank EFG Bulgaria)	157	23
Other operating income (Eurobank EFG Factors)	14	8
Other services (EFG Property Services AD)	(38)	(39)

There are no transactions during the year or balances at year end with the parent and the ultimate parent companies.

Key management compensation for year ended 31 December 2011 amounted to:

	<u>2011</u>	<u>2010</u>
Management compensation	126	126

Management personnel (the executive directors) participate also in the management of EFG Auto Leasing EOOD.

31 DECEMBER 2011

NOTES TO THE FINANCIAL STATEMENT

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

17 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:

	<u>2011</u>	<u>2010</u>
Not later than 1 year	186	248
Later than 1 year but not later than 5 years	2,453	497
Total	<u>2,639</u>	<u>745</u>

18 Post balance sheet events

There are no significant post balance sheet events with effect on the financial statements as at 31 December 2011.



Independent auditor's report

To Shareholder of the EFG Leasing EAD

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of EFG Leasing EAD (the Company) which comprise the separate balance sheet as of 31 December 2011 and the separate statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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



Opinion


In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of EFG Leasing EAD as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the Annual Report in accordance with the Accounting Act.

We are required by the Accounting Act to express an opinion whether the Annual Report is consistent with the annual financial statements of the Company.

In our opinion, the Annual Report set out on pages 1 to 6, is consistent with the accompanying financial statements of the Company as of 31 December 2011.



Rossitsa Boteva
Registered Auditor

20 April 2012
Sofia, Bulgaria





Petko Dimitrov
PricewaterhouseCoopers Audit OOD