ERB LEASING EAD
INDEPENDENT AUDITOR'S REPORT
DIRECTORS'REPORT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

CONTENTS

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Independent auditor's report

To the sole shareholder of ERB Leasing EAD

Report on the Financial Statements

We have audited the accompanying financial statements of ERB Leasing EAD (the Company) which comprise the balance sheet as of 31 December 2014 and the 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 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 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.

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Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ERB Leasing EAD as of 31 December 2014, 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 2014.

Milka Damianova
Registered Auditor

Stefan Weiblen
PricewaterhouseCoopers Audit OOD

7 May 2015
Sofia, Bulgaria

The directors present the annual report and audited financial statements for the year ended 31 December 2014.

BUSINESS DESCRIPTION

ERB Leasing EAD (the Company) was registered in 2004. ERB Leasing EAD provides a comprehensive range of leasing products for light and commercial vehicles, equipment and real estate, to corporate clients and individuals.

BUSINESS OVERVIEW

As of the end of December 2014, the outstanding loans and finance lease receivables before provisions amounted to BGN 259,308 thousand (2013: BGN 244,300 thousand). This places ERB Leasing among the leaders on the Bulgarian market of leasing services with a market share of over 8%. This performance is attributed both to the strong support from Eurobank Ergasias Leasing, and to the beneficial cooperation with Eurobank Bulgaria in the area of car financing and corporate banking.

The Company's total outstanding portfolio marked a sustainable growth of about 6% compared to the end of 2013. The product that the Company offers is financial leasing of different types of assets that aims to respond to the dynamic and multifarious customers' needs. Real estate has the largest share in the lease portfolio – 46%, followed by vehicles with 34% and industrial equipment with 20% share.

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

In view of the competitive market, the main strategic priorities of the Company for 2014 were focused on preserving the quality and profitability of its existing portfolio, grow through sustainable business development in target markets, innovative and flexible products, high quality customer service, efficient cost management and prudent risk management.

SHARE CAPITAL STRUCTURE

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

The share capital of the Company amounts to BGN 1,000 thousand split in 1,000 thousand registered shares (2013: BGN 250 thousand, split in 250 thousand shares) fully owned by Eurobank Ergasias S.A.

Following the successful completion of the recapitalization of the Eurobank Ergasias S.A. from the European Financial Stability Facility (E.F.S.F.) and the introduction of its new shares on the Athens Stock Exchange on June 19, 2013 the E.F.S.F. acquired 3,789,317,358 ordinary shares with voting rights issued by Eurobank Ergasias SA, representing 98.56% of the ordinary voting shares.

SHARE CAPITAL STRUCTURE (CONTINUED)

Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the percentage of the voting rights held by HFSF increased to 95.23%.

The BoG, following the assessment of Eurobank's capital needs, concluded on 6 March 2014 and notified Eurobank that its Core Tier I capital should increase by € 2,945 million. Eurobank Ergasias S.A. with its letter to BoG on 24 March 2014, submitted its capital enhancement plan whereby revised its capital actions providing for an additional positive impact on regulatory capital of € 81 million and stated that it intends to cover the remaining capital needs of € 2,864 million through a share capital increase.

Following the completion of the Eurobank's share capital increase fully covered by private, institutional and other investors, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 95.23% to 35.41%. In addition, in the context of the Law 3864/2010 (the 'HFSF Law') as amended by Law 4254/2014, the HFSF's voting rights in the Eurobank's General Assemblies have been switched to restricted ones. Accordingly, as of early May, the HFSF is no more the controlling shareholder of the Group but is considered to have significant influence over it. Therefore, the HFSF is considered to be a related party to the Group, whereas Greek Banks significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, are not regarded as such.

Pursuant to the provisions of the Credit Institutions Act ("the CIA"), promulgated in State Gazette, issue 24 of 31.03.2009 the Company is considered financial institution (ref. Art. 3, Para1, item 1 of the CIA) and as such was duly registered in a special registered maintained by the Bulgarian National Bank under reg. No BGR00114 (ref. Art. 3, Para 2 of the CIA).

BOARD OF DIRECTORS

As at December 31, 2014 the Board of Directors consisted of the following members:

1. Zacharias Vlachos – Deputy Chairman and member of the Board of Directors
2. Gergana Gerdzhikova – Member of the Board of Directors and Executive Director
3. Konstantios Kanakis – Member of the Board of Directors
4. Efthymios Zois – Member of the Board of Directors
5. Radoslav Yordanov – Member of the Board of Directors and Executive Director
6. Dimitar Shumarov – Member of the Board of Directors

Mr. Dimitrios Strongilopoulos, Mr. Stefan Vasilev and Mr. Theodoros Karakasis were members of the Board of Directors until September 24th, 2014.

Mr. Dimitar Shumarov and Mr. Radoslav Yordanov became member of the Board of Directors on September 24th, 2014.

BOARD OF DIRECTORS (CONTINUED)

In 2014 the members of the Board of Directors have not received compensation in their capacity of members of the Board of Directors.

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

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

In 2014 none of the Board members participated in other commercial enterprises, as unlimited liability partner or as an owner of more than 25% of the capital of another company.

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

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

Zacharias Vlachos

ERB Leasing IFN S.A., Romania – Member of the Board of Directors
ERB Leasing a.d. Beograd, Serbia – Member of the Management Board
T Credit S.A., Greece - Director (effective as of 23.12.2014)

Gergana Gerdzhikova

ERB Auto Leasing EOOD, Bulgaria – Manager (until 7 August 2014)

Theodoros Karakasis

Bancpost S.A., Romania – Deputy Chairman of the Board of Directors
ERB Retail Services IFN S.A., Romania – Member of the Board of Directors
ERB Leasing IFN S.A., Romania – Member of the Board of Directors
Eurobank Property Services S.A., Romania – Chairman of the Board of Directors
ERB Property Services d.o.o. Beograd, Serbia – Chairman of the Supervisory Board
Eurobank A.D. Beograd, Serbia – Chairman of the Management Board
Eurobank Bulgaria AD, Bulgaria – Chairman of the Supervisory Board
ERB Property Services Sofia AD, Bulgaria (former name EFG Property Services Sofia AD, date of change 25/3/2013) – Chairman of the Board of Directors
Bulgarian Retail Services AD, Bulgaria – Chairman of the Board of Directors (effective as of 19.07.2013)
CEH Balkan Holdings Limited – Member of the Board of Directors

BOARD OF DIRECTORS (CONTINUED)

ERB New Europe Funding B.V., The Netherlands – Managing Director A (effective as of 01.02.2013)

ERB New Europe Funding II, The Netherlands – Managing Director A (effective as of 01.02.2013)

Eurobank Ergasias S.A., Greece – Advisor

Greek-Serbian Chamber of Commerce – Deputy Chairman of the Board of Directors

Konstantinos Kanakis

Eurobank Ergasias Leasing S.A., Greece – Chief Executive Officer and Member of the Board of Directors

ERB Leasing IFN S.A., Romania – Member of the Board of Directors

ERB Leasing A.D Beograd, Serbia – Member of the Management Board

T Leasing S.A., Greece - Director (27.2.2014 until 24.11.2014)

T Credit S.A., Greece - Member of the Board of Directors (effective 27 February 2014), Chief Executive Officer (effective 23 December 2014)

Efthymios Zois

ERB Auto Leasing EOOD, Bulgaria – Manager (effective as of 10.06.2013 until 7 August 2014)

ERB Retail Services IFN S.A., Romania – Member of the Board of Directors (effective as of 11 March 2014)

ERB New Europe Funding B.V., The Netherlands - Managing Director A (effective as of 14 March 2014)

ERB New Europe Funding II B.V., The Netherlands - Managing Director A (effective as of 14 March 2014)

Dimitrios Strongylopoulos

IMO Property Investments Bucuresti S.A., Romania – Member of the Board of Directors (effective as of 25.01.2013)

IMO Property Investments AD Beograd, Serbia – Member of the Supervisory Board

ERB Leasing A.D. Beograd, Serbia – Member of the Management Board

NEU Property Holdings Limited, Cyprus – Member of the Board of Directors

NEU II Property Holdings Limited, Cyprus – Member of the Board of Directors

NEU III Property Holdings Limited, Cyprus – Member of the Board of Directors

Bulgarian Retail Services AD, Bulgaria – Member of the Board of Directors (effective as of 19.07.2013)

IMO Property Investments Sofia EAD, Bulgaria – Member of the Board of Directors (effective as of 04.02.2013)

BOARD OF DIRECTORS (CONTINUED)

Dimitar Shumarov

Eurobank Bulgaria AD – Member of the Board of Directors and Executive Director
Imo 03 EAD – Member of the Board of Directors and Manager
Imo Rila EAD – Member of the Board of Directors
IMO Central Office EAD – Member of the Board of Directors

The Company has not entered into contracts specified in Article 240b, paragraph 1 of the Commerce Act during 2014.

COMPANY STRUCTURE AND BRANCH NETWORK

ERB Leasing EAD had seven registered branches through which the Company provides services to clients in Plovdiv, Varna, Bourgas, Pleven, Rousse, Stara Zagora and Veliko Tarnovo. In 2013 ERB Leasing EAD further extended its branch network by registering four new branches in Gabrovo, Blagoevgrad, Sliven and Haskovo, and in 2014 – two new branches in Pazardjik and Shumen were opened.

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

ERB Leasing EAD is the sole-owner of ERB Auto Leasing EOOD, established in January 2005. In August 2014, ERB Leasing legally absorbed its subsidiary in accordance with art. 262 of the Commercial Act.

With its seven branches, ERB Auto Leasing EOOD provided services to clients in Plovdiv, Varna, Bourgas, Pleven, Rousse, Stara Zagora and Veliko Tarnovo. Following the absorption of ERB Auto Leasing EOOD by the Company, its branches were merged with the branches of ERB Leasing EAD in the relevant cities and thus, ceased to exist.

FINANCIAL RISKS

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

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

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

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

FINANCIAL RISKS (CONTINUED)

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

BUSINESS OBJECTIVES FOR 2015

Anticipating certain signs showing a recovery of the economy, in 2015 ERB 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.

In order to achieve this, we will continue to invest in training and development of the professional team working for the company. This will allow them to maintain high customer satisfaction, assume additional responsibilities and grow the business in a reasonable manner. With a team of motivated employees, competitive and innovative products and strong support from the Group, the Company is well-positioned to achieve these goals and meet the challenges that it will face in 2015.

In 2015 ERB Leasing will continue working towards becoming the leasing company of choice for the retail and corporate segments, and a partner of choice for the leading vendors on the market.

MANAGEMENT RESPONSIBILITIES

The Directors are required by Bulgarian law to prepare financial statements each financial year that give a true and fair view of the financial position of the company as at the year end and its financial results. The management has prepared the enclosed separate financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Directors confirm that suitable accounting policies have been used.

The Directors also confirm that applicable International Financial Reporting Standards (IFRS) have been followed and that the financial statements have been prepared on a going concern basis.

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

By order of the Board:

Gergana Gerdzhikova
Executive Director

ERB Leasing EAD
29 April 2015

ERB LEASING EAD
STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2014

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

Statement of comprehensive income

	Notes	2014	2013
Interest income	5	8,942	10,805
Interest expense	5	(5,976)	(5,815)
Net interest income		**2,966**	**4,990**
Other operating income	6	1,438	1,732
Foreign exchange (loss), net		(5)	(65)
Other operating expenses	7	(2,289)	(1,644)
(Losses)/gains from sale of repossessed assets	8	(7)	230
Provisions for impairment	11	(26,527)	(5,947)
Loss before income tax		**(24,424)**	**(704)**
Income tax (expense)/credit	9	(1,709)	(25)
Loss for the year		**(26,133)**	**(729)**
Other comprehensive income		-	-
Total comprehensive income		**(26,133)**	**(729)**

The financial statements were authorised on 29 April 2015

ИАрВи Лизинг ЕАД
ERB Leasing
Град София 04

Gergana Gerdzhikova
Executive Director

Radoslav Yordanov
Executive Director and Finance Manager

Initialled for identification purposes in reference to the audit report.

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
"ПрайсуотърхаусКупърс Одит" ООД
София
Рег. №085

Milka Damianova
Registered Auditor
Date: 7 May 2015

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
7 May 2015

ERB LEASING EAD
BALANCE SHEET
31 DECEMBER 2014

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

Balance sheet

	Notes	As at 31 December 2014	2013
Assets			
Cash and bank balances	10	101	897
Finance lease receivables and other loans	11	187,670	204,875
Deferred income tax assets	12	-	1,711
Corporate tax recoverable		692	381
Other assets	13	3,489	9,553
Equipment	14.1	3,208	2,985
Intangible assets	14.2	490	391
Investment in subsidiary	15	-	250
Total assets		**195,650**	**221,043**
Liabilities			
Borrowings	16	210,680	218,020
Payables to suppliers and clients	17	602	424
Other liabilities	18	872	230
Total liabilities		**212,154**	**218,674**
Shareholder's equity			
Share capital	19	1,000	250
Other reserves	19	1,231	25
Retained earnings		(18,735)	2,094
Total shareholder's equity		**(16,504)**	**2,369**
Total liabilities and equity		**195,650**	**221,043**

The financial statements were authorised on 29 April 2015

Gergana Gerdzhikova
Executive Director

И Ар Би Лизинг ЕАД
ERB Leasing
04
Град София

Radoslav Yordanov
Executive Director and Finance Manager

Initialled for identification purposes in reference to the audit report.

Milka Damyanova
Registered Auditor
Date: 7 May 2015

Специализирано одиторско предприятие
София
Рег. №085
ПрайсуотърхаусКупърс Одит ООД

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
7 May 2015

ERB LEASING EAD
STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2014

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

Statement of changes in shareholders' equity

	Share capital	Other reserves	Retained earnings	Total
Balance at 1 January 2013	**250**	**25**	**2,823**	**3,098**
Comprehensive income				
Loss for the year	-	-	(729)	(729)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	**(729)**	**(729)**
Balance at 31 December 2013	**250**	**25**	**2,094**	**2,369**
Balance at 1 January 2014	**250**	**25**	**2,094**	**2,369**
Comprehensive income				
Loss for the year	-	-	(26,133)	**(26,133)**
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	**(26,133)**	**(26,133)**
Transactions with owners				
Absorption of subsidiary (Note 22)	-	-	5,304	**5,304**
Issue of share capital (Note 19)	750	1,206	-	**1,956**
Total transactions with owners	**750**	**1,206**	**5,304**	**7,260**
Balance at 31 December 2014	**1,000**	**1,231**	**(18,735)**	**(16,504)**

The financial statements were authorised on 29 April 2015

Gergana Gerdzhikova
Executive Director

ERB Leasing ЕАД
04
град София

Radoslav Yordanov
Executive Director and Finance Manager

Initialled for identification purposes in reference to the audit report.

Milka Damianova
Registered Auditor
Date: 7 May 2015

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №085
"ПрайсуотърхаусКупърс Одит" ООД

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
7 May 2015

ERB LEASING EAD
STATEMENT OF CASH FLOWS
31 DECEMBER 2014

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

	Notes	2014	2013
Cash flows from operating activities			
Interest received		9,919	12,909
Interest paid		(6,149)	(5,637)
Other income received		1,385	754
Proceeds from sale of repossessed assets		2,138	3,153
Payments to employees and suppliers		(1,650)	(1,412)
Changes in operating assets and liabilities:			
- (Increase)/Decrease in finance lease receivables		(1,814)	1,417
- (Increase) in other assets		(527)	(6,197)
- Increase/(Decrease) in payables to clients and suppliers		26	41
- Increase/(Decrease) in other liabilities		535	(274)
Cash from operating activities		**3,863**	**4,754**
Cash flows from investing activities			
Purchase of equipment		(845)	(2,527)
Proceeds on disposal of equipment		97	-
Dividend received		-	782
Absorption of subsidiary	22	1,300	-
Cash from/(used in) investing activities		**552**	**(1,745)**
Cash flows from financing activities			
Issue of share capital	19	1,956	-
Repayment of borrowed funds		(7,167)	(13,001)
Cash used in financing activities		**(5,211)**	**(13,001)**
Net decrease in cash and cash equivalents		**(796)**	**(9,992)**
Cash and cash equivalents at the beginning of the year		897	10,889
Cash and cash equivalents at the end of the year	10	**101**	**897**

The financial statements were authorised on 29 April 2015

Gergana Gerdzhikova
Executive Director

Radoslav Yordanov
Executive Director and Finance Manager

ИАрБ ЕАД
ERB Leasing
04
Град София

Initialled for identification purposes in reference to the audit report.

Milka Damianova
Registered Auditor
Date: 7 May 2015

Специализирано одиторско предприятие "ПрайсуотърхаусКупърс Одит" ООД
София
Рег. №085

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
7 May 2015

The accompanying notes set out on pages 11-52 are inseparable part of these financial statements.

1. General information

ERB Leasing EAD (the Company) was established on 28 September 2004. The Company is a wholly owned subsidiary of Eurobank Ergasias S.A. which is listed on the Athens Stock Exchange.

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

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

Position of Eurobank Group

Since May 2010, Greece has undertaken significant structural reforms to restore competitiveness and promote economic growth through a programme agreed with the EU, the ECB and the IMF ("the Institutions"). This had led to primary fiscal surpluses in 2013 and 2014, but also to reform fatigue and social unrest. Following the recent parliamentary elections of 25 January, the new government negotiated a four-month extension of the Master Financial Assistance Facility Agreement (MFFA), the purpose of which is the successful completion of the review on the basis of the conditions in the current arrangement, making best use of the given flexibility which will be considered jointly with the Greek authorities and the Institutions. This extension would also serve to bridge the time for discussions on a possible follow-up arrangement between the Euro Group, the Institutions and Greece. On 23 February, the Greek government presented to the Institutions, a first list of reform measures to be further specified and agreed by the end of April 2015. Greece's access to the last instalment of the previous arrangement and/or to further Eurozone funding is conditional, inter alia, to the Institutions approving the conclusion of the review of the extended arrangement. Until such review is satisfactorily completed, any securities issued or guaranteed by the Hellenic Republic are deemed not eligible for ECB MRO (Main Refinancing Operations) funding. These conditions create material uncertainties on the Greek macroeconomic environment, with potentially adverse effects on the liquidity and solvency of the Greek Banking sector.

Liquidity, of the whole Greek banking sector, was negatively affected in the beginning of 2015 due to the combined effect of deposit withdrawals, reduction of wholesale secured funding and the decision of ECB to lift the waiver of minimum credit rating requirements for marketable instruments issued or guaranteed by Hellenic Republic (i.e. Greek government bonds and Pillar 2 & 3 of the Law 3723/2009). As a result Greek banks reverted to the fallback funding source, the Emergency Liquidity Assistance (ELA) mechanism to cover their short term liquidity needs.

1. General information (continued)

Position of Eurobank Group (continued))

In this context, the Greek banking system and Eurobank specifically, still maintain ample liquidity buffers to correspond to persevering adverse liquidity conditions and the Eurosystem has demonstrated its commitment to support Greek banks as long as Greece remains within the EU support program.

Notwithstanding, the above liquidity pressures and increase of Greek sovereign risks, the capital adequacy position of Eurobank currently stands strong, following April's 2014 Share Capital Increase of € 2.86 billion. More specifically, the CET 1 ratio of the Group as of 31 December 2014 stood at 16.2%. Furthermore, the ECB comprehensive assessment results, as published in October 2014, reaffirmed the solid capital position of the Group stating the lack of any capital shortfall, in both the base and the adverse scenarios.

Position of the Company

The Company realised a loss for 2014 and, as a result, has a negative equity as at 31 December 2014. As disclosed in Note 23, subsequent to year end following a decision of the sole owner the share capital of the Company was increased by BGN 21,514 thousand through a cash contribution, which, together with the extention of term of the credit facility (Note 23), lead to sufficient positive equity and stable financial and liquidity position of the Company. Considering all of the above, the Company's financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

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

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

Following the successful completion of the recapitalization of the Eurobank Ergasias S.A. from the European Financial Stability Facility (E.F.S.F.) and the introduction of its new shares on the Athens Stock Exchange on June 19, 2013 the E.F.S.F. acquired 3,789,317,358 ordinary shares with voting rights issued by Eurobank Ergasias SA, representing 98.56% of the ordinary voting shares. Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the percentage of the voting rights held by HFSF increased to 95.23%.

1. General information (continued)

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

The BoG, following the assessment of Eurobank's capital needs, concluded on 6 March 2014 and notified Eurobank that its Core Tier I capital should increase by € 2,945 million. Eurobank Ergasias S.A. with its letter to BoG on 24 March 2014, submitted its capital enhancement plan whereby revised its capital actions providing for an additional positive impact on regulatory capital of € 81 million and stated that it intends to cover the remaining capital needs of € 2,864 million through a share capital increase.

Following the completion of the Eurobank's share capital increase fully covered by private, institutional and other investors, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 95.23% to 35.41%. In addition, in the context of the Law 3864/2010 (the 'HFSF Law') as amended by Law 4254/2014, the HFSF's voting rights in the Eurobank's General Assemblies have been switched to restricted ones. Accordingly, as of early May, the HFSF is no more the controlling shareholder of the Group but is considered to have significant influence over it. Therefore, the HFSF is considered to be a related party to the Group, whereas Greek Banks significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, are not regarded as such.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

The policies set out below have been consistently applied to the years 2014 and 2013 except as described below. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(a) The following new standards and amendments to existing standards, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), applied from 1 January 2014:

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IAS 27, Amendment - Separate Financial Statements

The amendment is issued concurrently with IFRS 10 'Consolidated Financial Statements' and together they supersede IAS 27 'Consolidated and Separate Financial Statements'. The amendment prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The adoption of the amendment had no impact on the Company's financial statements.

IAS 28, Amendment - Investments in Associates and Joint Ventures

The amendment replaces IAS 28 'Investments in Associates'. The objective of the amendment is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures following the publication of IFRS 11. An exemption from applying the equity method is provided, when the investment in associate or joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment –linked insurance funds. In this case, investments in those associates and joint ventures may be measured at fair value through profit or loss. The adoption of the amendment had no impact on the Company's financial statements.

IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities

The amendment clarifies the requirements for offsetting financial assets and financial liabilities. The adoption of the amendment had no impact on the Company's financial statements.

IAS 36, Amendment - Recoverable Amount Disclosures for Non-Financial Assets

The amendment restricts the requirement to disclose the recoverable amount of an asset or cash generating unit only to periods in which an impairment loss has been recognized or reversed. It also includes detailed disclosure requirements applicable when an asset or cash generating unit's recoverable amount has been determined on the basis of fair value less costs of disposal and an impairment loss has been recognized or reversed during the period. The adoption of the amendment had no impact on the Company's financial statements.

IAS 39, Amendment - Novation of derivatives and continuation of hedge accounting

The amendment provides relief from discontinuing hedge accounting when, as a result of laws and regulations, a derivative designated as a hedging instrument is novated to effect clearing with a central counterparty and specific criteria are met. 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)

IFRS 10, Consolidated Financial Statements

IFRS 10 replaces the part of IAS 27 'Consolidated and Separate Financial Statements' that deals with consolidated financial statements and SIC 12 'Consolidation-Special Purpose Entities'. Under IFRS 10, there is a new definition of control, providing a single basis for consolidation for all entities. This basis is built on the concept of power over the investee, variability of returns from the involvement with the investee and their linkage, replacing thus focus on legal control or exposure to risks and rewards, depending on the nature of the entity. The adoption of the amendment had no impact on the Company's financial statements.

IFRS 11, Joint Arrangements

IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities-Non – monetary Contributions by Ventures' and establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.

Under IFRS 11, there are only two types of joint arrangements, joint operations and joint ventures and their classification is based on the parties' rights and obligations arising from the arrangement, rather than its legal form.

The equity method of accounting is now mandatory for joint ventures. The option to use the proportionate consolidation method to account for joint ventures, which was not applied by the Group, is no longer allowed. In joint operations, each party that has joint control of the arrangement recognizes in its financial statements, in relation to its involvement in the joint operation, its assets, liabilities and transactions, including its share in those arising jointly.

The adoption of IFRS 11 had no impact on the Company's financial statements.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 specifies the disclosures required in annual financial statements to enable users of financial statements to evaluate the nature of and risks associated with the reporting entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The adoption of IFRS 12 had no impact on the Company's financial statements.

IFRS 10, 11 and 12 Amendments - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

The amendments clarify the transition guidance in IFRS 10 and provide additional transition relief in IFRS 10, 11 and 12, requiring adjusted comparative information to be limited only to the preceding comparative period. In addition, for disclosures related to unconsolidated structured entities, the requirement to present comparative information for periods before IFRS 12 is first applied, is removed. The adoption of the amendments had no impact on the Company's financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 10, 12 and IAS 27 Amendments - Investment Entities
The amendments require that 'investment entities', as defined below, account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss. The only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. Under the amendments an 'Investment entity' is an entity that:

(a) obtains funds from one or more investors for the purpose of providing those investors with investment management services;

(b) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

(c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The amendments also set out disclosure requirements for investment entities. The adoption of the amendments had no impact on the Company's financial statements.

(b) A number of new standards, amendments and interpretations to existing standards are effective after 2014, as they have not yet been endorsed for use in the European Union or have not been early applied by the Company. Those that may be relevant to the Company are set out below:

IAS 1, Amendment - Disclosure initiative (effective 1 January 2016, not yet endorsed by EU)
The amendment clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The adoption of the amendment is not expected to impact the Company's financial statements.

IAS 16 and IAS 38, Amendments -Clarification of Acceptable Methods of Depreciation and Amortization (effective 1 January 2016, not yet endorsed by EU)
The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The adoption of the amendments is not expected to impact the Company's financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IAS 19, Amendment- Defined Benefit Plans: Employee Contributions (effective 1 January 2016)

The amendment clarifies the accounting for post- employment benefit plans where employees or third parties are required to make contributions which do not vary with the length of employee service, for example, employee contributions calculated according to a fixed percentage of salary. The amendment allows these contributions to be deducted from pension expense in the year in which the related employee service is delivered, instead of attributing them to periods of employee service. The adoption of the amendment is not expected to have a material impact on the Company's financial statements.

IAS 27, Amendment –Equity Method in Separate Financial Statements (effective 1 January 2016, not yet endorsed by EU)

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

IFRS 9, Financial Instruments (effective 1 January 2018, not yet endorsed by EU)

In July 2014, the IASB published the final version of IFRS 9 which replaces IAS 39 'Financial Instruments'. IFRS 9 sets out revised requirements on the classification and measurements of financial assets, addresses the reporting of fair value changes in own debt when designated at fair value, replaces the existing incurred loss model used for the impairment of financial assets with an expected credit loss model and incorporates changes to hedge accounting.

The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Classification and measurement

IFRS 9 applies one classification approach for all types of financial assets, according to which the classification and measurement of financial assets is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. A business model refers to how an entity manages its financial assets so as to generate cash flows, by collecting contractual cash flows, or selling financial assets or both. Upon assessment, each financial asset will be classified in one of the three categories: amortized cost, fair value through profit or loss and fair value through other comprehensive income.

With regard to financial liabilities, the treatment followed in IAS 39 is carried forward to IFRS 9 essentially unchanged. However, IFRS 9 requires fair value changes of liabilities designated at fair value under the fair value option which are attributable to the change in the entity's own credit risk to be presented in other comprehensive income rather than in profit or loss, unless this would result in an accounting mismatch.

Impairment of financial assets

Under IFRS 9 the same impairment model applies to all financial instruments which are subject to impairment accounting.

The new impairment model is forward - looking and requires, the recognition of expected credit losses, in contradiction with IAS 39, that required a trigger event to have occurred before credit losses were recognized. IFRS 9 includes a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Accordingly, upon initial application of IFRS 9, for financial assets that are not credit-impaired and for which no significant increase in credit risk since initial recognition is observed, the respective credit losses will be recognized in profit or loss and will be based on the 12-month expected credit losses. However, if the credit risk of the financial assets increases significantly since initial recognition, a provision is required to be recognized for credit losses expected over their remaining lifetime ('lifetime expected losses').

For financial assets that are credit-impaired on origination, the expected life time credit losses will be applied.

In measuring expected credit losses information about past events, current conditions and forecasts of future conditions should be considered.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Hedge accounting

IFRS 9 introduces a reformed model for hedge accounting, seeking to more closely align hedge accounting with risk management activities so as to better reflect these activities in the entities' financial statements. Under the new model, new hedge effectiveness requirements apply, discontinuation of hedge accounting is allowed only under specific circumstances, and a number of items that were not eligible under IAS 39 as hedging instruments or hedged items are now eligible.

The Company is currently examining the impact of IFRS 9 on its financial statements, which is impracticable to quantify as at the date of the publication of these financial statements.

IFRS 10, IFRS 12 and IAS 28, Amendments - Investment Entities: Applying the Consolidation Exception (effective 1 January 2016, not yet endorsed by EU)

These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The adoption of the amendments is not expected to impact the Company's financial statements.

IFRS 10 and IAS 28, Amendments- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by IASB, not yet endorsed by EU).

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are in a subsidiary. In January 2015, the IASB tentatively decided to include necessary changes to IFRS 10 and IAS 28 within a forthcoming Exposure Draft and accordingly postponed the effective date of the amendments (previously 1 January 2016). The adoption of the amendments is not expected to impact the Company's financial statements

IFRS 11, Amendment – Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016, not yet endorsed by EU)

This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The adoption of the amendment is not expected to impact the Company's financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 15, Revenue from Contracts with Customers (effective 1 January 2017, not yet endorsed by EU)

IFRS 15 establishes a single, comprehensive revenue recognition model to be applied consistently to all contracts with customers, determining when and how much revenue to recognize, but has no impact on income recognition related to financial instruments which is under the scope of IFRS 9 and IAS 39. In addition, IFRS 15 replaces the previous revenue standards IAS 18 Revenue and IAS 11 Construction contracts and the related Interpretations on revenue recognition. The Company is currently assessing the impact of IFRS 15, however the adoption of the standard is not expected to have a material impact on the Company's financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2016)

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

- Definition of vesting condition in IFRS 2 'Share – based Payment';
- Accounting for contingent consideration in a business combination in IFRS 3 'Business Combinations';
- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets in IFRS 8 'Operating Segment';
- Short-term receivables and payables in IFRS 13 'Fair Value Measurement';
- Revaluation method—proportionate restatement of accumulated depreciation in IAS 16 'Property, Plant and Equipment';
- Key management personnel in IAS 24 'Related Party Disclosures'; and
- Revaluation method—proportionate restatement of accumulated amortization in IAS 38 'Intangible Assets'.

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

Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 January 2015)

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2011-13 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Scope exceptions for joint ventures in IFRS 3 "Business Combinations";
- Scope of portfolio exception in IFRS 13 "Fair Value Measurement";
- Clarifying the interrelationship between IFRS 3 "Business Combinations" and IAS 40 "Investment Property" when classifying property as investment property or owner-occupied property in IAS 40; and
- Meaning of "effective IFRSs" in IFRS 1 First-time Adoption of International Financial Reporting Standards.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 January 2015) (continued)

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

Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016, not yet endorsed by EU)

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

- Clarifying in IFRS 5 'Non-current assets held for sale and discontinued operations' that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.
- Adding in IFRS 7 'Financial instruments: Disclosures' specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. It also clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.
- Clarifying in IAS 19 'Employee benefits' that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.
- Clarifying in IAS 34 'Interim financial reporting' what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

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

IFRIC 21, Levies (effective 1 January 2015)

IFRIC 21 Levies clarifies that an entity recognizes a liability for a levy that is not income tax when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, for example a specified level of revenue, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The adoption of the interpretation is not expected to impact the Company's financial statements.

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

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

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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.

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

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

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

2.2 Foreign currency translation

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

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. As of 31 December 2014 the monetary assets and liabilities are denominated using the official rate of Bulgarian National Bank – EUR 1= BGN 1.95583 (2013: 1.95583).

2.3 Interest income and expense

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

2. Summary of significant accounting policies (continued)

2.3 Interest income and expense (continued)

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

2.4 Other income and expense

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

2.5 Equipment

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

	2014	2013
Computers	5 years	5 years
Vehicles	1-4 years	1-4 years
Machinery and equipment	6-7 years	6-7 years
Other fixed assets	5-10 years	5-10 years

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

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

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

2. Summary of significant accounting policies (continued)

2.6 Impairment of financial assets

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

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

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

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

2. Summary of significant accounting policies (continued)

2.6 Impairment of financial assets (continued)

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

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

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

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

2.7 Leases

Finance leases – the Company as a lessor

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

Operating leases- the Company as a lessor

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

Operating leases- the Company as a lessee

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

2. Summary of significant accounting policies (continued)

2.8 Repossessed collaterals

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.

2.9 Loans and receivables

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

2.10 Cash and cash equivalents

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

2.11 Borrowings

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

2.12 Current and deferred income tax

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

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

2. Summary of significant accounting policies (continued)

2.12 Current and deferred income tax (continued)

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

2.13 Share capital

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

(a) Share issue costs

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

(b) Dividends on ordinary shares

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

2.14 Investments in subsidiaries

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

2.15 Employee benefits

(a) Social, pension and health funds.

The Company is obliged by the current Bulgarian legislation to make fixed contribution on behalf of the employees to a social fund operated by the Government. All those payments/liabilities are related to current salary expenses and are recognized as an expense in the period to which those relate. The Company has no further payment obligations once the contributions have been paid.

(b) Pension obligations

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

2. Summary of significant accounting policies (continued)

2.15 Employee benefits (continued)

(b) Pension obligations (continued)

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

3. Critical accounting estimates and judgements in applying accounting policies

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

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

The Company reviews its loan and finance lease portfolios to assess impairment at least on a 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.

(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*.

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

4. Financial risk management and fair value

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

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

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

4.1 Credit risk

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

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

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

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

4. Financial risk management and fair value (continued)

4.1 Credit risk (continued)

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

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

Corporate clients are rated in 11 categories. The Company groups wholesale clients categorized from 1 to 6 in the grade acceptable risk and these categorized with 7 - in the 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 above 180 days past due exposures to these clients are presented as "Impaired". All exposures to wholesale clients above 180 days past due and all exposures to wholesale clients rated in categories 8 to 11 are presented as "Impaired". All terminated wholesale exposures 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" if they are up to 360 days past due. 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". All terminated wholesale exposures are presented as "Impaired".

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

4. Financial risk management and fair value (continued)

4.1 Credit risk (continued)

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

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

4.1.1 Exposure to credit risk

	Balance at 31 December	
	2014	**2013**
Credit risk exposures relating to on-balance sheet assets are as follows:		
Cash and bank balances (Note 10)	101	897
Finance lease receivables from customers (Note 11):	184,742	202,703
Consumer lending	*11,809*	*9,596*
Small Business lending	*27,460*	*18,341*
Corporate lending	*145,473*	*174,766*
Other loans (Note 11)	2,928	2,172
Total	**187,771**	**205,772**

	Balance at 31 December	
	2014	**2013**
Neither past due nor impaired	54,611	115,586
Past due but not impaired	39,150	15,179
Impaired	162,619	111,363
Gross	**256,380**	**242,128**
Less: allowance for impairment (Note 11)	(71,638)	(39,425)
Net	**184,742**	**202,703**

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

4. Financial risk management and fair value (continued)

4.1. Credit risk (continued)

4.1.1. Exposure to credit risk (continued)

Other Loans are summarized as follows:

	Balance at 31 December 2014	2013
Neither past due nor impaired	2,928	2,172
Less: allowance for impairment	-	-
Net	**2,928**	**2,172**

(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 2014 can be assessed by reference to the internal standard grading system. The following information is based on that system:

	Balance at 31 December 2014	2013
Acceptable risk	57,539	81,783
of which renegotiated	-	*32,371*
Watch list	-	35,975
	57,539	**117,758**

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

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

31 December 2014	**Consumer Lending**	**Small Business Lending**	**Corporate Lending**	**Total**
Past due up to 29 days	667	623	2,196	**3,486**
Past due 30 – 89 days	139	683	34,798	**35,620**
Past due 90 days – less than 1 year	-	-	44	**44**
Total	**806**	**1,306**	**37,038**	**39,150**
of which: Other loans past due 90 days – less than 1 year	-	-	-	-

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

4. Financial risk management and fair value (continued)

4.1 Credit risk (continued)

4.1.1. Exposure to credit risk (continued)

31 December 2013	Consumer Lending	Small Business Lending	Corporate Lending	Total
Past due up to 29 days	782	1,453	2,883	**5,118**
Past due 30 – 89 days	174	889	8,998	**10,061**
Past due 90 days – less than 1 year	-	-	-	-
Total	**956**	**2,342**	**11,881**	**15,179**
of which: Other loans past due 90 days – less than 1 year	-	-	-	-

(c) Finance lease receivables impaired

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

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

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

The individually impaired finance lease receivables as at 31 December 2014 were BGN 146,810 thousand (2013: BGN 105,764 thousand) and all of them are Corporate Lending.

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

31 December 2014	Consumer Lending	Small Business Lending	Corporate Lending	Total
Impaired leases	2,065	13,880	146,674	**162,619**
Number of leases	154	631	623	**1,408**

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

4. Financial risk management and fair value (continued)

4.1 Credit risk (continued)

4.1.1. Exposure to credit risk (continued)

31 December 2013	Consumer Lending	Small Business Lending	Corporate Lending	Total
Impaired leases	206	5,654	105,503	**111,363**
Number of leases	13	213	424	**650**

Management considers the finance lease receivables as impaired despite being covered by assets owned by the leasing company 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 may not be able to enforce its rights and repossess the leased asset on defaulted loans.

(d) Allowance for impairment (Note 11)

	Consumer Lending	Small Business Lending	Corporate Lending	Total
Balance as at 31 December 2012	**20**	**3,314**	**39,685**	**43,019**
Charge to profit or loss	18	787	2,949	**3,754**
Loans written off during the year as uncollectible	-	-	(7,348)	**(7,348)**
Balance as at 31 December 2013	**38**	**4,101**	**35,286**	**39,425**
Absorption of subsidiary (Note 22)	1,323	4,313	8,107	**13,743**
Charge to profit or loss	30	2,299	21,829	**24,158**
Loans written off during the year as uncollectible	-	(114)	(5,574)	**(5,688)**
Balance as at 31 December 2014	**1,391**	**10,599**	**59,648**	**71,638**

4.1.2. Repossessed assets

Repossessed assets are sold as soon as practicable. Repossessed assets are classified in the balance sheet within other assets. During the year, the Company repossessed assets for the amount of BGN 1,219 thousands (2013: BGN 5,511 thousands).

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

4. Financial risk management and fair value (continued)

4.1 Credit risk (continued)

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

Industry sectors

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

	Commerce and services	Private individuals	Manufacturing	Construction	Other	Total
Finance lease receivables						
-Consumer lending	-	13,581	-	-	-	**13,581**
-Small business lending	19,590	-	4,975	2,798	11,460	**38,823**
-Corporate lending	152,014	-	32,104	7,147	15,639	**206,904**
31 December 2014	**171,604**	**13,581**	**37,079**	**9,945**	**27,099**	**259,308**
31 December 2013	**164,490**	**10,203**	**38,975**	**8,734**	**21,898**	**244,300**

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

	2014	**2013**
Industrial equipment	19%	23 %
Real Estate	46%	52 %
Vehicles	34%	24 %
Other	1%	1 %
	100%	**100%**

4.2 Market risk

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

4. Financial risk management and fair value (continued)

4.2 Market risk (continued)

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

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

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

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

The objectives of market risk control and supervision are to

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

4.2.1. Market risk measurement techniques

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

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

- Foreign Exchange rates
- Interest Rates

4.2.2. Foreign exchange risk

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

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

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

4. Financial risk management and fair value (continued)

4.2 Market risk (continued)

4.2.2. Foreign exchange risk (continued)

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

Currently the exchange rate of the Bulgarian Lev is fixed against the EUR at 1.95583 BGN/EUR via Currency board which is not expected to be amended in the near future. For that reason, the Company did not make sensitivity analysis against Euro for 2014.

4.3. Cash flow and fair value interest risk

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

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

As of 31 December 2014 and 2013, 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 2010, 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.

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

	2014	2013
Interest Rate Risk – sensitivity analysis		
1) +100 bps shift in interest rate curves (2013: +250 bps shift in interest rate curves) (all currencies)	8	17
2) -100 bps shift in interest rate curves (2013: -250 bps shift in interest rate curves) (all currencies)	(8)	(17)

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

4. Financial risk management and fair value (continued)

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

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

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).

4.4 Fair value of financial assets and liabilities

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

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

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

	31 December 2014				
	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying amount
Financial assets					
Finance lease receivables (Note 11)	-	-	188,471	188,471	187,670

	31 December 2013				
	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying amount
Financial assets					
Finance lease receivables (Note 11)	-	-	205,760	205,760	204,875

4. Financial risk management and fair value (continued)

4.4 Fair value of financial assets and liabilities

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

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

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

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

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

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

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

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

4.5 Liquidity risk

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

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

Maturities of financial liabilities

As of 31 December 2014	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Liabilities						
Borrowings (Note 16)	406	811	193,300	24,212	-	**218,729**
Payables to clients and suppliers (Note 17)	602	-	-	-	-	**602**
Other payables (Note 18)	287	-	-	-	-	**287**
Total liabilities	**1,295**	**811**	**193,300**	**24,212**	-	**219,618**
Total assets held for managing liquidity	**6,098**	**6,065**	**75,510**	**129,744**	**82,137**	**299,554**

4. Financial risk management and fair value (continued)

4.5 Liquidity risk

As of 31 December 2013	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Liabilities						
Borrowings (Note 16)	782	1,098	26,246	199,802	-	**227,928**
Payables to clients and suppliers (Note 17)	424	-	-	-	-	**424**
Other payables (Note 18)	230	-	-	-	-	**230**
Total liabilities	**1,436**	**1,098**	**26,246**	**199,802**	-	**228,582**
Total assets held for managing liquidity	**13,332**	**6,098**	**39,349**	**140,191**	**99,992**	**298,962**

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

4.6 Capital management

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

The Company relies on a continued financial support from the Eurobank Group, which is a stable and reliable Financial Institution, to cover the risk from the existing liquidity gap. This policy was adopted in 2006 and will continue in the foreseeable future, and at least until 31.12.2015.

The table below summarizes the Company's capital structure:

	2014	2013
Borrowings (Note 16)	210,680	218,020
Payables to suppliers and clients (Note 17)	602	424
Total borrowed funds	**211,282**	**218,444**
Cash and bank balances (Note 10)	(101)	(897)
Net debt	211,181	217,547
Shareholder's equity	(16,504)	2,369
Total capital	**194,677**	**219,916**
Net debt / Total capital	**108%**	**99%**

5 Net interest income

	2014	2013
Interest income		
Finance lease receivables	8,941	10,769
Interest on bank deposits	1	36
	8,942	**10,805**
Interest expense		
Interest on bank borrowings	5,976	5,815
	5,976	**5,815**

6 Other operating income

	2014	2013
Commission income insurance brokers	170	148
Income from operating leases	860	388
Maintenance fee income	60	34
Dividends	-	978
Gain on disposal of equipment	53	-
Other	295	184
	1,438	**1,732**

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

7 Other operating expenses

	2014	2013
Staff costs (Note 7a)	703	570
Expenses related to repossession, storage and repairs of assets	231	326
Consulting services	36	29
Operating lease rentals	148	129
Office maintenance	130	168
Advertising	11	23
Courier services	11	11
Depreciation (Note 14)	644	289
Other expenses	375	99
	2,289	**1,644**

7a Staff costs

	2014	2013
Salaries	614	488
Social security costs	89	82
	703	**570**

8 (Losses)/gains from sale of repossessed assets

	2014	2013
Proceeds from sale of repossessed assets	4,218	3,153
Net book value as of date of sale	(4,225)	(2,923)
	(7)	**230**

9 Income Tax

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

	2014	2013
Loss before income taxes	(24,424)	(704)
Tax (expense)/credit calculated at a tax rate of 10 %	2,442	70
Non-taxable income	-	97
Non-recognised deferred tax asset	(4,151)	(191)
Permanent differences (tax effect)	-	(1)
Income tax (expense)/credit including:	**(1,709)**	**(25)**
Deferred income tax (charge)/credit (Note 12)	(1,709)	(25)
Current income tax expense		-

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

9 Income Tax (continued)

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

10 Cash and bank balances

	2014	2013
Current accounts with banks	101	897
Included in cash and cash equivalents	**101**	**897**

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

11 Lease receivables and other loans

	2014	2013
Finance lease receivables		
Corporate entities	205,121	210,052
Small Business Lending	38,059	22,442
Consumer Lending	13,200	9,634
	256,380	**242,128**
Less: provision for impairment	(71,638)	(39,425)
Total net finance lease receivables	**184,742**	**202,703**
Other loans	2,928	2,172
Less: Provision for impairment	-	-
Net loans	2,928	2,172
Total net finance lease receivables and loans	**187,670**	**204,875**

The position other loans includes prepayments by the Company for leasing contracts that will be delivered in 2015. 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 and loans, receivables:	2014	2013
Up to 1 year	129,614	99,996
Between 1 and 5 years	94,064	101,309
Over 5 years	74,287	88,688
	297,965	**289,993**
Unearned future finance income from finance leases	(38,657)	(45,693)
Net investment in finance leases	**259,308**	**244,300**

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

11 Lease receivables and other loans (continued)

Net investment in finance leases is analysed as follows:		
Up to 1 year	120,731	90,941
Between 1 and 5 years	74,338	78,663
Over 5 years	64,239	74,696
Net investment in finance leases	**259,308**	**244,300**

Movement in provisions was as follows:

	2014	2013
Balance at the beginning of the year	**39,425**	**43,019**
Absorption of subsidiary (Note 22)	13,743	-
Charge to profit or loss	24,158	3,754
Receivables written off during the year as uncollectible	(5,688)	(7,348)
Balance at end of year	**71,638**	**39,425**

Provisions for impairment	2014	2013
Increase in provisions for lease impairment	24,158	3,754
Impairment of repossessed assets (Note 13a)	2,369	2,193
Total provision for impairment	**26,527**	**5,947**

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

	2014	2013
Not later than 1 year	904	764
Later than 1 year but not later than 5 years	1,300	1,342
Later than 5 years	-	-
Total	**2,204**	**2,106**

12 Deferred income taxes

	2014	2013
Deferred tax asset at beginning of year	1,711	1,736
Absorption of subsidiary (Note 22)	(2)	-
Income statement (charge)/credit (Note 9)	(1,709)	(25)
Deferred tax asset at end of year	-	1,711

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

12 Deferred income taxes (continued)

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

	31.12.2013	Increase	Decrease	Net change	31.12.2014
Revaluation of repossessed assets	157	-	(157)	(157)	-
Provisions for staff remunerations	2	-	(2)	(2)	-
Other temporary differences	(36)	-	(35)	(35)	(71)
Tax losses carried forward	1,588	-	(1,517)	(1,517)	71
Deferred tax asset balance	**1,711**	**-**	**(1,711)**	**(1,711)**	**-**
Income statement credit/(charge)				**(1,709)**	

13 Other assets

	2014	2013
Repossessed assets	4,208	10,672
Provision on repossessed assets (Note 13a)	(1,029)	(2,250)
Dividend receivable	-	196
Prepayments	134	216
VAT receivable	-	626
Other	176	93
	3,489	**9,553**

13a Provision on repossessed assets

	2014	2013
As of 1 January	2,250	1,459
Absorption of subsidiary (Note 22)	62	-
Impairment of repossessed assets (Note 11)	2,369	2,193
Accumulated impairment of assets sold	(3,652)	(1,402)
As of 31 December	**1,029**	**2,250**

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

14.1 Equipment

	Furniture, equipment and motor vehicles	Computers and hardware	Total
At 1 January 2013			
Cost	1,332	57	1,389
Accumulated depreciation	(548)	(56)	(604)
Net book amount	784	1	785
Year ended 31 December 2013			
Opening net book amount	784	1	785
Additions	2,448	8	2,456
Disposals (net of depreciation)	(8)	-	(8)
Depreciation charge (Note 7)	(247)	(1)	(248)
Closing net book amount	2,977	8	2,985
At 31 December 2013			
Cost	3,772	65	3,837
Accumulated depreciation	(795)	(57)	(852)
Net book amount	2,977	8	2,985
Year ended 31 December 2014			
Opening net book amount	2,977	8	2,985
Additions	844	-	844
Absorption of subsidiary (Note 22)	30	-	30
Disposals (net of depreciation)	(44)	-	(44)
Depreciation charge (Note 7)	(605)	(2)	(607)
Closing net book amount	3,202	6	3,208
At 31 December 2014			
Cost	4,750	80	4,830
Accumulated depreciation	(1,548)	(74)	(1,622)
Net book amount	3,202	6	3,208

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

	31.12.2014	31.12.2013
Cost at 31 December	4,218	3,408
Accumulated depreciation at 31 December	(1,057)	(488)
Net book amount at 31 December	3,161	2,920

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

14.2 Intangible assets

	Software	**Total**
At 1 January 2013		
Cost	503	503
Accumulated amortisation	(142)	(142)
Net book amount	361	361
Year ended 31 December 2013		
Opening net book amount	361	361
Additions	71	71
Transfers	-	-
Disposals (net of amortisation)	-	-
Amortisation charge (Note 7)	(41)	(41)
Closing net book amount	391	391
At 31 December 2013		
Cost	574	574
Accumulated amortisation	(183)	(183)
Net book amount	391	391
Year ended 31 December 2014		
Opening net book amount	391	391
Additions	1	1
Absorption of subsidiary (Note 22)	135	135
Disposals (net of amortisation)	-	-
Amortisation charge (Note 7)	(37)	(37)
Closing net book amount	490	490
At 31 December 2014		
Cost	756	756
Accumulated amortisation	(266)	(266)
Net book amount	490	490

15 Investment in subsidiary

Investment in subsidiary represents a 100% participation in the share capital of ERB Auto Leasing EOOD which was incorporated on 24 January 2005. The investment is measured at cost. In 2014, the subsidiary was absorbed by the Company (see Note 22).

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

16 Borrowings

Short-term	**2014**	**2013**
Bank borrowings	210,620	217,787
Accrued interest	60	233
Total	**210,680**	**218,020**

The Company uses revolving credit facilities, which are re-priced on a monthly basis, from Eurobank Private Bank Luxembourg S.A. and since 2013 – also from Eurobank Bulgaria AD, members of Eurobank Group. The Company is not subject to covenants related to its borrowings.

17 Payables to clients and suppliers

	2014	**2013**
Deposits from clients	103	210
Liabilities to suppliers	499	214
	602	**424**

18 Other liabilities

	2014	**2013**
Prepayments from clients	145	131
Personnel and social security	24	16
VAT payable	561	-
Other	142	83
	872	**230**

19 Share capital

As at 31 December 2014 the total share capital of the Company was BGN 1,000 thousand (2013: BGN 250 thousand). In September 2014, following a decision of the sole owner of the Company, the Company issued new 750,000 shares having par value of BGN 1 per share and total issue value of BGN 1,955,830, which were fully subscribed and paid by the sole owner. The excess of the issue value above the nominal value of the shares of BGN 1,205,830 in total is credited to reserves in accordance with requirements of art. 176, par.3 and art. 246, par. 2, p.2 of the Commercial Act, which requirements are also reflected in the decision of the sole owner for the share capital increase. The Company's sole-owner is Eurobank Ergasias S.A. The registered capital of the Company is divided into 1,000,000 shares (2013: 250,000 shares) with a nominal value of BGN 1 each. All shares give equal voting rights and are fully paid.

Pursuant to the provisions of the Credit Institutions Act (the CIA), promulgated in State Gazette, issue 24 of 31.03.2009, the Company is considered financial institution (ref. Art. 3, Para1, item 1 of the CIA) and as such was duly registered in a special registered maintained by the Bulgarian National Bank under reg. No BGR00114 (ref. Art. 3, Para 2 of the CIA).

19 Share capital (continued)

Other reserves represent the reserve fund formed in accordance with requirements of the Bulgarian Commercial Act through profit allocations and share premiums.

20 Related party transactions

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

Following the successful completion of the recapitalization of the Eurobank Ergasias S.A. from the European Financial Stability Facility (E.F.S.F.) and the introduction of its new shares on the Athens Stock Exchange on June 19, 2013 the E.F.S.F. acquired 3,789,317,358 ordinary shares with voting rights issued by Eurobank Ergasias SA, representing 98.56% of the ordinary voting shares. Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the percentage of the voting rights held by HFSF increased to 95.23%.

The BoG, following the assessment of Eurobank's capital needs, concluded on 6 March 2014 and notified Eurobank that its Core Tier I capital should increase by € 2,945 million. Eurobank Ergasias S.A. with its letter to BoG on 24 March 2014, submitted its capital enhancement plan whereby revised its capital actions providing for an additional positive impact on regulatory capital of € 81 million and stated that it intends to cover the remaining capital needs of € 2,864 million through a share capital increase.

Following the completion of the Eurobank's share capital increase fully covered by private, institutional and other investors, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 95.23% to 35.41%. In addition, in the context of the Law 3864/2010 (the 'HFSF Law') as amended by Law 4254/2014, the HFSF's voting rights in the Eurobank's General Assemblies have been switched to restricted ones. Accordingly, as of early May, the HFSF is no more the controlling shareholder of the Group but is considered to have significant influence over it. Therefore, the HFSF is considered to be a related party to the Group, whereas Greek Banks significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, are not regarded as such.

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 ERB 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 ERB Leasing EAD as to ensure that it will have adequate funds to meet its liabilities when they fall due.

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

20 Related party transactions (continued)

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:

	2014	2013
Assets		
Current accounts (Eurobank Bulgaria AD)	100	897
Current accounts (Eurobank Private Bank Luxembourg S.A.)	1	-
Other assets (IMO Central Office EAD)	26	25
Liabilities		
Bank borrowings (Eurobank Private Bank Luxembourg S.A.)	172,365	196,365
Interest payable (Eurobank Private Bank Luxembourg S.A.)	33	212
Bank borrowings (Eurobank Bulgaria AD)	38,255	21,422
Interest payable (Eurobank Bulgaria AD)	27	21
Other liabilities (IMO Property Investments AD)	12	-
Income/(expense)		
Interest income (Eurobank Bulgaria AD)	1	36
Interest expense (Eurobank Private Bank Luxembourg S.A.)	(4,991)	(5,736)
Interest expense (Eurobank Bulgaria AD)	(985)	(29)
Interest expense (Eurobank Ergasias S.A.)	-	(50)
Foreign currency exchange (Eurobank Bulgaria AD)	(5)	(59)
Other operating expenses (IMO Central Office EAD)	(184)	(174)
Sale of assets (IMO Central Office EAD)	77	20
Other operating expenses (IMO Property Investments EAD)	(106)	-
Other operating income (IMO Property Investments EAD)	5	-
Other operating income (ERB Auto Leasing EOOD)	15	25
Other operating expense (ERB Auto Leasing EOOD)		(13)
Other operating income (Eurobank Bulgaria AD)	418	326
Other operating expenses (Eurobank Bulgaria AD)	(21)	(16)
Other operating income (ERB Property Services AD)	15	5
Other services (ERB Property Services AD)	(21)	(29)

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

20 Related party transactions (continued)

Key management compensation for the year ended 31 December 2014 amounted to:

	2014	2013
Management compensation	144	201

Management personnel participated also in the management of ERB Auto Leasing EOOD.

21 Contingent liabilities and commitments

Operating lease commitments - the Company as a lessee

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

Non-cancellable operating lease rentals are payable as follows:	2014	2013
Not later than 1 year	94	88
Later than 1 year but not later than 5 years	-	-
Total	**94**	**88**

22 Absorption of subsidiary

The Company legally absorbed its subsidiary on 7 August 2014 in accordance with art. 262 of the Commercial Act. According to the accounting method adopted for the transaction, income and expenses of ERB Auto Leasing are included in the statement of comprehensive income since the date of the absorption

Assets and liabilities of ERB Auto Leasing EOOD as of 7 August 2014 were as follows:

Assets	
Cash and bank balances	1,300
Finance lease receivables and other loans, gross	17,779
Finance lease receivables and other loans, impairment	(13,743)
Corporate tax recoverable	310
Other assets	199
Equipment	30
Intangible assets	135
Total assets	**6,010**

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

22 Absorption of subsidiary (continued)

Liabilities	
Borrowings	
Payables to suppliers and clients	152
Deferred income tax liability	2
Other liabilities	302
Total liabilities	**456**
Net assets of the subsidiary	**5,554**
Investment in subsidiary	(250)
Retained earnings of subsidiary	**5,304**

23 Events after the balance sheet date

In January 2015 the Company extended its loan facility from Eurobank Private Bank Luxembourg S.A. (Note 16 and 20) till 30 September 2015.

In February 2015, following a decision of the sole owner of the Company, the Company issued new 50,000 shares having par value of BGN 1 per share and total issue value of BGN 21,514,130, which were fully subscribed and paid by the sole owner - Eurobank Ergasias S.A.

The amendments in Credit Instituions Act made in 2014 require all financial institutions to renew their registration with Bulgarian National Bank. The Company applied for re-registration within the set deadlines and on 26 March 2015 its registration was renewed and the Company was included in the list of financial institutions in accordance with the amended legislation.

In April 2015 the Company extended its loan facility from Eurobank Private Bank Luxembourg S.A. (Note 16 and 20) till 31 May 2016.