

**ERB RETAIL SERVICES IFN SA**

**FINANCIAL STATEMENTS  
31 DECEMBER 2015**

**Prepared in accordance with the Order of the  
National Bank of Romania no. 27/2011**

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This version of the accompanying documents is a translation from the original, which was prepared in Romanian. 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.

**ERB RETAIL SERVICES IFN SA**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2015**

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***INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
ERB RETAIL SERVICES IFN SA***

**Report on financial statements**

1 We have audited the accompanying financial statements of ERB Retail Services IFN SA (the "Company") which comprise the balance sheet as at 31 December 2015, and the income statement, cash flows and statement of changes of the shareholders equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, set out on pages 1 to 52 presenting the following:

- Total equity: RON 272,154,698;
- Net profit for the year: RON 42,805,423.

***Management's responsibility for the financial statements***

2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Order of the Governor of the National Bank of Romania no. 27/2011 for the approval of the Accounting Regulations complying with the European Directives, applicable to credit institutions, non-banking financial institutions and to the Deposits Guarantee Fund for Banking System and subsequent amendments („NBR Order 27/2011”) and with the Regulation of the National Bank of Romania no. 5/2012 regarding classification of loans and investments, as well as establishment, adjustment and use of specific credit risk provisions and subsequent amendments („NBR Regulation 5/2012”), and with the accounting policies presented in the note 1 to the financial statements, 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.

***Auditors' responsibility***

3 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 about whether the financial statements are free from material misstatement.

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

### ***Opinion***

- 6 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ERB Retail Services IFN SA as of 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with the requirements of the NBR Order 27/2011 and NBR Regulation 5/2012 and with the accounting policies presented in note 1 to these financial statements.

### ***Other matters***

- 7 This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.
- 8 The accompanying financial statements are not intended to present the financial position, results of operations and a complete set of notes to the financial statements of the Company in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Romania. Accordingly, the accompanying financial statements are not designed for those who are not informed about Romanian legal and statutory requirements including NBR Order 27/2011 and NBR Regulation 5/2012.

### **Report on consistency of the Administrators' Report with the financial statements**

In accordance with the NBR Order 27/2011, article 209, point 2, we have read the Administrators' Report attached to these financial statements as presented on pages 1 to 17. The Administrators'

Report is not a part of the financial statements. In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements.

**Refer to the original  
signed Romanian version**

Ana Maria Butucaru r

Statutory auditor registered with  
the Chamber of Financial Auditors of Romania under no. 3378/17 February 2010

On behalf of

PricewaterhouseCoopers Audit SRL  
Audit firm registered with  
the Chamber of Financial Auditors of Romania under no. 6/25 June 2001

Bucharest, 5 May 2016

**ERB RETAIL SERVICES IFN S.A.**

**BALANCE SHEET AS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

	<u>Line</u>	<u>Note</u>	<u>31 December 2014</u>	<u>31 December 2015</u>
<b>ASSETS</b>				
Cash and liquid assets at central banks	10	2.1	4,961	3,843
Receivables in credit institutions, out of which:	30	2.2	95,211,114	201,004,065
On demand	33		2,078,935	886,331
Other receivables	36		93,132,180	200,117,734
Receivables from clients	40	2.3	316,258,099	263,026,291
Intangible assets	90	4	1,237,648	987,108
Tangible assets	100	4	430,059	319,747
Other assets	120	2.4	1,842,737	1,740,441
Prepaid expenses and accrued revenues	130	2.5	51,933,986	38,396,361
<b>TOTAL ASSETS</b>			<b>466,918,604</b>	<b>505,477,856</b>
<b>LIABILITIES</b>				
Debts regarding credit institutions, out of which:	300	2.6	222,422,088	222,422,088
On demand	303		88	88
On term	306		222,422,000	222,422,000
Other liabilities	330	2.7	12,289,030	9,153,728
Deferred income and committed liability	340	2.8	1,330,140	514,068
Provisions, of which:	350	2.9	1,528,071	1,233,275
Provisions for employees facilities	353		97,825	34,473
Provisions for taxes	355		1,295,246	947,765
Other provisions	356		135,000	251,037
Subscribed share capital	370	2.10	90,774,500	90,774,500
Reserves	390	2.11	10,227,129	12,697,396
Legal reserves	392		10,227,129	12,697,396
Retained earnings		2.11	64,586,248	128,347,646
Profit	423		64,586,248	128,347,646
Result of the financial year			67,448,328	42,805,423
Profit	433	2.12	67,448,328	42,805,423
Profit distribution	440	2.12	(3,686,930)	(2,470,267)
<b>TOTAL LIABILITIES</b>			<b>466,918,604</b>	<b>505,477,856</b>

**ERB RETAIL SERVICES IFN S.A.**

**BALANCE SHEET AS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

	<u>Note</u>	<u>31 December</u> <u>2014</u>	<u>31 December</u> <u>2015</u>
<b>OFF BALANCE SHEET ITEMS</b>			
Commitments	9 c)	676,297,508	659,471,524

Authorized and signed on behalf of the Board of Administration on 21 April 2016 by:

Division Manager  
Nicoleta Bott

Commercial Manager  
Daniel Boca



Chief Financial Officer  
Simona Taloi

**ERB RETAIL SERVICES IFN S.A.**

**INCOME STATEMENT FOR THE FINANCIAL YEAR  
ENDING AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

	<u>Line</u>	<u>Note</u>	<u>2014</u>	<u>2015</u>
<b>INCOME STATEMENT</b>				
Receivable interests and related revenues	10	5.1	100,549,569	88,980,965
Payable interests and related expenses	20	5.2	(14,880,077)	(10,799,800)
Revenues from fees	40	5.3	34,168,359	25,581,839
Expenses with fees	50	5.4	(9,275,650)	(9,711,033)
Net loss from financial operations	60	5.5	(1,412,519)	(1,623,605)
Other operating revenues	70	5.6	4,359,776	4,707,059
General administrative expenses, of which	80		(57,716,793)	(54,852,523)
Staff expenses, of which	83	6.2	(11,081,727)	(9,211,120)
Salaries	84	6.2	(8,855,594)	(7,597,183)
Social security expenses	85	6.2	(2,226,133)	(1,613,937)
Other administrative expenses	87	5.7	(46,635,066)	(45,641,403)
Corrections on the value of tangible and intangible assets	90	4	(2,970,958)	(1,426,063)
Other operating expenses	100	5.8	(1,300,687)	(1,200,444)
Corrections on the value of receivables and provisions for contingent liabilities and commitments	110	5.9	21,239,215	9,748,963
Reversal of correction on the value of receivable debts and provisions for contingent liabilities and commitments	120	5.10	2,423,747	40,960
<b>CURRENT ACTIVITY RESULT</b>			<b>75,183,981</b>	<b>49,446,318</b>
Profit	153		75,183,981	49,446,318
<b>Total income</b>	190		<b>141,757,780</b>	<b>119,724,907</b>
<b>Total expenses</b>	200		<b>(66,573,798)</b>	<b>(70,278,589)</b>
<b>GROSS RESULT</b>			<b>75,183,981</b>	<b>49,446,318</b>
Profit	213		75,183,981	49,446,318
Profit tax	220	5.11	(7,735,653)	(6,640,896)
<b>NET RESULT OF THE FINANCIAL YEAR</b>			<b>67,448,328</b>	<b>42,805,423</b>
Profit	243		67,448,328	42,805,423

Authorized and signed on behalf of the Board of Administration on 21 April 2016 by:

Division Manager  
Nicoleta Bott

Commercial Manager  
Daniel Boca



Chief Financial Officer  
Simona Taloi

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ERB RETAIL SERVICES IFN S.A.

CASH-FLOWS FOR THE FINANCIAL YEAR  
ENDING AT 31 DECEMBER 2015

(All amounts are expressed in RON, unless otherwise specified)

	<u>Line</u>	<u>2014</u>	<u>2015</u>
<b>CASH FLOW STATEMENT</b>			
<b>NET RESULT</b>	<b>1</b>	<b>67,448,328</b>	<b>42,805,423</b>
<i>Elements of the net result that do not generate cash-flows relating To the operating activity</i>			
+/- set-up or adjustment of provisions	2	(23,662,963)	(9,789,923)
+depreciation expenses	3	2,970,958	1,426,062
+/- adjustments relevant to elements included at investment or financing activities	5	14,880,077	10,799,800
+/- other adjustments	6	7,631,970	6,640,896
<b>Sub-total (line 01 to 06)</b>	<b>7</b>	<b>69,268,371</b>	<b>51,882,258</b>
<i>Changes of assets and liabilities relating to the operating activity following the adjustments for the elements that do not generate cash flows related to the operating activity</i>			
+/- receivables regarding credit institutions	9	(1,149,788)	220,293
+/- receivables regarding clients	10	(9,029,735)	55,677,246
+/- attached receivables	11	45,043,436	19,658,969
+/- other assets relating to the operating activity	12	(566,198)	1,007,800
+/- other liabilities relating to the operating activity	16	933,382	(2,905,701)
- cash payments representing profit tax	17	(7,517,714)	(7,040,459)
<b>Cash flows from the operating activity (line 07 to 17)</b>	<b>18</b>	<b>96,981,754</b>	<b>118,500,406</b>
<b>Cash flows from investment activities</b>			
+ cash proceeds from the sale of lands and fixed assets	23	103,683	-
- cash payments for the purchase of land and fixed assets, intangible assets and other long-term assets	25	(1,348,089)	(1,692,317)
<b>Cash flows from investment activities (line 23 to 25)</b>	<b>29</b>	<b>(1,244,405)</b>	<b>(1,692,317)</b>

ERB RETAIL SERVICES IFN S.A.

CASH-FLOWS FOR THE FINANCIAL YEAR  
ENDING AT 31 DECEMBER 2015

(All amounts are expressed in RON, unless otherwise specified)

	<u>Line</u>	<u>2014</u>	<u>2015</u>
<b>Cash flows from financing activities</b>			
- other cash payments related to financing	36	(44,880,077)	(10,799,800)
<b>Cash flows from financing activities (line 30 to 37)</b>	<b>38</b>	<b>(44,880,077)</b>	<b>(10,799,800)</b>
<b>Cash and cash equivalent at the beginning of the reporting period</b>	<b>39</b>	<b>41,790,232</b>	<b>92,647,503</b>
+/- Cash flows from operating activities (line 18)	40	96,981,754	118,500,406
+/- Cash flows from investment activities (line 29)	41	(1,244,405)	(1,692,317)
+/- Cash flows from financing activities (line 38)	42	(44,880,077)	(10,799,800)
<b>Cash and cash equivalent at the end of the reporting period (line 39 to 42)</b>	<b>44</b>	<b>92,647,503</b>	<b>198,655,792</b>

Authorized and signed on behalf of the Board of Administration on 21 April 2016 by:

Division Manager  
Nicoleta Bott

Commercial Manager  
Daniel Boca



Chief Financial Officer  
Simona Taloi



**ERB RETAIL SERVICES IFN S.A.**

**STATEMENT OF CHANGES OF SHAREHOLDERS EQUITY FOR THE FINANCIAL YEAR  
ENDING AT 31 DECEMBER 2014 / 2015**

(All amounts are expressed in RON, unless otherwise specified)

Equity items	Balance on 1 January 2014	Increase		Reductions		Balance on 31 December 2014
		Total: of which	Through transfer	Total: of which	Through transfer	
Subscribed capital	90,774,500	-	-	-	-	90,774,500
Legal reserves	6,540,199	3,686,930	3,686,930	-	-	10,227,129
Retained earnings	39,827,177	24,830,826	24,830,826	(71,755)	(71,755)	64,586,248
Result of the financial year						
Credit balance	26,378,596	67,448,328	-	(26,378,596)	(26,378,596)	67,448,328
Debit balance	-	-	-	-	-	-
Profit distribution	(1,547,770)	(3,686,930)	(3,686,930)	1,547,770	1,547,770	(3,686,930)
<b>Total equity</b>	<b>161,972,702</b>	<b>92,279,155</b>	<b>24,830,826</b>	<b>(24,902,581)</b>	<b>(24,902,581)</b>	<b>229,349,276</b>

Authorized and signed on behalf of the Board of Administration on 21 April 2016 by:

Division Manager

Nicoleta Bott

Daniel Boca

Commercial Manager

Chief Financial Officer

Simona Taloi



ERB RETAIL SERVICES IFN S.A.

STATEMENT OF CHANGES OF SHAREHOLDERS EQUITY FOR THE FINANCIAL YEAR  
ENDING AT 31 DECEMBER 2014 / 2015

(All amounts are expressed in RON, unless otherwise specified)

Equity items	Balance on		Increase		Reductions		Balance on
	1 January 2015	Total: of which	Through transfer	Total: of which	Through transfer	31 December 2015	
Subscribed capital	90,774,500	-	-	-	-	90,774,500	
Legal reserves	10,227,129	2,470,267	2,470,267	-	-	12,697,396	
Retained earnings	64,586,248	63,761,398	63,761,398	-	-	128,347,646	
Result of the financial year							
Credit balance	67,448,328	42,805,423	-	(67,448,328)	(67,448,328)	42,805,423	
Debit balance	-	-	-	-	-	-	
Profit distribution	(3,686,930)	(2,470,267)	(2,470,267)	3,686,930	3,686,930	(2,470,267)	
<b>Total equity</b>	<b>229,349,276</b>	<b>106,566,821</b>	<b>63,761,398</b>	<b>(63,761,398)</b>	<b>(63,761,398)</b>	<b>272,154,698</b>	

Authorized and signed on behalf of the Board of Administration on 21 April 2016 by:

Division Manager

Nicoleta Botu



Commercial Manager

Daniel Boca



Chief Financial Officer

Simona Taloi




## **ERB RETAIL SERVICES IFN S.A.**

### **NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

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#### **GENERAL DATA REGARDING THE COMPANY**

ERB RETAIL SERVICES IFN („the Company”) is a joint stock company, registered in Romania in 2004, with the Trade Registry under registration number J40/338/2004. The registration number in the General Registry is RG-PJR-41-110144/22.06.2007, and the unique fiscal registration code is RO16036850. ERB RETAIL SERVICES IFN S.A. is authorised by the National Bank of Romania to run operations of consumer lending through credit cards. On 28.04.2011, ERB RETAIL SERVICES IFN SA obtained from the National Bank of Romania the authorization as payment institution, series IP, no. 004, according to OUG 113/2009 and NBR Regulation 21/2009.

The headquarters of ERB RETAIL SERVICES IFN S.A. is located in Bucharest, 6A Dimitrie Pompeiu Blvd, ground floor (partial), 3rd floor (partial) and 4th floor, Sector 2, Bucharest, according to the registration certificate, issued on 2<sup>nd</sup> of April 2009.

On 15.10.2012, the Extraordinary General Meeting of Shareholders decided to change the name of the Company from EFG Retail Services IFN SA to ERB RETAIL SERVICES IFN SA. The amendment became effective on 13.11.2012, the date of resolution issued by Trade Registry.

The Company has a working point registered, at 6 Calea Vitau, Bloc Tronson C, ground floor, Sector 3, Bucharest, according to the registration certificate for salaries tax purposes under C.I.F. 25788673, issued on 17 September 2009 and other working points opened in the locations of the most important merchants- partners.

During 2013, no new working points were opened, while during 2014 3 new working points were opened, not registered as payroll tax payers. In 2015 there were no new working point opened, while 15 of the existing were closed. As at December 31, 2015, a number of 10 working points were still active.

In 2015 the average number of full time employees of the Company was 133 employees (2014: 174), At 31 December 2015, the number of full time employees was of 125.

The scope of the Company is the issue of credit cards under its own brand and management of the credit card in connection with the Company’s activity of granting consumer loans.

According to the registry of activities, the main activity of the Company is: “Other lending activities: granting consumer loans by credit cards” – CAEN Code 6492.

The Company Board of Administration includes 7 members, appointed by the General Meeting of Shareholders.

## ERB RETAIL SERVICES IFN S.A.

### NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

(All amounts are expressed in RON, unless otherwise specified)

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#### GENERAL DATA REGARDING THE COMPANY (CONTINUED)

The Structure of the Board of Administration of ERB RETAIL SERVICES IFN S.A, as at 31 December 2015:

1.	Georgios Georgakopoulos	President of the Board of Administration;
2.	Christina Theofilidi	Member;
3.	Theodoros Karakasis	Member;
4.	Anastasios Panousis	Member;
5.	Mihai Bogza	Member;
6.	Efthymios Zois	Member;
7.	Lambros Yiannis Demosthenous	Member;

The main shareholder of ERB RETAIL SERVICES IFN S.A. is ERB NEW EUROPE HOLDING B.V. (with a participation to the share capital of 99.1469%) a Dutch financial institution, registered and operating in accordance with the Laws of Netherlands, with its headquarters Herengracht 500, 1017 CB Amsterdam, Netherlands, registered with the Chamber Commerce under number 34192535. The parent company of ERB New Europe Holding B.V. is Eurobank Ergasias S.A. bank (with 100% holding percentage).

In May 2014, following the completion of the Eurobank Ergasias SA share capital increase fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF), the controlling shareholder of Eurobank Ergasias SA until that date, decreased from 95.23% to 35.41%. Accordingly, as of that date HFSF was considered to have significant influence over Eurobank Ergasias SA. In November 2015, following the completion of the Eurobank Ergasias SA share capital increase, fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by HFSF decreased to 2.38%.

In the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in Eurobank Ergasias SA General Assembly only for decisions concerning the amendment of the Eurobank Ergasias SA Articles of Association, including the increase or decrease of the Eurobank Ergasias SA capital or the granting of a corresponding authorization to the Eurobank Ergasias SA Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets, or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, Eurobank Ergasias SA has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014. Taking into account the terms of the revised RFA, the HFSF is still considered to have significant influence over Eurobank Ergasias SA.

**1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS**

The main accounting policies adopted for preparing these financial statements are presented below:

**A Basis of preparation of the financial statements**

These financial statements are drawn up in accordance with:

- i) Accounting Law no. 82/1991 republished („Law 82”);
- ii) The accounting regulations in accordance with the European directives, applicable to the credit institutions, non-banking financial institutions and the fund for guarantee of deposits in the banking system approved through the Order of the National Bank of Romania no. 27/2011 and subsequent amendments;
- iii) Regulation 20/2009 issued by NBR regarding the registration with the registries of non-banking financial institutions, regarding communication of changes in the situation of non-banking financial institutions and prudential requirements applicable to non-banking financial institutions registered in the special register;
- iv) Regulation 5/2012 issued by NBR regarding the classification of credits and investments as well as the set-up, adjustment and use of specific credit risk provisions applicable to the non-banking financial institutions;
- v) Regulation 21/2009 issued by NBR regarding payment institutions.

The financial statements have been approved by the Company Board of Administration on 21 April 2015.

Until 31 December 2007, the Company reported in accordance with the European Directives approved through the Order of the Minister of Public Finances of Romania 1752/2005 (“OMF 1752”) with the subsequent modifications. As of 22.06.2007, the Company was registered in the General Register of the National Bank of Romania as Non-Banking Financial Institution (IFN), under number RG-PJR-41-110144. As IFN (*Non-Banking Financial Institution*), the Company prepared on 31 December 2008 the financial statements in agreement with Order 5/2005 of the National Bank of Romania. In accordance with the NBR regulations, 2008 was the first year when the provisions of Order NBR 5/2005 were applied, as of 1 January 2008.



1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)

**B Operation and presentation currency**

The operational currency of the Company is the currency of the primary economic environment where it operates. These financial statements are presented in RON which is the operational and presentation currency of the Company. The expenses and reductions are presented as negative amounts.

**C Accounting principles used**

The following accounting principles were applied in preparing the annual financial statements:

- **Going concern principle:** assumes that the Company to be carrying on its business as a going concern in the foreseeable future. In order to evaluate the applicability of this assumption, the management reviews the predictions regarding the future cash income without facing the impossibility of continuing its activity or without significantly reducing its activity.
- **Consistency of presentation principle** assumes the continuity of applying the same rules and norms regarding the valuation, accounting records and presentation of the assets and liabilities elements as well as the results, ensuring the comparability in time of the accounting information.
- **Substance over form principle** according to which information disclosed in annual financial statements should reflect the economic substance of events and transactions, not merely their legal form.
- **The prudence principle** assumes that the value of each element must be determined by taking into account especially the following aspects:
  - i) Only the profits which are to be recognised before the end of the financial year, shall be taken into account;
  - ii) All predictable obligations and the potential loss, that have been generated during the concluded financial year or during the previous financial year, even if such obligations or loss occur between the closing date of the financial year and the date of drawing up the balance sheet, shall be considered;
  - iii) All value adjustments due to depreciations, irrespective of whether the result of the financial year is profit or loss, shall be considered.

**1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)**

- **The cut-off principle** according to which, all income and expenses corresponding to the current financial year, without taking into account the date of collecting or making payments shall be taken into consideration.
- **Principle of separate evaluation of assets and liabilities** according to which the value relevant to each asset or liability item shall be determined separately with a view to set the total value corresponding to a position in the balance sheet.
- **Matching principle** according to which the opening balance of a financial year must correspond to the closing balance of the previous year, except for the corrections imposed by the application of Order NBR 27/2011 requirements, regarding previous years.
- **Offsetting principle** according to which the value of assets cannot be compensated by the value of the liabilities, respectively revenues are not compensated by expenses, except for the cases specified in the Order NBR 27/2011.
- **Materiality (significant value) principle** according to which any element that has a significant value must be presented distinctly in the annual financial statements. The elements with insignificant values that have the same nature or with similar functions must be summed up, thus, their separate presentation not being necessary.

**1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)**

**D Use of estimates**

Drawing up the financial statements in accordance with the provisions of Order 27/2011 with subsequent modifications and completions, requires the management of ERB RETAIL SERVICES IFN S.A. to apply the professional judgement, to make valuations and hypothesis which affect the reported values of assets and liabilities, the presentation of assets and contingent debts on the date the financial statements have been prepared and the reported expenses for the respective period. These estimates are permanently revised and the changes in the estimates are recognised in the periods when they have been made.

**E Going concern**

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

**a) Position of Eurobank Group**

In 2015, the macroeconomic environment in Greece has been very challenging for the Greek banking system. In the first half of the year, the prolonged uncertainty relating to an agreement with the Eurozone partners over the implementation of the required reforms for the conclusion of the Second Economic Adjustment Program, the unsuccessful expiration of the former, the tightened liquidity conditions due to the financing problems of the Greek State and the significant deposit outflows – already observed from late 2014 – led to the imposition of restrictions in banking transactions (capital controls) together with a temporary bank holiday on 28 June 2015. In mid - August the Greek Government reached a final agreement with its European partners on a new 3-year European Stability Mechanism (ESM) program – the Third Economic Adjustment Program (TEAP) - with a ca € 86 bn financing envelope and a series of reforms aiming to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration. The Greek Government managed to complete two sets of prior actions from the program at the end of November and December 2015. By mid - December 2015, the systemic banks' recapitalization was completed with only ca € 5.4 bn used from the initial buffer of up to €25 billion. The unused funds were subtracted from the ESM loan, reducing it to ca € 64.5 bn as of the end of January 2016. The review of Greece's reform programme by international creditors is currently pending. A swift completion of the program review may alleviate significantly the macroeconomic and sovereign uncertainties.

**1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)**

After the gradual normalization of the economic and political situation in Greece and following the Bank's successful recapitalization, the Group enhanced its liquidity position and reduced its dependence on Eurosystem funding.

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the ESM program. The decisive implementation of the measures agreed in the context of the new European Stability Mechanism (ESM) program and the completion of banks' recapitalization will permit ECB to reinstate the waiver for the instruments issued or guaranteed by the Hellenic Republic and will signal the gradual repatriation of deposits in the banking system, which is a major priority for the Group, and the further re-access to the markets for liquidity.

On 31 October 2015, the ECB announced the results of the comprehensive assessment (CA) based on which the lowest shortfall across Greek banks was identified for the Bank. Following the CA results and in line with the new recapitalization framework introduced by Law 4340/2015, Eurobank Ergasias proceeded to a capital increase of € 2,039 million, which was covered exclusively from the markets. As a result, the Group strengthened further its capital base and its CET1 ratio stood at 17% at the end of December 2015.

**1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)**

**b) Application of the going concern principle in the preparation of the financial statements**

These financial statements were drawn up based on going concern principle assuming that the Company will continue its activity in the predictable future as well. In order to evaluate the applicability of this assumption the management reviews the estimations regarding the future cash inflows. Based on these analyses, the management of ERB RETAIL SERVICES IFN SA considers that it will continue its activity normally in the future and consequently, the financial statements were drawn up based on going concern principle.

The Company relies apart from inflows from the operational activity on financing received from the group entities. For the details refer Note 2.6 "Debts regarding credit institutions" and to Note 13 "Subsequent events after the conclusion of balance sheet".

**F Cash and cash equivalent**

For the cash flow, cash and its equivalents comprise the cash in hand, food vouchers in stock which was not granted to employees, bank accounts, bank deposits with initial maturities up to 3 months and cash advances.

**G Receivables from credit institutions**

The receivables on credit institutions represent the placements of the Company in current accounts and bank deposits. These are presented in the financial statements at their nominal value plus the accrued interest as at 31 December 2015.

**H Receivables from clients**

**i) Valuation**

The receivables on clients include credits granted by the Company by providing funds directly to a client and these are classified as credits generated by them, and are registered under amortised cost. The amortised cost of the loans is defined as representing advanced funds minus reimbursements during the year minus the provisions for the depreciation of the respective assets. All credits are acknowledged when funds are made available to the clients.

**1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)**

ii) Specific credit risk provisions

Specific credit risk provisions are set up based on the valuation of the credit and prepaid portfolio including the non-cashed interests.

Beginning with 2012, the Company has been applying the Regulation 5/2012 on non-banking financial institutions regarding their registration with the registry of non-banking financial institutions, communication of changes with respect to non-banking financial institutions and specifying prudential requirements applicable to non-banking financial institutions registered in the Special Register and payment institution, which classifies the credits under the following categories:

<u>Classification category</u>	<u>Risk provision rate for credits (other than those recorded in foreign currency or indexed at an exchange rate, granted to individuals exposed to currency risk)</u>
Standard	0
Under observation	0.05
Substandard	0.2
Questionable	0.5
Loss	1

Specific provisions for credit risk are created by including to expenses the amount representing the level of the necessary specific provisions for credit risk. Specific provisions for credit risk are adjusted by including into expenses the net amount representing the difference between the level of the specific provisions for credit risk existing in the balance and the necessary level for each category of provisions.

The specific provisions for credit risk remain without object when the following conditions are met:

- all legal possibilities of recovery have been exhausted or the prescription term has been fulfilled; or
- the contractual rights related to the respective credit have been transferred.

In this case, the Company cancels the specific provisions for credit risk by reversing an amount representing the level of specific provisions for credit risk existing in the balance related to such loans together with the derecognition from the balance sheet of the loans.

**1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)**

The credit risk specific provisions are determined only for the client's balance sheet commitments. Some of the loan facilities are restructured. The restructuring facility offers to eligible clients the possibility of repaying the existing total exposure at a lower interest rate through an amortised loan. For the restructured loans the provisions are calculated as for the rest of the portfolio, considering the actual overdue days for the rescheduled clients where the overdue days are computed from the rescheduling date.

No provisions are calculated for the off-balance sheet commitments which represent the unutilised credit limits available for the customers. The probability for these commitments to be drawn by clients in default is remote as once a client becomes overdue, the system doesn't allow usage of the available credit limit.

**I Conversion of the amounts expressed in foreign currencies**

The currency transactions are translated in local currency at the exchange rate of the Romanian RON in force on the date of the transaction. The assets and liabilities expressed in currencies were converted in RON, by using the official exchange rates of the National Bank of Romania valid on the date of the balance sheet, 31 December 2015.

On 31 December 2015, the main exchange rates used for the conversion of the balances expressed in foreign currency were:

1 USD = 4.1477 RON (31 December 2014: 1 USD = 3.6868 RON)

1 EUR = 4.5245 RON (31 December 2014: 1 EUR = 4.4821 RON)

1 GBP = 6.1466 RON (31 December 2014: 1 GBP = 5.7430 RON)

1 CHF=4.1797 RON (31 December 2014: 1 CHF = 3.7273 RON)

The profit and loss generated by exchange rate differences resulted from the conversion of the monetary assets and liabilities as well as those resulted from transaction payments at exchange rates different from the official valid exchange rate at the date of transaction are acknowledged in the income statement of the financial year.

**1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)**

**J Intangible assets**

*i) Cost/valuation*

The intangible assets are represented by systems and information systems purchased, customized and licensed and other user rights purchased.

The maintenance costs of the software systems are acknowledged as an expense, when these are made. The costs, which are directly associated to a single, identifiable product that is controlled by the Company and which is likely to generate economic benefits that exceed the cost, for a period longer than one year, are acknowledged as intangible assets.

The implementation or customization costs and other expenses elements that improve and extend this software over the standard lifecycle and over their initial specification are recorded under modernization, and are capitalized.

The patents, trademarks and other intangible assets are acknowledged under purchase costs. Intangible assets are not re-evaluated.

*ii) Amortization*

The expenses incurred with the purchase and development of the capitalized IT software is depreciated by using the linear method for a period of up to 3 years, as a common practice.

**K Tangible assets**

*i) Cost/valuation*

Initially, the tangible assets are recorded under the acquisition cost, the historical cost being also the subsequent valuation method. Each fixed asset with an acquisition cost that exceeds RON 2,500 (2014: RON 2,500) and an estimated lifecycle of over one year is capitalized. Subsequent expenses incurred with the maintenance and repairs of the tangible assets are acknowledged in the income statement in the period when these were made. Any significant improvements regarding to the tangible assets are capitalized when it is estimated that the Company shall obtain future additional economic benefits against the initial performance or when these extend their lifecycle.



1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)

The fixed assets such as inventory items are included under expenses when purchased, and they are not included in the accounting value of the tangible assets. The Company has not prepared until the present moment the fixed assets count.

ii) *Sale / Disposal of the tangible assets*

The profit and loss upon the sale/ disposal of the fixed assets are determined by reference to their net accounting value and are acknowledged under income statement.

iii) *Depreciation*

The fixed assets which are held through financial leasing are depreciated during their lifecycle, by the same method as the fixed assets owned.

The economic lifecycle is the period when an asset is foreseen as being available to be used by an entity. The depreciation is calculated using the linear depreciation method for the useful life of the assets. Land is not depreciated.

**Lifecycle used by the Company**

<u>Type</u>	<u>Years</u>
Technical systems and cars	3 - 6
Other installations, machinery and furniture	3 - 30

**1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)**

**L Stocks**

The stocks are registered at the minimum between the cost and the net realizable value. The cost is determined, generally, based on the FIFO method (first in–first out). Where necessary, provisions are made for slow movement stocks and which are worn-out or obsolete. The net feasible value is estimated based on the sale price diminished by the finishing costs and the sale costs.

**M Borrowings**

The short- and long-term borrowings are recorded at their nominal value plus the accrued interest as of 31 December 2015 and related commissions are deferred straight line over the borrowing's contract period.

**N Other debts and assets**

Any other debts and assets are recorded at their nominal value, which approximates the actual value of the amounts to be paid and cashed, respectively.

**O Share capital and reserves**

*The share capital* is equal to the par value of the shares or equity shares, respectively to the value of the capital contribution, of the incorporated premiums and reserves or of the operations that lead to its modification.

*The subscribed and paid up capital* is entered into accounts separately, based on the documents of incorporation of the Company and on the supporting documents regarding the capital payments.

*The legal reserve* is established in accordance with the legislation in force by allocating at least 5% of the gross profit before taxation until the reserve fund reaches the fifth part of the fully paid share capital.

According to the fiscal provisions, when changing the destination of the legal reserves and of the reserves representing fiscal facilities, the profit tax is calculated on these reserves and interests and delay penalties are established from the date of application of the respective facilities.

**1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)**

**P Acknowledgement of income and expenses**

The revenues from the sales of assets are acknowledged when the Company transfers to the buyer the main risks and benefits related to holding the assets.

**i) *Income and expenses from interests***

The income and expenses from interests are recognized periodically, proportionally, as the respective income is generated, based on the accrual accounting.

The Company's revenue recognition policy for the interest takes into consideration the historical experience, the expectations related to the future cash flows and the future recoveries.

**ii) *Income from fees***

The income from fees mainly include the fees for monthly administration, late payment fees, over limit fees, granting commissions, and for the activity of issuing cards to clients, monthly issuance of bank statements, other. Except granting commissions, these remaining commissions are recognized in full in the income statement once they are generated.

For the financial years ending on 31 December 2015 and 31 December 2014, the Company has recognised only the portion of granting commission income related to the financial year 2015 and 2014 respectively. The portion of income relevant to the future periods was recognized as deferred revenues and shall be transferred to the income statement over the estimated tenor of the cards.

**1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)**

**Q Commission expenses**

Commission expenses refer to:

- a) Commissions for banking operations; and
- b) Commissions paid to merchants acting as the Company's agents for issuing new cards and loans. These commissions are additional and directly attributable to the new loans issued by merchants. The commission is computed as a percentage applied to the volume of transactions performed with Company's cards during each month. The commissions paid are amortised over the tenor of the respective loans.

The commissions paid to merchants have been classified in "Other administrative expenses" line in the financial statements for the financial year ending on 31 December 2014. In these financial statements the Company has reclassified these commissions in the comparative information from "Other administrative expenses" line to "Commission expenses" line in the income statement. For more details please see Note 12.

**R Profit tax**

*Current profit tax*

In accordance with the Romanian fiscal regulations, the calculation of the current profit tax starts from the gross result of the financial year, corrected with deductible and non-deductible elements to which taxation quotas, valid when closing the balance sheet, are applied. Currently, the Company pays a profit tax quota of 16%, the same as on 31 December 2014.

**S Employees' benefits**

*Short-term benefits:*

The short-term benefits include indemnities, salaries, bonuses, social security contributions. The short-term benefits are acknowledged as expenses in the profit and loss account as the services are provided.

The Company, while it normally carries out its activity, makes payments to the Romanian State pension funds for its employees in Romania, for pensions, health insurance and unemployment contributions. All the Company's employees are included in the state pension system. The Company does not have obligations related to additional services for former employees.

**1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)**

**T Provisions for risks and expenses**

The provisions are recognised when the Company has a current obligation (legal or implicit) resulted from past events, to transfer economic benefits, when it is likely that a resource outflow might be necessary for the settlement of that obligation and when a credible estimate can be made regarding the value of the obligation. When the effect of the money value in time is significant, the provision is recorded at the current value of the expense necessary for the settlement of the obligation.

The contingent debts that do not comply with the conditions to be recorded as provisions are presented in the note to the financial statements .

**U Commitments and contingent liabilities**

A contingent asset is a potential asset resulting from events prior to the balance sheet date and its existence will be confirmed only through the occurrence or non-occurrence of one or several uncertain future events, which cannot be fully controlled by the non-banking financial institution.

If generating revenues is certain, the respective asset is not contingent and is recognised in the balance sheet. Contingent assets are continuously assessed in order to secure the proper presentation in the financial statements of the changes occurred. If the income of benefits becomes certain, the asset and the respective revenue will be recognised in the financial statements for the period when the changes occurred.

There are no contingent assets or liabilities as at 31 December 2015 recognised in the balance sheet. (nor as at 31 December 2014)

**V Related parties**

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

**1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)**

**W Events subsequent to the balance sheet**

The events subsequent to the date of the balance sheet that provide additional information regarding the position of the Company and which needs adjustments, are reflected in the balance sheet and in the income statement, as the case may be. The significant events that do not need adjustments are presented in the notes to the financial statements.

**X Financial risk management**

Due to the nature of the activities performed, the Company is exposed to various risks that include: credit risk, currency risk, interest rate risk and liquidity risk.

The management pursues the reduction of the potential negative effects associated to these risk factors on the financial performance of the Company.

*i) Credit risk*

The Company is exposed to a certain credit risk due to its client's receivables and to the other types of receivables. The references regarding the clients' good standing are normally obtained for all new clients, the due date of the debts is carefully monitored and the amounts owed after exceeding the due date are pursued promptly.

The monitoring system of credit risk include specific reports prepared and analyzed by Collection Division and Credit and Risk Division and sent regularly to the management. The introduction of risk based strategies has produced significant improvements in collection performance.

Restructuring offers are also in place to regularly identify and aid customers that are estimated to be capable of reimbursing the loans following renegotiation of credit terms.

The Company's procedure of granting credits is based on a series of principles meant to decrease the credit risk, among which the segregation of tasks due to the existence of different departments that carry out distinct activities within the process of credit granting: requesting and receiving the documents from new clients, verification of the clients' good standing and their evaluation, approval of the credit limit by value thresholds.

The identification and management of the credit risk inherent to all products and activities runs according to adequate procedures of risk management and of controls prior to its implementation.

**ERB RETAIL SERVICES IFN S.A.**

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

**1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)**

*ii) Foreign currency risk*

The Company is exposed to exchange rate fluctuations, through the debt generated by trade debts expressed in foreign currency. Throughout 2015, most of the transactions were made in RON.

The Company made some assessments to hedge the foreign currency risk, but considering the higher cost incurred by this process, the management decided not to use derivatives to mitigate the currency risk.

The foreign currency balances are mainly represented by the following categories:

- 1) Cash and liquid assets in foreign currency;
- 2) Current bank accounts in foreign currency;
- 3) Collateral deposits in foreign currency opened with banks;
- 4) Liabilities to suppliers.

	<u>RON</u>	<u>2014 (RON equivalent)</u>		<u>Total (RON)</u>
		<u>EURO</u>	<u>Other currency</u>	
<b>Assets</b>				
Cash and liquid assets	2,347	82	2,532	4,961
Receivables in credit institutions	92,597,058	725,452	1,888,604	95,211,114
Receivables from clients	316,258,099	-	-	316,258,099
Other assets	1,536,357	-	306,380	1,842,737
Prepaid expenses and accrued revenues	<u>51,234,062</u>	<u>699,924</u>	<u>-</u>	<u>51,933,986</u>
<b>Total assets</b>	<b>461,627,923</b>	<b>1,425,458</b>	<b>2,197,517</b>	<b>465,250,898</b>
<b>Liabilities</b>				
Debts regarding credit institutions	222,422,066	22	-	222,422,088
Other liabilities	11,404,144	525,395	359,491	12,289,030
Deferred income and committed liability	<u>1,330,140</u>	<u>-</u>	<u>-</u>	<u>1,330,140</u>
<b>Total liabilities</b>	<b>235,156,350</b>	<b>525,417</b>	<b>359,491</b>	<b>236,041,258</b>
<b>Net values</b>	<b>226,471,574</b>	<b>900,041</b>	<b>1,838,025</b>	<b>229,209,640</b>

**ERB RETAIL SERVICES IFN S.A.**

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

**1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)**

	2015 (RON equivalent)			<b>Total (RON)</b>
	<b>RON</b>	<b>EURO</b>	<b>Other currency</b>	
<b>Assets</b>				
Cash and liquid assets	966	83	2,795	3,843
Receivables in credit institutions	193,389,010	5,491,171	2,123,884	201,004,065
Receivables from clients	263,026,291	-	-	263,026,291
Other assets	1,657,484	82,957	-	1,740,441
Prepaid expenses and accrued revenues	38,396,361	-	-	38,396,361
<b>Total assets</b>	<b>496,470,112</b>	<b>5,574,211</b>	<b>2,126,679</b>	<b>504,171,001</b>
<b>Liabilities</b>				
Debts regarding credit institutions	222,422,066	22	-	222,422,088
Other liabilities	8,740,813	374,326	38,587	9,153,726
Deferred income and committed liability	514,068	-	-	514,068
<b>Total liabilities</b>	<b>231,676,947</b>	<b>374,348</b>	<b>38,587</b>	<b>232,089,882</b>
<b>Net values</b>	<b>264,793,165</b>	<b>5,199,863</b>	<b>2,088,092</b>	<b>272,081,120</b>

In 2015 versus 2014, net currency position which recorded the largest fluctuation was RON. Net position increase was mainly influenced by increase in receivables in credit institutions and reduction in receivables from clients.

*iii) Interest rate risk*

The operational cash flows and income statement of the Company are affected by the variations of the interest rates. The Company's loans have a variable interest rate. The receivables have a fixed interest rate which is reviewed periodically. The Company does not use derivatives as a protection against the fluctuations of the interest rate.



**ERB RETAIL SERVICES IFN S.A.**

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

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**1 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)**

*iv) Liquidity risk*

The prudent management of the liquidity risk involves maintaining sufficient cash and certain available credit lines. Due to the nature of its activity, the Company intends to have flexibility in the financing possibilities, by maintaining credit lines available for the financing of the credit activity through group companies.

**2 INFORMATION REGARDING CERTAIN ELEMENTS OF THE BALANCE SHEET**

**2.1. Cash and liquid assets at Central Banks (line 010)**

	<u>31 December 2014</u>	<u>31 December 2015</u>
Cash in hand (in house)	4,961	3,843

**2.2. Receivables in the credit institutions (line 030)**

	<u>31 December 2014</u>	<u>31 December 2015</u>
Current accounts at banks	2,078,934	886,331
Placements at banks	<u>93,132,180</u>	<u>200,117,734</u>
<b>Total</b>	<b>95,211,114</b>	<b>201,004,065</b>

The balance of the current accounts at banks is represented by the balance of the liquidities in foreign currency and RON accounts opened at banking institutions in the country. The placements at banks are on-term and on-demand deposits in RON and foreign currency which are opened with banking institutions.

On 31 December 2015, the placements at banks also include 2,356,387 RON of collateral deposits (31 December 2014: 2,576,681 lei), comprising a collateral deposit in the amount of EUR 52,068 or RON 235,583 equivalent, corresponding to the lease agreement for the Company's headquarter space (31 December 2014: EUR 154,880 or RON 694,187 equivalent), a cash collateral in amount of USD 225,000 or RON 933,233 equivalent, based on Cash Collateral agreement signed in January 2012 with American Express company (31 December 2014: USD 225,000 or RON 829,530 equivalent) and a cash collateral in amount of USD 286,321 or RON 1,187,572 equivalent in relation to Mastercard (31 December 2014: USD 285,604 or RON 1,052,964 equivalent).

ERB RETAIL SERVICES IFN S.A.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

(All amounts are expressed in RON, unless otherwise specified)

2 INFORMATION REGARDING CERTAIN ELEMENTS OF THE BALANCE SHEET  
(CONTINUED)

2.3. Receivables from clients (line 040)

	<u>31 December</u> <u>2014</u>	<u>31 December</u> <u>2015</u>
Credits granted to clients, net of provisions	316,258,099	263,026,291

2.3.1 Review of the credits granted to clients by type of client

The credit portfolio on 31 December 2014 and 31 December 2015 included credits granted to individuals, The credits are granted in RON.

	<u>31 December 2014</u>	<u>31 December 2015</u>
<b>Individuals</b>		
-in RON	583,596,573	527,071,347
<b>Gross total of credit portfolio</b>	583,596,573	527,071,347
Specific credit risk provisions	(267,338,474)	(264,045,056)
<b>Net total of credit portfolio</b>	<b>316,258,099</b>	<b>263,026,291</b>

2.3.2 Review of credits granted to clients by type of credit

	<u>31 December 2014</u>	<u>31 December</u> <u>2015</u>
Credit cards (consumer credits and instalments sales)	379,085,113	345,505,334
Cash withdrawals	204,511,460	181,566,013
<b>Gross total of credit portfolio</b>	583,596,573	527,071,347
Specific credit risk provisions	(267,338,474)	(264,045,056)
<b>Net total of credit portfolio</b>	<b>316,258,099</b>	<b>263,026,291</b>

**ERB RETAIL SERVICES IFN S.A.****NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

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**2 INFORMATION REGARDING CERTAIN ELEMENTS OF THE BALANCE SHEET  
(CONTINUED)****2.3.3 Specific credit risk provisions**

	<u>31 December 2014</u>	<u>31 December 2015</u>
At the beginning of the reporting period	336,037,393	267,338,474
Expenses with provisions (Note 5.9)	<u>(68,698,919)</u>	<u>(3,293,418)</u>
<b>At the end of the reporting period</b>	<b>267,338,474</b>	<b>264,045,056</b>

The expenses with provisions are presented net of revenues from provisions reversals.

**2.4. Other assets (line 120)**

	<u>31 December 2014</u>	<u>31 December 2015</u>
Various debt receivable (i)	1,432,062	1,198,121
Materials in stock	56,232	16,616
Gift vouchers (in stock)	6,541	-
Settlement amounts to employees	1,663	4,366
Other receivables (ii)	<u>346,239</u>	<u>521,338</u>
<b>Other assets</b>	<b>1,842,737</b>	<b>1,740,441</b>

(i) Various debt receivable contain mainly:

- amounts received from clients during the last day of the year, that were not deposited in the bank accounts and remain in the balance of the suspense accounts, RON 680,260 (2014: RON 1,065,009);
- receivables in relation with merchant companies RON 141,847 (2014: RON 137,028);
- amounts paid upfront to merchants companies, not yet recovered, related to the transactions processed through the Euroline cards, RON 3,117 (2014: 3,117);
- amounts paid upfront to suppliers, in relation to service contracts in place, RON 330,129 (2014: 177,435), mainly paid to Posta Romana - RON 83,480 (2014: RON 81,813);
- warranties paid for rental contracts concluded, RON 35,425 (2014: RON 39,587)
- receivables representing interest for instalments made through Bancpost POS, RON 7,345 (2014: RON 9,888).

**ERB RETAIL SERVICES IFN S.A.**

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

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**2 INFORMATION REGARDING CERTAIN ELEMENTS OF THE BALANCE SHEET  
(CONTINUED)**

(ii) Other receivables represent mainly receivables from the state budget and the local budgets, RON 520,953 (2014: RON 345,854) representing mainly the sick leaves contribution of RON 479,637 (2014: RON 306,380) which was paid in addition, due to deduction of higher values, compared to the obligation due, in relation to sick leave covered by this contribution. For these receivables, the Company has filed tax returns and necessary documentation in order to recover these amounts from the National Health Insurance Fund.

**2.5. Prepaid expenses and accrued income (line 130)**

	<u>31 December</u> <u>2014</u>	<u>31 December</u> <u>2015</u>
Interest receivable		
-for placements with credit institutions	143,375	122,936
-for credits granted to clients	42,291,419	35,857,575
-specific interest risk provisions	(27,151,689)	(25,647,464)
Prepaid expenses	11,571,594	10,662,252
Income receivable – clients fee receivable	105,424,177	92,219,491
Provisions with clients fees	(80,344,890)	(74,818,429)
<b>Total prepaid expenses and accrued revenues net value</b>	<b>51,933,986</b>	<b>38,396,361</b>

Interest receivable for placements with credit institutions represent interest amount to be redeemed in relation to overnight and on-term deposits held at credit institutions.

Income receivable –client fees receivables consist of fees to be received in relation to loans provided to clients.

Interests and late payment fees computed for loans granted to clients are registered under amortised cost. Amortised cost of the interests and late payment fees represents computed interests and fees, less reimbursements during the year less provisions for the depreciation of the respective assets. Specific provisions for commissions are set up according to internal standards and regulations in place, by applying the same rules as for non-performing granted loans and upfront payments.

2 INFORMATION REGARDING CERTAIN ELEMENTS OF THE BALANCE SHEET  
(CONTINUED)

The prepaid expenses are amounts invoiced and paid to merchants for a time frame that exceeds the current financial year. Balance at 31 December 2015 includes prepayments of RON 8,554,854, representing fees to merchants in relation to instalment transactions performed with credit cards, which are related to non-matured instalments. (31 December 2014: RON 10,083,821).

Specific provisions for interest risk were recorded as expense in the profit and loss account and in the balance-sheet these are deducted from the total outstanding interest.

2.6. Debts regarding credit institutions (line 300)

	<u>31 December 2014</u>	<u>31 December 2015</u>
<i>On demand</i>		
Current accounts and on-demand deposits		
with banks	88	88
<i>On term</i>		
Loans on term from banks	<u>222,422,000</u>	<u>222,422,000</u>
<b>Total</b>	<b>222,422,088</b>	<b>222,422,088</b>

On 5 January 2009, the Company received a loan from a company of the Group, Eurobank Private Bank (Luxembourg) SA, amounting RON 673,775,000, which the Company used to pay the debt to Eurobank EFG, as generated by the bonds issue. The loan was initially granted for a period of 2 years, and the interest rate was established at ROBOR 3M / ROMID 3M plus 0.75%. In March 2010, the interest was changed to ROBOR 3M / ROMID 3M plus 2.00% and on 22 March 2011 the interest was set at ROBOR 3M/ROMID 3M plus 2.20%. During 2012, the Company also made payments prior to their due date amounting to RON 20,000,000. In October 2012, a new tranche was withdrawn from the loan received from Eurobank Private Bank Luxembourg S.A., in amount of RON 22,425,000. Thus, on 31 December 2012, the Company had a single loan in its balance, contracted from Eurobank Private Bank (Luxembourg) SA in amount of RON 282,425,000. Beginning with July 2013, the interest was changed to ROBOR 3M/ROMID 3M plus 2.75% and starting with August 2014 it become ROBOR 3M/ROMID 3M plus 2.25%. Also, on 26 September 2013, the Company made a payment prior to their due date amounting to RON 119,425,000, thus at 31 December 2013, the balance of loan contracted from Eurobank Private Bank (Luxembourg) was in amount of RON 163,000,000.

**ERB RETAIL SERVICES IFN S.A.****NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

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**2 INFORMATION REGARDING CERTAIN ELEMENTS OF THE BALANCE SHEET  
(CONTINUED)**

On 18 March 2014, the loan from Eurobank Private Bank (Luxembourg) was extended until 31 March 2015. On the 26<sup>th</sup> of June 2014, the Company reimbursed RON 30,000,000 before the due date of the loan. At 31 December 2015, the balance of the loan was of RON 133,000,000. Through an addendum dated 27 January 2015, the due date was extended until 30 September 2015. Moreover, as at 27 April 2015, the maturity was extended until 31 May 2016. In January 2016, the balance of the loan was repaid in full and the contract was closed (note 13).

On September 2013, the Company contracted a loan from Bancpost S.A., amounting to RON 89,422,000, for a period of 2 years, with an interest of ROBOR 3M available in last banking day of the month, plus 5% per year for every drawdown in RON, used for partial repayment of loan taken from Luxembourg. No reimbursements were performed during 2013-2015 period, thus the balance of the loan at 31 December 2015 was of RON 89,422,000. Through an addendum dated 13 March 2015, the maturity of Bancpost loan was extended to 26 September 2016.

**2.7. Other liabilities (line 330)**

	<b><u>31</u></b>	<b><u>31</u></b>
	<b><u>December</u></b>	<b><u>December</u></b>
	<b><u>2014</u></b>	<b><u>2015</u></b>
Various creditors (i)	9,767,025	7,176,649
Amounts due to employees (ii)	165,689	-
Social security payables (iii)	335,001	294,691
Other fiscal liabilities (iv)	1,971,679	1,560,469
Other taxes payable (v)	<u>49,636</u>	<u>121,919</u>
<b>Total</b>	<b>12,289,030</b>	<b>9,153,728</b>

(i) Various creditors include the amounts payable for services which were provided however not yet invoiced of RON 3,483,476 (2014: RON 3,459,105), amounts to be paid for invoice purchased assets and services of RON 1,683,126 (2014: RON 3,228,974) and amounts collected from clients, which temporarily remains in the suspense accounts until the clients are identified of RON 2,010,047 (2014: RON 3,078,947).

(ii) Amounts due to employees represent the amount to be paid for the salaries of the month of December, with due date on 5 of January of the following year.

(All amounts are expressed in RON, unless otherwise specified)

**2 INFORMATION REGARDING CERTAIN ELEMENTS OF THE BALANCE SHEET  
(CONTINUED)**

(iii) The social security contributions payables represent the balance of the payment obligations to the state budget and to the budget of social security, representing the obligations resulting from the salaries of the month of December, with due date up to 25 January of the following year according to the law.

(iv) Other fiscal liabilities mainly represent the current profit tax for 2015 of RON 1,486,678 (2014: RON 1,886,242), the remaining amount of RON 73,791 represents VAT payable.

(v) Other taxes as at 31 December 2015 mainly include tax on meal tickets of RON 109,323.

**2.8. Deferred income and accrued expenses (line 340)**

	<b><u>31</u></b>	<b><u>31</u></b>
	<b><u>December</u></b>	<b><u>December</u></b>
	<b><u>2014</u></b>	<b><u>2015</u></b>
Accrued interest payable for:		
Debts from loans granted by financial institutions (i)	545,656	-
Deferred income from:		
Fees related to granting credits (ii)	<u>784,484</u>	<u>514,068</u>
<b>Total</b>	<b><u>1,330,140</u></b>	<b><u>514,068</u></b>

(i) Accrued interest payable related to loans granted by credit institutions represent accrued interest expenses before due date.

(ii) Deferred income revenues are mostly fees collected when the loans are granted, which are an integral part of the actual yield of the financial product. Such fees are deferred and recognised in the income statement as an adjustment of the actual yield over the duration of the credit contracts. As at 31 December 2015, such fees amount for RON 494,242 (2014: RON 698,098). The remaining amount represents the adjustment for recognition of fee revenue to be received from merchants in relation to instalment transactions, over the duration of the loan, amounting for RON 19,826 (2014: RON 86,386).

**ERB RETAIL SERVICES IFN S.A.**

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

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**2 INFORMATION REGARDING CERTAIN ELEMENTS OF THE BALANCE SHEET  
(CONTINUED)**

**2.9. Risk provisions and expenses (line 350)**

	<u>31 December 2014</u>	<u>31 December 2015</u>
Provisions for:		
- facilities granted to employees (i)	97,825	34,473
- provisions for taxes (ii)	1,295,246	947,765
- other provisions (iii)	<u>135,000</u>	<u>251,037</u>
<b>Total</b>	<b>1,528,071</b>	<b>1,233,275</b>

(i) The values of the provisions for benefits granted to employees represent an estimate of the compensation for untaken holiday in 2015, including all related taxes.

(ii) The provisions for taxes on 31 December 2015 as well as on 31 December 2014, represent provision of RON 175,549 for penalties caused by non-payment at maturity of VAT on royalties owed to American Express according to concluded contract and provisions for other taxes of RON 54,322, mostly in relation to VAT. During 2014, the Company made an additional provision of RON 1,064,167, for additional profit tax and related penalties generated by a series of overstated acquisition expenses incurred during 2007-2013 and considered deductible at the time, which was diminished in 2015 to RON 697,682. During 2015 additional provisions for penalties of RON 19,000 were generated mainly by the change in the fiscal treatment of gift tickets.

(iii) Other provisions at 31 December 2014 relate to an estimated loss of RON 135,000 in relation to litigation with a former employee, which was reversed in 2015. At 31 December 2015, other provisions of RON 251,037 consist of expected losses in litigations initiated by lending clients.

**2.10. Subscribed share capital and share premium**

The value of the share capital on 31 December 2015 is RON 90,774,500 (31 December 2014: RON 90,774,500), representing 90,774,500 shares (31 December 2014: 90,774,500 shares). All the shares are common; were subscribed and fully paid as at 31 December 2015. At 31 December 2015, all shares have the same voting right and a par value of RON 1/share (31 December 2014: RON 1/share).



**ERB RETAIL SERVICES IFN S.A.****NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

**2 INFORMATION REGARDING CERTAIN ELEMENTS OF THE BALANCE SHEET (CONTINUED)**

The structure of shareholding on 31 December 2015, the same as on 31 December 2014, is the following:

	No. of shares	Amount (RON)	Percentage (%)
ERB New Europe Holding B.V.	90,000,101	90,000,101	99.1469
Eurobank Household Lending Services SA	619,802	619,802	0.6828
<u>Bancpost SA</u>	<u>154,597</u>	<u>154,597</u>	<u>0.1703</u>
<b>Total</b>	<b>90,774,500</b>	<b>90,774,500</b>	<b>100</b>

**2.11. Reserves and retained earnings**

	<u>31</u> <u>December</u> <u>2014</u>	<u>31</u> <u>December</u> <u>2015</u>
Legal reserves	10,227,129	12,697,396
Retained earnings	<u>64,586,248</u>	<u>128,347,646</u>
<b>Total</b>	<b>74,813,377</b>	<b>141,045,042</b>

During 2015 the Company allocated the amount of RON 2,470,267 to set up the legal reserve to RON 12,697,396 (2014: RON 10,227,129) by allocating 5% of the gross profit before taxation until the reserve is equal to 20% of the subscribed and paid share capital.

**2.12. Distribution of profit**

	<u>2014</u>	<u>2015</u>
Net profit of the year	67,448,328	42,805,423
-transferred to legal reserve	<u>(3,686,930)</u>	<u>(2,470,267)</u>
<b>Undistributed profit at the end of financial year</b>	<b>63,761,398</b>	<b>40,335,156</b>

The distribution of the profit was carried out in compliance with the legal provisions.

The way of distribution of the profit recorded in 2015 in amount of RON 40,335,156 will be decided by the Board of Directors, at the same time with the approval of these financial statements.

**ERB RETAIL SERVICES IFN S.A.**

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

**3 STATEMENT OF RECEIVABLES AND PAYABLES**

The due date schedule of receivables and payables as at 31 December 2014, is as follows:

<u>RON</u>	<u>Balance at</u> <u>31 December 2014</u>	<u>Period remaining up to due date</u>			
		<u>&lt;3months</u>	<u>3months- 1year</u>	<u>1-5years</u>	<u>&gt;5 years</u>
<b>RECEIVABLES</b>	<b>409,390,279</b>	<b>330,965,004</b>	<b>20,891,188</b>	<b>53,537,939</b>	<b>3,996,147</b>
On-term receivables					
from credit institutions	93,132,180	93,132,180	-	-	-
Receivables from clients	316,258,099	237,832,825	20,891,188	53,537,939	3,996,147
<b>% of total</b>	<b>100%</b>	<b>81%</b>	<b>5%</b>	<b>13%</b>	<b>1%</b>
<b>PAYABLES</b>	<b>(222,422,000)</b>	<b>(133,000,000)</b>	<b>(89,422,000)</b>	-	-
On-term debts to financial institutions	(222,422,000)	(133,000,000)	(89,422,000)	-	-
<b>% of total</b>	<b>100%</b>	<b>60%</b>	<b>40%</b>	<b>0%</b>	<b>0%</b>

The due date schedule of receivables and payables as at 31 December 2015, is as follows:

<u>RON</u>	<u>Balance at</u> <u>31 December</u> <u>2015</u>	<u>Period remaining up to due date</u>			
		<u>&lt;3months</u>	<u>3months-1year</u>	<u>1-5years</u>	<u>&gt;5years</u>
<b>RECEIVABLES</b>	<b>463,144,025</b>	<b>418,321,432</b>	<b>14,355,183</b>	<b>29,282,736</b>	<b>1,184,674</b>
On-term receivables					
from credit institutions	200,117,734	200,117,734	-	-	-
Receivables from clients	263,026,291	218,203,698	14,355,183	29,282,736	1,184,674
<b>% of total</b>	<b>100%</b>	<b>90%</b>	<b>3%</b>	<b>6%</b>	<b>0%</b>
<b>PAYABLES</b>	<b>(222,422,000)</b>	-	<b>(222,422,000)</b>	-	-
On-term debts to financial institutions	(222,422,000)	-	(222,422,000)	-	-
<b>% of total</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>

ERB RETAIL SERVICES IFN S.A.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

(All amounts are expressed in RON, unless otherwise specified)

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4 FIXED ASSETS

TANGIBLE AND INTANGIBLE ASSETS (line 090 and 100)

On 31 December 2014, the net accounting value is the following:

	<u>Gross</u> <u>book</u> <u>value</u>	<u>Accumulated</u> <u>depreciation*</u>	<u>Net</u> <u>book</u> <u>value</u>
Tangible assets	13,315,911	12,885,852	430,059
Intangible assets	<u>15,286,209</u>	<u>14,048,561</u>	<u>1,237,648</u>
<b>Total</b>	<b>28,602,120</b>	<b>26,934,413</b>	<b>1,667,707</b>

On 31 December 2015, the net accounting value is the following:---

	<b>Gross</b> <b>book</b> <b>value</b>	<b>Accumulated</b> <b>depreciation*</b>	<b>Net</b> <b>book</b> <b>value</b>
Tangible assets	13,327,215	13,007,468	319,747
Intangible assets	<u>16,340,116</u>	<u>15,353,008</u>	<u>987,108</u>
<b>Total</b>	<b>29,667,331</b>	<b>28,360,476</b>	<b>1,306,855</b>

\*includes impairment of intangible assets of RON 384,350.

**ERB RETAIL SERVICES IFN S.A.**

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

**4 FIXED ASSETS (CONTINUED)**

**GROSS BOOK VALUE**

	<b>Balance on 1 January 2015</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance on 31 December 2015</b>
<b>Intangible assets</b>				
Other intangible assets (software, licences)	15,286,209	1,178,395	(124,487)	16,340,116
<b>Total</b>	<b>15,286,209</b>	<b>1,178,395</b>	<b>(124,487)</b>	<b>16,340,116</b>
<b>Tangible assets</b>				
Equipment (machinery, tools and work equipment)	1,089,758	5,404	-	1,095,163
Vehicles	982,306	-	-	982,306
Furniture, protection equipment, stationery and other tangible assets	11,243,847	5,899	-	11,249,746
<b>Total</b>	<b>13,315,911</b>	<b>11,303</b>	<b>-</b>	<b>13,327,215</b>

**DEPRECIATION / AMORTISATION / PROVISIONS**

	<b>Balance on 1 January 2015</b>	<b>Depreciation during the financial year</b>	<b>Decrease</b>	<b>Balance on 31 December 2015</b>
<b>Intangible assets</b>				
Other intangible assets (software, licenses)	14,048,561	1,304,447	-	15,353,008
<b>Total</b>	<b>14,048,561</b>	<b>1,304,447</b>	<b>-</b>	<b>15,353,008</b>
<b>Tangible assets</b>				
Equipment (machinery, tools and work equipment)	1,038,821	1,351	-	1,040,172
Vehicles	982,306	1	-	982,307
Furniture, protection equipment, stationery and other tangible assets	10,864,725	120,264	-	10,984,989
<b>Total</b>	<b>12,885,852</b>	<b>121,616</b>	<b>-</b>	<b>13,007,468</b>

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This version of the accompanying documents is a translation from the original, which was prepared in Romanian. 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.

**ERB RETAIL SERVICES IFN S.A.**

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

**5 INFORMATION REGARDING CERTAIN ITEMS FROM THE PROFIT AND LOSS ACCOUNT (CONTINUED)**

**5.1 Interest incomes and similar revenues (line 010)**

	<u>2014</u>	<u>2015</u>
Revenues from interests for:		
-operations with banking institutions	2,026,518	2,065,743
-operations with clients	<u>98,523,051</u>	<u>86,915,222</u>
<b>Total</b>	<b>100,549,569</b>	<b>88,980,965</b>

**5.2 Interest expenses and similar charges (line 020)**

	<u>2014</u>	<u>2015</u>
Interest expenses in relation to:		
-banking operations (loans)	<u>(14,880,077)</u>	<u>(10,799,800)</u>
<b>Total</b>	<b>(14,880,077)</b>	<b>(10,799,800)</b>

**5.3 Revenues from fees (line 040)**

Revenues from fees include fees for client operations and are structured by type of fees as follows:

	<u>2014</u>	<u>2015</u>
Fees for instalments and payments to merchants	355,958	61,089
Fees for cash upfront payments	4,191,659	3,574,894
Fees for card issuance	820,297	821,758
Fees for exceeding the card limit	9,871,227	5,493,748
Administration fee	10,697,207	7,907,629
Fees for issuance of monthly bank statements	8,230,898	7,722,369
Fee for PIN re-issuance	<u>1,113</u>	<u>352</u>
<b>Total</b>	<b>34,168,359</b>	<b>25,581,839</b>

**ERB RETAIL SERVICES IFN S.A.****NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

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**5 INFORMATION REGARDING CERTAIN ITEMS FROM THE PROFIT AND LOSS ACCOUNT (CONTINUED)****5.4 Expense with fees (line 050)**

	<u>2014</u>	<u>2015</u>
Expenses with fees for:		
-inter-banking operations	(917,193)	(802,137)
-merchants	(8,358,458)	(8,908,896)
<b>Total</b>	<b>(9,275,650)</b>	<b>(9,711,033)</b>

Starting 2015 the fees paid to merchants as a percentage of loans granted are presented under expenses with fees line considering that they are direct costs, linked to transaction. For comparative purposes, such expenses incurred in 2014 have been reclassified from "Other administrative expenses" to "Expenses with fees" line (see Note 12).

**5.5 Net loss from financial operations (line 060)**

	<u>2014</u>	<u>2015</u>
Loss from operations of exchange and revaluation of assets and liabilities in foreign currencies	(1,412,519)	(1,623,605)
<b>Total</b>	<b>(1,412,519)</b>	<b>(1,623,605)</b>

Net loss from operations of exchange and revaluation increased in 2015, mainly as a result higher foreign exchange expenses for EUR transactions of RON 1,864,140 (2014: RON 1,607,281). Considering the higher cost related hedging of the foreign currency risk, the Company assumed such loss from the above operations.

**5.6 Other operating revenues (line 070)**

	<u>2014</u>	<u>2015</u>
Revenues from assignment of assets	103,684	-
Revenues from merchants fees (including corrections)	(24,967)	97,787
Revenues from services rendered to Bancpost	1,208,000	1,214,263
Revenues from compensations	12,509	2,009
Revenues from insurance brokerage	36,997	80,047
Other operating revenues (i)	3,023,553	3,312,953
<b>Total</b>	<b>4,359,776</b>	<b>4,707,059</b>

ERB RETAIL SERVICES IFN S.A.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

(All amounts are expressed in RON, unless otherwise specified)

5 INFORMATION REGARDING CERTAIN ITEMS FROM THE PROFIT AND LOSS ACCOUNT (CONTINUED)

- (i) Other operating revenues in 2015 mainly include:
- interchange fee received from American Express for POS transactions performed by Euroline Amex cardholders RON 1,672,699 (2014: RON 1,761,536);
  - income related to closure of dormant accounts of RON 352,927 (2014: RON 289,625). The Company recognises as income the credit balances less than RON 50, related to closed cards;
  - revenue obtained from recoveries of legal expenses related to legal recoveries activity in amount of RON 1,179,291 (2014: RON 910,855).

5.7 Other administrative expenses (line 087)

	<u>2014</u>	<u>2015</u>
<b>Expenses with:</b>		
a) consumables	(562,631)	(333,366)
b) fuel	(503,877)	(348,057)
c) spare parts	(130,349)	(6,604)
d) materials such as inventory objects	(181,160)	(24,028)
e) maintenance and repairs	(2,282,585)	(1,798,056)
f) utilities	(608,965)	(499,585)
g) post office, taxes and telecommunications	(3,464,606)	(3,486,288)
h) travels and secondments	(219,898)	(147,488)
i) rents	(6,167,931)	(5,627,717)
j) professional training	(65,752)	(54,475)
k) security services	(178,169)	(170,672)
l) protocol, commercials, publicity	(4,419,718)	(4,447,561)
m) card processing service	(2,450,787)	(2,724,699)
n) services according to Banepost contract	(2,102,927)	(2,010,117)
o) financial and IT audit services (internal and external)	(199,167)	(230,924)
p) consultancy services	(1,943,221)	(1,702,871)
q) services for recovery of debts	(3,972,200)	(4,143,356)
r) fees paid	(171,440)	(195,861)
s) third party services (related to debt collection and customer support services)	(4,626,402)	(5,346,263)
t) statement of account services	(742,906)	(670,314)
u) Amex royalties and commissions	(8,130,838)	(8,121,564)
v) insurance costs for goods and persons	(188,060)	(68,856)
x) legal recoveries costs	(2,138,646)	(1,812,149)
y) other administrative costs	(1,162,273)	(1,149,963)
z) Mastercard fees	(20,558)	(520,569)
<b>Total</b>	<b>(46,635,066)</b>	<b>(45,641,403)</b>

**ERB RETAIL SERVICES IFN S.A.****NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

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**INFORMATION REGARDING CERTAIN ITEMS FROM THE PROFIT AND LOSS ACCOUNT (CONTINUED)****5.8 OTHER OPERATING EXPENSES (line 100)**

	<u>2014</u>	<u>2015</u>
Expenses with taxes and duties	(1,195,316)	(1,137,163)
Sponsorship	(102,432)	(60,577)
Other operating expenses	<u>(2,939)</u>	<u>(2,704)</u>
<b>Total</b>	<b>(1,300,687)</b>	<b>(1,200,444)</b>

**5.9 CORRECTION ON THE VALUE OF RECEIVABLES AND PROVISIONS FOR CONTINGENT LIABILITIES AND COMMITMENTS (line 110)**

	<u>2014</u>	<u>2015</u>
<b>Corrections on provisions for:</b>		
-Risk provision related to client receivables,		
of which	94,386,770	10,298,042
Credit risk provisions (note 2.3.3)	68,698,919	3,293,418
Credit interest risk provisions	3,137,405	1,504,225
Other reversals of provisions	22,550,446	5,500,399
-Provisions for staff facilities	23,560	22,393
-Other provisions for liabilities	(1,199,167)	250,448
-Corrections on unrecoverable receivables	<u>(71,971,948)</u>	<u>(821,920)</u>
<b>Total</b>	<b>21,239,215</b>	<b>9,748,963</b>

In 2014, the Company has made considerable efforts to improve the recoveries of client receivables and increase the legal recoveries process and has changed the provisioning methodology for rescheduled loans following on a more thorough analysis of applicable National Bank of Romania regulations (i.e. the overdue days were reset to zero and started to be computed from the rescheduling date instead of the loan granting date); these actions have led to reversals of the provision expenses related to customers debts.

In March 2014 the Company has sold debts of cca RON 72 million, which lead to reversal of provisions of same amount and a correspondent correction on unrecoverable receivables, thus having no impact on Company's results.

In 2015, the Company continued its efforts to enhance the recoveries and intensify the legal recoveries process.



(All amounts are expressed in RON, unless otherwise specified)

**5 INFORMATION REGARDING CERTAIN ITEMS FROM THE PROFIT AND LOSS ACCOUNT (CONTINUED)**

**5.10 REVERSALS OF CORRECTIONS ON THE VALUE OF RECEIVABLES AND PROVISIONS FOR CONTINGENT LIABILITIES AND COMMITMENTS (line 120)**

	<u>2014</u>	<u>2015</u>
Reversals of the value of provisions for:		
-Provisions for staff facilities	1,443,621	40,960
-Re-adjustment of values for unrecoverable receivables	<u>980,126</u>	<u>-</u>
<b>Total</b>	<b>2,423,747</b>	<b>40,960</b>

For 2014, the reversals include the provision of the benefits to staff (including the related amounts for company taxes) following its reassessment and reversal of receivables provisions generated by collection of old provisioned debts. In 2015, there were immaterial reversals of provisions for staff facilities, as the employees related provisions balance was already significantly diminished in 2014.

**5.11 EXPENSES REGARDING PROFIT TAX (line 220)**

	<u>2014</u>	<u>2015</u>
<b>Gross profit</b>	75,183,981	49,446,318
Legal reserves	(3,686,930)	(2,470,267)
Non-taxable revenues	(1,445,383)	(42,992)
Non-deductible expenses	(13,327,986)	1,592,040
Income tax expense for current period	(7,735,653)	(6,640,896)
Fiscal profit of the year	48,988,029	41,884,203
Profit tax quota	16%	16%
Profit tax due	7,838,085	6,701,473
Sponsorships	(102,432)	(60,577)
Total profit tax due	<u>7,735,652</u>	<u>6,640,896</u>
<b>Expense with current profit tax for the financial year</b>	<b>7,735,653</b>	<b>6,640,896</b>

ERB RETAIL SERVICES IFN S.A.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

(All amounts are expressed in RON, unless otherwise specified)

**6 INFORMATION REGARDING EMPLOYEES AND THE MEMBERS OF THE ADMINISTRATION, MANAGEMENT AND SUPERVISORY BODIES**

**6.1 Indemnities granted to the members of the administration, management and supervisory bodies**

	<u>2014</u>	<u>2015</u>
<i>Expenses with salaries:</i>		
-Managers	(1,072,456)	(1,122,934)
<b>Total</b>	<b>(1,072,456)</b>	<b>(1,122,934)</b>
<i>Salaries payable at the end of the period</i>		
-Managers	14,715	-
<b>Total</b>	<b>14,715</b>	<b>-</b>

No advance payments or credits have been granted to the management members.

**6.2 Employees**

The average number of full time employees during 2015 was 133 (2014: 174).

	<u>2014</u>	<u>2015</u>
<b>Personnel expenses, of which:</b>	<b>(11,081,727)</b>	<b>(9,211,120)</b>
-Gross salaries	(8,459,645)	(7,089,047)
-Bonuses	(395,949)	(508,136)
-Expenses with social security and similar	(2,226,133)	(1,613,937)
Salaries payable at the end of the period	165,689	-
Taxes payable at the end of the period	335,001	294,691
<b>Total</b>	<b>500,690</b>	<b>294,691</b>

Expenses with the staff – bonuses represent the amounts paid by the Company for the employees performance.

**ERB RETAIL SERVICES IFN S.A.****NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

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**7 TRANSACTIONS WITH RELATED PARTIES**

Parties are considered to be related parties to another entity if they have the capacity to control or influence significantly the other party regarding the latter's operational and financial decisions. The Company is controlled by ERB New Europe Holding B.V., its main shareholder. Naturally, a portion of the transactions of the Company is established with related parties. These include purchase and sale of services and contracting loans carried on under non-preferential terms and conditions.

**Revenues from transactions with related parties**

	<b><u>31 December 2014</u></b>	<b><u>31 December 2015</u></b>
Interest income and similar income Bancpost SA (note 5.1)	2,024,517	2,062,870
Revenues from services rendered to Bancpost SA (note 5.6)	1,208,000	1,214,263
Other operating income (revenues from insurance brokerage) –Eurolife ERB Asigurari de Viata SA	<u>36,997</u>	<u>80,047</u>
<b>Total</b>	<b>3,269,514</b>	<b>3,357,180</b>

Revenues from interests and related revenues with respect to Bancpost S.A. remained rather constant in 2015 compared to 2014. Although the level of deposits with BancPost increased in 2015, the interest rate applied to such deposits decreased and provided almost the same level of interest revenues as in 2014.

**Payables interests and related expenses**

	<b><u>31 December 2014</u></b>	<b><u>31 December 2015</u></b>
Expenses with interests, of which:		
- Eurobank Private Bank Luxembourg SA	(7,928,784)	(5,023,114)
- Bancpost SA	<u>(6,951,294)</u>	<u>(5,776,686)</u>
<b>Total</b>	<b>(14,880,077)</b>	<b>(10,799,800)</b>

**ERB RETAIL SERVICES IFN S.A.****NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

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**7 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****Expenses with related parties**

	<u>31 December 2014</u>	<u>31 December 2015</u>
Expenses with fees	(917,187)	(802,137)
Other administrative expenses	(14,883,257)	<u>(14,173,171)</u>
<b>Total</b>	<b>(15,800,445)</b>	<b>(14,975,308)</b>

**Expenses with fees/Other administrative expenses**

	<u>31 December 2014</u>	<u>31 December 2015</u>
Purchase – Bancpost SA	(6,545,575)	(6,212,001)
Purchase of services – Be-Business Exchange SA	(4,471)	-
Purchase of services –Eurobank Property Services SA	(341,308)	(242,944)
Purchase of services – ERB IT SHARED SERVICES	(2,665,447)	(2,906,471)
Purchase of services – Seferco Developments SA	(5,696,454)	(5,077,680)
Purchase of services – Eurobank Bulgaria AD	(399,445)	(261,770)
Purchase of services –Eurobank Ergasias SA	<u>(147,745)</u>	<u>(274,443)</u>
<b>Total</b>	<b>(15,800,445)</b>	<b>(14,975,308)</b>

**Debit balances with related parties**

	<u>31 December 2014</u>	<u>31 December 2015</u>
Receivables from credit institutions	93,328,438	198,883,078
Prepaid expenses and accrued revenues	143,374	122,936
Other assets	<u>142,581</u>	<u>143,053</u>
<b>Total</b>	<b>93,614,393</b>	<b>199,149,067</b>

Debit balance, both at 31 December 2015 and 31 December 2014, represent only relationship with Bancpost and mainly represents the balance of the current accounts and deposits.

**ERB RETAIL SERVICES IFN S.A.****NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

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**7 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****Credit balances with related parties**

	<u>31 December 2014</u>	<u>31 December 2015</u>
Deferred income and committed liability	545,656	-
Other liabilities	<u>574,350</u>	<u>714,715</u>
<b>Total</b>	<b>1,120,006</b>	<b>714,715</b>

Breakdown of credit balances by related party is shown in the table below:

	<u>31 December 2014</u>	<u>31 December 2015</u>
Eurobank Ergasias SA	-	125,024
Be-Business Exchange AE	4,482	-
Bancpost SA	276,504	279,560
Eurobank Private bank Luxembourg SA - preliminary interest for loan	44,223	-
Bancpost SA – preliminary interest for loan	501,434	-
ERB IT Shared Services SA	209,523	275,663
Seferco Developments SA	60,081	14,700
Eurobank Bulgaria AD	26,781	22,794
Eurolife ERB asigurări de Viață SA	<u>(3,022)</u>	<u>(3,026)</u>
<b>Total</b>	<b>1,120,006</b>	<b>714,715</b>

**Loans**

	<u>31 December 2014</u>	<u>31 December 2015</u>
Loans from related parties (credit)		
Eurobank Private Bank Luxembourg SA - Note 2.6	133,000,000	133,000,000
Bancpost SA - Note 2.6	89,422,000	89,422,000
<b>Total</b>	<b>222,422,000</b>	<b>222,422,000</b>

**ERB RETAIL SERVICES IFN S.A.**

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

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**8 INFORMATION REGARDING GEOGRAPHICAL MARKETS**

The Company operates in one geographical segment, all revenues and expenses are realized in one market only (Romania).

**9 CONTINGENT LIABILITIES AND COMMITMENTS**

**a) Liabilities regarding rent**

The Company signed a long term contract for renting its headquarters. The contract is valid until 31 July 2024. In 2014, the monthly rent was of EUR 77,439.92. Starting with November 2015 the monthly rent was adjusted at EUR 31,240.99 to reflect lower rented area following internal relocation.

On the end of the financial year, the Company's contingent liabilities regarding the rent payable, which include headquarters rent and vehicle operational lease, are due as follows:

	<u>31 December 2014</u>	<u>31 December 2015</u>
Within one year	5,164,751	2,408,316
From the second year up to the fifth inclusive	20,659,003	9,022,033
Above five years	23,671,774	6,078,044
<b>Total</b>	<b>49,495,528</b>	<b>17,508,393</b>

**b) Liabilities regarding the financial lease**

No liabilities are recorded in relation to financial lease at 31 December 2015 and 31 December 2014.

**c) Commitments**

On 31 December 2015 the Company recognises commitments amounting to RON 659,471,524 representing unused value within the credit limit granted to its clients. (2014: RON 676,297,508).

**ERB RETAIL SERVICES IFN S.A.****NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

**10 OTHER INFORMATION****10.1 Shares held**

At 31 December 2013, the Company held shares in ERB IT Shared Services SA amounting to RON 176.50 (0.00104 % of total capital). In 2014, the Company sold these shares to ERB NEW EUROPE HOLDING B.V.

**10.2 Information regarding fees paid to the financial auditor**

During 2015 the expenses with the financial auditor amounted RON 230,924 (2014: RON 199,166).

**10.3 Profit or loss from fixed assets exits (sale, write-off, etc)**

In 2015, the Company had not conducted operations of write-off or sale operations of fixed assets (vehicles). In 2014, the Company has obtained an income of RON 103,684 from sales operations of fixed assets.

**11 CASH AND CASH EQUIVALENTS**

	<u>31 December 2014</u>	<u>31 December 2015</u>
Cash in hand (in-house)	4,961	3,843
Undistributed gift-vouchers	6,541	-
Current accounts at banks	2,078,935	886,331
Short term bank deposits	90,555,403	197,761,252
Cash upfront to employees	1,663	4,366
<b>Total</b>	<b>92,647,503</b>	<b>198,655,792</b>

**12 RECLASS WITHIN PREVIOUS FINANCIAL STATEMENTS**

In 2015, the Company reclassified the intermediation commission expenses paid to merchants within the income statement, as in the following table, to reflect the substance of these transactions, which are directly attributable to new loans provided by the Company through merchants intermediation. (see Note 5.4)

	<u>31 December 2014</u>		<u>31 December 2014</u>
<u>Income statement</u>	<u>Previously reported</u>	<u>Reclassification</u>	<u>Corrected</u>
Commission expenses	(917,193)	(8,358,457)	(9,275,650)
Other administrative expenses	(54,993,524)	8,358,457	(46,635,066)

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This version of the accompanying documents is a translation from the original, which was prepared in Romanian. 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.

**ERB RETAIL SERVICES IFN S.A.**

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(All amounts are expressed in RON, unless otherwise specified)

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**13 SUBSEQUENT EVENTS AFTER THE CONCLUSION OF BALANCE SHEET**

In January 2016, the total balance of RON 133,000,000 of the financing from Eurobank Private Bank Luxembourg was repaid and the contract was terminated.





**ERB RETAIL SERVICES IFN SA**

**ADMINISTRATORS REPORT**

**FOR THE FINANCIAL YEAR ENDING ON**

**31 DECEMBER 2015**

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**A. Macroeconomics and Romanian banking system in 2015**

The past year Romania continued the favorable economic path. Economic activity came out again much stronger than expected. Gross domestic product in Q4 2015 was, in real terms, by 1.1% higher, as compared to Q3 2015, while seasonally adjusted GDP rose by 0.3% in the euro area (EA19) and by 0.4% in the EU28 during the fourth quarter of 2015, compared with the previous quarter. The full year Romania's GDP probably increased by about 3.7 % in 2015, higher than the previous year's growth of 2.9 %, while real GDP excluding agriculture should have advanced even faster (4.5%).

All industries, except for Agriculture, forestry and fishing, contributed to the GDP increase in the year 2015 as against 2014. Significant positive contributions had the following industries: - Wholesale and retail; motor - vehicles and motorcycles repair; transport and storage; hotels and restaurants (+1.0%), with a share of 15.8% in GDP, whose activity volume increased by 6.4%; - Construction (+0.6%), with a share of 7.4% in GDP, whose activity volume increased by 8.8 %; - Information and communication (+0.6%), with a smaller share in GDP (5.7%), but which recorded a significant increase in activity volume (11.8%); - Industry (+0.5%), with a share of 23.2% in GDP, whose activity volume increased by 2.0 %; - Net taxes on products (+0.7%), with a share in GDP of 12.1%, which recorded an increase in activity volume by 5.7%.

From GDP uses standpoint, the increase was mainly due to: - final consumption expenditure of households whose volume increased by 6.2% contributing by 3.8% to the GDP growth rate; - gross fixed capital formation, with a contribution of +1.8%, as a consequence of the increase by 7.5% of its volume. The net export recorded a negative contribution to the GDP growth rate (- 1.6%) being influenced by the volume increase of exports of goods and services, by 4.7%, in correlation with a higher increase of the volume of imports of goods and service, by 8.4%.

Consumer prices increased only by 0.1% mom in December 2015 while in 2015 Q4, the annual CPI inflation rate remained in negative territory. However, given the positive monthly rates seen during this period, at end-December 2015 it stood 0.8 percentage points above the level reported at end-Q3 (-0.9 percent compared to -1.7 percent). The annual inflation rate has posted negative values since June, under the impact of broadening the scope of the 9 percent reduced VAT rate to all food items, non-alcoholic beverages and food service activities. In the absence of this measure, in Q4, the annual inflation rate would have returned inside the variation band of the NBR target (2.5 percent  $\pm$ 1 percentage point), nearing 2 percent at year-end. The annual inflation rate stood at -0.9% yoy in December. Negative dynamics was the result of decline in food prices (-6.2% yoy in Dec) following the cut of VAT rate for food products from June 2015.

The NBR delivered a cumulative 100bps cut in the main policy rate (from 2.75% in December 2014 to 1.75% in December 2015). The NBR Board decided in its last meetings to keep the monetary policy rate at 1.75 percent per year. The analysis underlying the decision highlighted the additional difficulties arising from a general context marked by major uncertainties. The NBR Board decided to cut the minimum reserve requirement ratio on foreign currency-denominated liabilities to 12 percent from 14 percent starting with the 24 January – 23 February 2016 maintenance period. The European Central Bank, at the beginning of 2016, has cut the benchmark interest rate to 0 per cent, from 0.05 per cent, in

a bid to revive the slow European economy. The bank also cut the deposit rate facility to -0.4 per cent, which means it will cost banks more to hold cash rather than to lend it out to customers. The European Central Bank's decisions will further influence NBR's interest rate policy.

The macro fundamentals suggest that Romania is one of the emerging economies very well positioned to withstand persisting geopolitical risks. Since the 2008 global financial crisis, Romania has made significant progress in reducing macroeconomic imbalances and rebuilding fiscal and financial buffers. Still, Romania remains relatively more vulnerable to external shocks from uncertainties in the euro area as well as global volatility in capital flows to emerging markets.

In the wake of the 2009 crisis the Romanian economy stabilised with the support of EU-IMF financial assistance programmes. It has been expanding strongly since 2013, the drivers of growth switching gradually from net exports to domestic demand. The fiscal and external accounts consolidation continued in 2015. The consolidated budget deficit in cash terms ended at 1.5% of GDP in 2015, down from 1.85% in 2014 and in line with the revised target agreed with international lenders. The public debt (in ESA2010 terms) stood at 39.2% of GDP in 2015 by comparison with 40% of GDP in 2014 vs. 38% in 2013 and 37.3% in 2012. In 2015, improved tax collection enabled Romania to remain at its medium-term objective despite slippages in expenditures. However, new tax cuts in 2016 and 2017 and increases of public wages are forecast to raise the deficit to 3.75 % of GDP by 2017. The public debt is expected to rise above 40 % in the same period.

The balance of payments current account registered a negligible deficit in 2015 (EUR 1.539 billion - 1% of GDP) vs. 2014 (revised figure EUR 0.686 billion - 0.5 % of GDP) from EUR 6.02 billion - 4.5 % of GDP deficit in 2012. The current deficit increased with 156% to EUR 1.6 billion while the direct foreign investments reached EUR 3mld with 25.3% higher than the 2014 figure. 2015 has confirmed that Romania can improve EU funds absorption as well. The current absorption rate of European funds increased significantly to 74.3% by comparison with 51.81% in 2014, 33.47% in 2013 and 14.92% in 2012, while the Government's plan forecasted a rate of 80% in 2015. Absorption of European funds expected to remain high on the political agenda requiring specialized expertise, know-how and intensive efforts to increase the rate for the next 2014-2020 period versus the 74% for the 2007-2013 previous program.

Fitch Ratings has confirmed Romania's investment grade rating at the 'BBB-' level for the long-term foreign debt and at 'BBB' for the local currency debt. The outlooks are stable. Romania currently has a healthier economic outlook and more favourable governance indicators than the 'BBB' range peers. Last December 2015, Moody's ratings agency also improved Romania's outlook from stable to positive, and reconfirmed her sovereign rating at Baa3 (investment grade). In early October, Standard&Poor's had in turn reconfirmed Romania's long-term government debt rating at BBB-, with stable outlook.

In 2015, the non-government lending aggregate volume increased by 2.36% versus the -3.4% yoy shrinkage in nominal terms in 2014 giving an impulse to the consumer spending. Starting with 2014 Q2, the non-performing loan indicator followed a downward course, standing at 13.9% in December 2014 and at 12.33% in September 2015. The banking sector remains in 2015 very well capitalized. Capital adequacy ratio for the entire system was 17.51% at the end of December 2015, 17.28% at the end of 2014 and 15.46 % at the end of 2013. The most important aspect for 2015 in the banking sectors was the

returning to profitability of the banks, the average ROA of the system reaching 1.35% at the end on 2015 versus -1.32% at the end of 2014 and average ROE per the banking system reaching 12.82% in December 2015 versus -12.45% at the end of 2014.

The relations with IMF had a temporary setback in 2015. The IMF/EU program, which expired in September 2015 has not been prolonged. Technical staff of the IMF visited Romania in March 2016 for discussions with Romanian authorities the Romanian economic indicators as part of the review for a potential new agreement with the IMF.

The RON ended the year near 4.52 RON/EUR in 2015, as a result of an abrupt depreciation of the local currency because of Central Bank's measures and interest rate cuts resulting in an outflow of liquidity in the market. In this environment, the RON faced mild appreciation pressures in the beginning of 2016 succeeding an appreciation of 1.6%. The low interest variations are a result of excess liquidity in the market which continues to affect the banking sector reflected in the last year's deposits volume increase of 7.5%.

The exchange rate published by the NBR for the last business day of December 2015 was the following:

Currency	31 December 2015	31 December 2014
Dollar (USD)	1 RON: 4.1477	1 RON: 3.6868
Euro (EUR)	1 RON: 4.5245	1 RON: 4.4821

## B. Review of 2015 results

### B.1 Balance sheet – Assets

The review of the financial statements of the Company (ERB RETAIL SERVICES IFN SA) was performed based on the figures from the audited statutory financial statements and which shall be submitted to the local authorities – the Ministry of Public Finance and the Trade Register. The independent external auditor PricewaterhouseCoopers will issue an unqualified opinion on these financial statements.

The structure of assets on 31 December 2015 is presented below:

(RON)		31 December 2014	Weight	31 December 2015	Weight
Cash, liquidities at central banks	B.1.1.	4,961	0.00%	3,843	0.00%
Receivables in credit institutions	B.1.2.	95,211,114	20.39%	201,004,065	39.77%
Receivables from clients	B.1.3.	316,258,099	67.73%	263,026,291	52.04%
Intangible assets	B.1.4.	1,237,648	0.27%	987,108	0.20%
Tangible assets	B.1.5.	430,059	0.09%	319,747	0.06%
Other assets	B.1.6.	1,842,737	0.39%	1,740,441	0.34%
Prepaid expenses and accrued revenues	B.1.7.	51,933,986	11.12%	38,396,361	7.60%
<b>Total assets</b>		<b>466,918,604</b>	<b>100.00%</b>	<b>505,477,856</b>	<b>100.00%</b>

On 31 December 2015, the total assets of the Company were RON 505,477,856, higher with 8.26% by comparison to the value recorded on 31 December 2014 (RON 466,918,604).

The clients balance decreased compared to the previous year by RON 53,231,808 in absolute value, mainly due to overall decrease in lending activity and higher repayments from customers as compared to new production.

#### **B.1.1 Cash, liquidities at central banks**

For the cash flow, cash and its equivalents comprise the cash in hand.

#### **B.1.2 Receivables in credit institutions**

These include on-term and on-demand deposits. On 31 December 2015, the placements at banks also include 2,356,387 RON of collateral deposits, comprising a collateral deposit in the amount of EUR 52,068 (RON 235,583 equivalent) corresponding to the lease agreement for the Company's headquarter space, a cash collateral in amount of USD 225,000 (RON 933,233 equivalent) based on Cash Collateral agreement signed in January 2012 with American Express company and a cash collateral in amount of USD 286,321 (RON 1,187,572 equivalent) in relation to Mastercard.

#### **B.1.3 Receivables from clients**

The total number of credit cards issued by the Company decreased to approximately 396,519 on 31 December 2015 (31 December 2014: approximately 414,802). The balance of receivables to be cashed net of the provisions, decreased from RON 316,258,099 in 2014 to RON 263,026,291 in 2015 (52.04% of the total assets of the Company on 31 December 2015). All the receivables of the Company are denominated in RON and are related to Romanian clients.

#### **B.1.4 Intangible assets**

During 2015, software licenses were bought and the existing ones have been improved according to the reporting requirements, with the gross book value net increase being of RON 1,053,908. Depreciation in 2015 amounted for RON 1,304,447 thus net book value of intangible assets decreased at 31 December 2015 to RON 987,108 from RON 1,237,648 at 31 December 2014.

#### **B.1.5 Tangible assets**

In 2015, total purchases of tangible assets were of RON 5,899 consisting of IT equipment.

During 2015, no finance lease contracts were entered for the car fleet.

On 31 December 2015 the Company had no pledged and/or restricted tangible assets in favour of any third party.

**B.1.6 Other assets**

Other assets category slightly decreased compared to the end of 2014. Other assets mostly include amounts received from clients during the last day of the year, that were not deposited in the bank accounts and remain in the balance of the suspense accounts of RON 680,260 (2014: RON 1,065,009) and receivables from the state budget and the local budgets of RON 520,953 (2014: RON 345,854).

**B.1.7 Prepaid expenses and accrued revenues**

Prepaid expenses decreased from one year to another in terms of its weight in the total assets (7.60% in 2015, compared to 11.12% in 2014). Similar to 2014, on 31 December 2015 this category includes accrued interest receivable, specific interest risk provisions, accrued commissions on the loan balances, prepaid expenses and the interest receivables for placements with credit institutions. The Company recognised the expenses incurred with merchants fees payables, for instalment transactions made through merchants, over the life of the loan (number of instalments). Thus, the expenses with the fees related to instalments which were not due yet are shown in the prepaid expenses account.

The table below presents the variation of the main assets categories from one year to another. The comparison was drawn in nominal terms for the periods ending 31 December 2015 and 31 December 2014.

(RON)	31 December 2014	31 December 2015	Variation	%
Cash, liquidities at central banks	4,961	3,843	(1,118)	-22.54%
Receivables in credit institutions	95,211,114	201,004,065	105,792,951	111.11%
Receivables from clients	316,258,099	263,026,291	(53,231,808)	-16.83%
Intangible assets	1,237,648	987,108	(250,540)	-20.24%
Tangible assets	430,059	319,747	(110,312)	-25.65%
Other assets	1,842,737	1,740,441	(102,296)	-5.55%
Prepaid expenses and accrued revenues	51,933,986	38,396,361	(13,537,625)	-26.07%
<b>Total assets</b>	<b>466,918,604</b>	<b>505,477,856</b>	<b>38,559,252</b>	<b>8.26%</b>

**B.2 Balance sheet – Debt and equity**

On 31 December 2015, the debts plus the equity of the Company were RON 505,477,856, higher with 8.26 % compared to the end of 2014(RON 466,918,604).

(RON)		31 December 2014	Weight	31 December 2015	Weight
Debts regarding credit institutions	B.2.1	222,422,088	47.64%	222,422,088	44.00%
Other liabilities	B.2.2	12,289,030	2.63%	9,153,728	1.81%
Deferred revenues and committed debts	B.2.3	1,330,140	0.28%	514,068	0.10%
Provisions	B.2.4	1,528,071	0.33%	1,233,275	0.24%
Subscribed share capital	B.2.5	90,774,500	19.44%	90,774,500	17.96%
Reserves	B.2.6	10,227,129	2.19%	12,697,396	2.51%
Retained earnings	B.2.7	64,586,248	13.83%	128,347,646	25.39%
Result of the financial year	B.2.8	67,448,328	14.45%	42,805,423	8.47%
Profit distribution		(3,686,930)	-0.79%	(2,470,267)	-0.49%
<b>Total liabilities</b>		<b>466,918,604</b>	<b>100.00%</b>	<b>505,477,856</b>	<b>100.00%</b>



**B.2.1 Debts regarding credit institutions**

The balance mostly includes liabilities related to the loans from other financial institutions.

At 31 December 2014 and 31 December 2015, the Company had in his balance, the loan contracted from Eurobank Private Bank (Luxembourg) S.A. in amount of RON 133,000,000 and the loan contracted from Bancpost S.A. in amount of RON 89,422,000.

The loan from Eurobank Private Bank Luxembourg was obtained in 2009. The last prolongation of the maturity was performed on 27 April 2015, the maturity being extended until 31 May 2016. However, in January 2016, the remaining balance of RON 133,000,000 was reimbursed and the contract was terminated.

The loan from Bancpost S.A. was contracted on September 2013, for an amount of RON 89,422,000, for a period of 2 years, with an interest of ROBOR 3M available in last banking day of the month, plus 5% per year for every drawdown in RON, used for partial repayment of loan taken from Luxembourg. No reimbursements were performed during 2013-2015 period. On 13 March 2015, an addendum was signed to roll over the maturity date to 26 September 2016.

**B.2.2 Other liabilities**

Other liabilities decreased at 31 December 2015 mainly due to amounts to be paid for invoice purchased assets and services of RON 1,683,126 compared to RON 3,228,974 at 31 December 2014 and amounts collected from clients, which temporarily remains in the suspense accounts until the clients are identified of RON 2,010,047, compared to RON 3,078,947 at 31 December 2014.

**B.2.3 Deferred revenues and committed debts**

Committed debts decreased at 31 December 2015 compared to 31 December 2014 mainly due to lack of accrued interest in relation to loan granted by Bancpost S.A (paid in full at 31 December 2015) compared to RON 501,434 at 31 December 2014.

Deferred income revenues are mostly fees collected when the loans are granted, which are an integral part of the actual yield of the financial product. Such fees are deferred and recognised in the profit and loss account as an adjustment of the actual yield over the duration of the credit contracts. Thus, revenues and fees for instalments which are not yet due are shown in the deferred revenues accounts (RON 514,068 at 31 December 2015 and 784,484 at 31 December 2014)

**B.2.4 Provisions**

The provisions, other than risk provisions set up for the operations with clients, decreased their weight in total liabilities 0.24% in 2015 compared to 0.33% in 2014. This category includes provisions for taxes (which decreased from 1,295,246 at 31 December 2014 to RON 947,765 at 31 December 2015), the provisions set up for untaken holidays, including relevant taxes (which decreased from RON 97,825 at

31 December 2014 to RON 34,473 at 31 December 2015), and other provisions for litigations (which increased from RON 135,000 at 31 December 2014 to RON 251,037 at 31 December 2015).

### B.2.5 Share capital

The value of the share capital on 31 December 2015 is RON 90,774,500 (31 December 2014: RON 90,774,500), representing 90,774,500 shares (31 December 2014: 90,774,500 shares). This remained unchanged since December 2007.

### B.2.6 Reserves

During the financial year concluded on 31 December 2015 the Company had a net profit of RON 42,805,423 (net profit 2014: RON 67,448,328).

During 2015 the Company allocated the amount of RON 2,470,267 to setting up the legal reserve, up to 5% of the gross profit in accordance with the provisions of the Company Law 31/1990 republished (at 31 December 2014: RON 3,686,930).

### B.2.7 Retained earnings

Retained earnings at the end of 2015 are RON 128,347,647.

### B.2.8 Result of the financial year

On 31 December 2015, the net result of the financial year is RON 42,805,423.

The following table shows the variation of the main debts and equity items, in nominal terms:

(RON)	31 December 2014	31 December 2015	Variation	%
Debts regarding credit institutions	222,422,088	222,422,088	(0)	0.00%
Other liabilities	12,289,030	9,153,728	(3,135,302)	-25.51%
Deferred revenues and committed liabilities	1,330,140	514,068	(816,072)	-61.35%
Provisions	1,528,071	1,233,275	(294,796)	-19.29%
Subscribed share capital	90,774,500	90,774,500	-	0.00%
Reserves	10,227,129	12,697,396	2,470,267	24.15%
Retained earnings	64,586,248	128,347,647	63,761,398	98.72%
Result of the financial year	67,448,328	42,805,423	(24,642,905)	-36.54%
Profit distribution	(3,686,930)	(2,470,267)	1,216,663	-33.00%
<b>Total liabilities</b>	<b>466,918,604</b>	<b>505,477,856</b>	<b>38,559,252</b>	<b>8.26%</b>

### B.3 Profit and loss account

The structure of the annual profit and loss account is presented below:

(RON)	Note	2014	2015	Variation	%
Interest receivable and similar revenues	B.3.1	100,549,569	88,980,965	11,568,604	-12%
Interest payable and similar expenses	B.3.2	14,880,077	(10,799,800)	4,080,277	-27%
Commission income	B.3.3	34,168,359	25,581,839	(8,586,520)	-25%

Commission expense	B.3.4	(9,275,650)	(9,711,033)	(435,383)	5%
Net loss from financial operations		(1,412,519)	(1,623,605)	(211,086)	15%
Other operating revenues	B.3.5	4,359,776	4,707,059	347,283	8%
General administrative expenses	B.3.6	(57,716,793)	(54,852,523)	2,864,270	-5%
Value adjustment of tangible and intangible assets		(2,970,958)	(1,426,063)	1,544,895	-52%
Other operating expenses	B.3.7	(1,300,687)	(1,200,444)	100,243	-8%
Correction on the value of receivables and provisions for contingent liabilities and commitments	B.3.8	21,239,215	9,748,963	(11,490,252)	-54%
Reversal from value adjustment of receivables and provisions for contingent liabilities and commitments	B.3.8	2,423,747	40,960	(2,382,787)	-98%
<b>Profit / (loss) from current operations</b>		<b>75,183,982</b>	<b>49,446,318</b>	<b>(25,737,662)</b>	<b>-34%</b>
<b>Total revenues</b>		<b>141,757,780</b>	<b>119,724,907</b>	<b>(22,032,872)</b>	<b>-16%</b>
<b>Total expenses</b>		<b>(66,573,798)</b>	<b>(70,278,589)</b>	<b>(3,704,790)</b>	<b>6%</b>
<b>Gross profit / (loss)</b>		<b>75,183,982</b>	<b>49,446,318</b>	<b>(25,737,662)</b>	<b>-34%</b>
Profit tax	B.3.9	(7,735,653)	(6,640,896)	1,094,757	-14%
<b>Net profit / (loss) of the financial year</b>		<b>67,448,328</b>	<b>42,805,422</b>	<b>(24,642,906)</b>	<b>-37%</b>

On 31 December 2015, the Company showed a net accounting profit amounting to **RON 42,805,423**.

### B.3.1 Interests receivable and similar revenues

Interests receivable and similar revenues (RON)	2014	Weight	2015	Weight
Revenues from interests – instalments	28,760,424	28.60%	27,600,298	31.02%
Revenues from bad payer penalty interest (LPF)	13,681,479	13.61%	9,975,744	11.21%
Revenues from interests on card holders	56,081,147	55.77%	49,339,179	55.45%
Revenues from interests on Bancpost deposits	<b>2,026,518</b>	<b>2.02%</b>	<b>2,065,743</b>	<b>2.32%</b>
<b>Total</b>	<b>100,549,568</b>	<b>100.00%</b>	<b>88,980,964</b>	<b>100.00%</b>

The largest weight is represented by revenues from interests in relation with clients.

### B.3.2 Interests payable and similar expenses

Interests payable and similar expenses (RON)	2014	Weight	2014	Weight
Expenses with interest payable for Luxembourg loan	(7,928,784)	53.28%	(5,023,114)	46.51%
Expenses with interest payable for Bancpost loan	(6,951,294)	46.72%	(5,776,686)	53.49%
<b>Total</b>	<b>(14,880,078)</b>	<b>100.00%</b>	<b>(10,799,800)</b>	<b>100.00%</b>

In 2015, from the total interest costs, 46.51% were related to Eurobank Private Bank Luxembourg S.A. loan, while interest expenses related to loan from Bancpost represented 53.49%.

### B.3.3 Revenues from fees

The structural evolution of the revenues from fees in 2015 by comparison to 2014 is presented in the following table:

<b>Revenues from fees (RON)</b>	<b>2014</b>	<b>Weight</b>	<b>2015</b>	<b>Weight</b>
Revenues from fees for exceeding the card limit	9,871,227	28.89%	5,493,748	21.48%
Revenues from administration fees	10,697,207	31.31%	7,907,629	30.91%
Revenues from fees for card issuance	820,297	2.40%	821,758	3.21%
Revenues from fees for the issuance of monthly bank statement	8,230,898	24.09%	7,722,369	30.19%
Revenues from fees for cash upfront payments	4,191,659	12.27%	3,574,894	13.97%
Revenues from fees for PIN re-issuance	1,112	0.00%	352	0.00%
Revenues from fees of merchants' instalments and payments	355,958	1.04%	61,089	0.24%
<b>Total</b>	<b>34,168,358</b>	<b>100.00%</b>	<b>25,581,838</b>	<b>100.00%</b>

The recognition of revenues was done in accordance with the local regulations.

Revenues from fees for exceeding the card limit decreased by 44.3% in 2015 compared to 2014, while administration fees decreased by 26.1%.

### B.3.4 Expenses with fees

Expenses with fees consist of commissions paid to financial institutions and merchants.

<b>Expenses with fees (RON)</b>	<b>2014</b>	<b>Weight</b>	<b>2015</b>	<b>Weight</b>
Expenses with ATM fees	(20,185)	0.22%	(62,718)	0.65%
Bank fees for cash withdrawal/deposits at Bancpost cashiers	(29,136)	0.31%	(27,277)	0.28%
Bancpost bank fees expenses	(867,871)	9.36%	(712,142)	7.33%
Merchant fee expenses	(8,358,458)	90.11%	(8,908,896)	91.74%
<b>Total</b>	<b>(9,275,650)</b>	<b>100.00%</b>	<b>(9,711,033)</b>	<b>100.00%</b>

Starting 2015 the fees paid to merchants as a percentage of cards/loans are presented under commissions line considering that they are direct costs, linked to transaction. For comparative purposes, both the expenses incurred in 2014 and 2015 have been reclassified from administrative expenses to commissions.

### B.3.5 Other operating revenues

<b>Other operating revenues (RON)</b>	<b>2014</b>	<b>Weight</b>	<b>2015</b>	<b>Weight</b>
Fee revenues from merchants transactions (including corrections)	(24,967)	-0.57%	97,787	2.08%
Revenues from Bancpost service supply	1,208,000	27.71%	1,214,263	25.80%
Revenues from damage payments	12,509	0.29%	2,009	0.04%
Revenues insurance brokerage PPI	36,997	0.85%	80,047	1.70%
Other revenues	3,127,237	71.73%	3,312,953	70.38%

<b>Total</b>	<b>4,359,776</b>	<b>100.00%</b>	<b>4,707,059</b>	<b>100.00%</b>
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Revenues from services related to agreement with Bancpost S.A. kept a stable trend in 2015, compared to 2014.

Other operating revenues in 2015 mainly include:

- interchange fee received from American Express for POS transactions performed by Euroline Amex cardholders RON 1,672,699 (2014: RON 1,761,536);
- income related to closure of dormant accounts of RON 352,927 (2014: RON 289,625). The Company recognises as income the credit balances less than RON 50, related to closed cards
- revenue obtained from recoveries of legal expenses related to legal recoveries activity in amount of RON 1,179,291 (2014: RON 910,855).

### B.3.6 General administrative expenses

<b>General administrative expenses (RON)</b>	<b>2014</b>	<b>Weight</b>	<b>2015</b>	<b>Weight</b>
Expenses with staff salaries	(8,855,594)	15.34%	(7,597,183)	13.85%
Expenses with social security, taxes and similar	(2,226,133)	3.86%	(1,613,937)	2.94%
Other administrative expenses	(46,635,066)	80.80%	(45,641,403)	83.21%
<b>Total</b>	<b>(57,716,793)</b>	<b>100.00%</b>	<b>(54,852,523)</b>	<b>100.00%</b>

Staff expenses include expenses with gross salaries and related taxes, and represent 16.79% of the total general administrative expenses in 2015, compared to 19.20% in 2014.

The highest weight in total general administrative expenses is represented by other administrative expenses (over 80%), with breakdown as presented below:

<b>Other administrative expenses (RON)</b>	<b>2014</b>	<b>Weight</b>	<b>2015</b>	<b>Weight</b>
Expenses with consumables	(562,631)	1.21%	(333,366)	0.73%
Expenses with fuel	(503,877)	1.08%	(348,057)	0.76%
Expenses with spare parts	(130,349)	0.28%	(6,604)	0.01%
Expenses with materials such as inventory objects	(181,160)	0.39%	(24,028)	0.05%
Expenses with maintenance and repairs	(2,282,585)	4.89%	(1,798,056)	3.94%
Expenses with utilities	(608,965)	1.31%	(499,585)	1.09%
Expenses with post office, taxes and telecommunications	(3,464,606)	7.43%	(3,486,288)	7.64%
Expenses with travels and secondments	(219,898)	0.47%	(147,488)	0.32%
Expenses with rents	(6,167,931)	13.23%	(5,627,717)	12.33%
Expenses with professional training	(65,752)	0.14%	(54,475)	0.12%
Expenses with security ensured by third parties	(178,169)	0.38%	(170,672)	0.37%
Expenses with protocol, commercials and publicity	(4,419,718)	9.48%	(4,447,561)	9.74%
Expenses with consultancy services	(1,943,221)	4.17%	(1,702,871)	3.73%
Expenses with card processing	(2,450,787)	5.26%	(2,724,699)	5.97%
Expenses with services according to Bancpost contract	(2,102,927)	4.51%	(2,010,117)	4.40%
Expenses with audit services	(199,166)	0.43%	(230,924)	0.51%
Expenses with recovery of debts	(3,972,200)	8.52%	(4,143,356)	9.08%
Expenses with fees paid to merchants	(171,441)	0.37%	(195,861)	0.43%

## ERB Retail Services

Expenses with third party services (related to collection and customer service)	(4,626,402)	9.92%	(5,346,263)	11.71%
Expenses with Amex royalties	(8,130,838)	17.44%	(8,121,564)	17.79%
Expenses with goods and persons insurance	(188,060)	0.40%	(68,856)	0.15%
Expenses with legal recoveries process	(2,138,646)	4.59%	(1,812,149)	3.97%
Expenses with statements of account	(742,906)	1.59%	(670,314)	1.47%
Expenses with Mastercard fees	(20,558)	0.04%	(520,570)	1.14%
Other services provided by third parties	(1,162,273)	2.49%	(1,149,962)	2.52%
<b>Total</b>	<b>(46,635,066)</b>	<b>100.00%</b>	<b>(45,641,403)</b>	<b>100.00%</b>

The most important variations in absolute terms were as follows:

- Expenses with maintenance and repairs RON 1,798,056 (2014: RON 2,282,585). These expenses decreased mainly due to termination of the maintenance contract for Wizzcount software in 2015.
- Expenses with rents – RON 5,627,717 (2014: 6,167,931). The expenses decreased mainly following the relocation of Company's premises on a lower rented area starting with November 2015.
- Expenses with Mastercard fees – RON 520,570 (2014: 20,558). The expansion of Mastercard card portfolio in 2015 led to increased expenses.

Starting 2015 the fees paid to merchants as a percentage of cards/credits sold and discounted over the lifecycle of the credit have been reclassified from administrative expenses to commissions, considering these are expenses related to financial services rendered.

### B.3.7 Expenses with depreciation

The depreciation is calculated to the estimated value, by using the linear method throughout the estimated lifecycle of the assets, as follows:

Technical systems and cars	3 – 6 years
Other installations, machinery and furniture	3 – 30 years

### B.3.8 Expenses/reversals with provisions

In 2014, the Company's considerable efforts to improve the recoveries of client receivables and increasing the legal recoveries process, as well as the change in provisioning methodology for rescheduled loans performed in March 2014 contributed to reversal of the provision expenses related to customers debts. In 2015, the Company continued its efforts to enhance the recoveries and intensify the legal recoveries process, thus leading to further reversal of provisions for credit risk of 10.3 mln RON.

### B.3.9 Expenses with profit tax

The fiscal result of 2015 is RON 41,884,203, therefore the profit tax (16%) computed and booked for 2015 amounts to RON 6,640,896.

The difference between the accounting result amounting to RON 42,805,423 and the fiscal result amounting to RON 41,884,203, is due to the non-deductible expenses released.

**B.4 Statutory financial statements/IFRS/Group:**

Except for the policy regarding the specific provisions for receivables from clients, fixed assets and the impact of the related deferred tax, there are no further significant differences between the financial statements drawn up in accordance with the statutory requirements, the International Financial Reporting Standards (IFRS) and the reporting package Hyperion in accordance with the Eurobank Ergasias S.A. group policies.

In the statutory financial statements, the provisions were set up in accordance with NBR Regulation 5/2012 regarding the classification of credits and placements, as well as the set-up, adjustment and use of specific credit risk provisions.

Within the Group financial statements, the provisions were set up in accordance with the classification and calculation criteria for the specific credit risk provisions mentioned by the group policies Eurobank Ergasias S.A..

As a result of using different criteria regarding the set-up of provisions, as well as due to the change of the fiscal treatment of specific provisions, the Company recognized deferred income tax in the group financial statements, which is not recognised in the statutory financial statements.

**C. Shareholders**

On 31 December 2015 the shareholders were:

	No. of shares	Amount (RON)	Percentage (%)
ERB New Europe Holding B.V.	90,000,101	90,000,101	99.1469
Eurobank Household Lending Services SA	619,802	619,802	0.6828
Bancpost SA	154,597	154,597	0.1703
<b>Total</b>	<b>90,774,500</b>	<b>90,774,500</b>	<b>100.00</b>

**D. The Board of Administration as at 31 December 2015**

On 31 December 2015, the Board of Directors of ERB Retail Services IFN S.A. had the following structure according to the Decision of the Ordinary General Meeting of Shareholders dated 11.03.2015. There was no change in the structure, compared to 31 December 2014.

1. Georgios Georgakopoulos	President of the Board of Administration
2. Cristina Theofilidi	Member
3. Theodor Karakasis	Member
4. Anastasios Panousis	Member
5. Mihai Bogza	Member
6. Efthymios Zois	Member
7. Lambros Yiannis Demosthenous	Member

**E. Financial risk management**

Considering the nature of its activities, the Company is exposed to various risks that include the credit risk, foreign exchange risks, interest rate risk and liquidity risk. The management focuses on the decrease of the potential adverse effects, associated to these risk factors on the financial performance of the Company.

**(i) Credit risk**

The Company is exposed to a certain credit risk due to its trade receivables and to the other types of receivables. The references regarding the clients' good standing are normally obtained for all the new clients, the due date of the debts is carefully monitored, and the amounts owed after exceeding the due date are pursued promptly.

The monitoring system of credit risk includes specific reports prepared and analyzed by the Collection Division and Credit and Risk Division and sent regularly to the management.

The introduction of risk based strategies has produced significant improvements in collection performance.

Restructuring offers are also in place to regularly identify and aid customers that are estimated to be capable of reimbursing the loans following the renegotiation of credit terms.

The Company's procedure of granting credits is based on a series of principles meant to decrease the credit risk, among which the segregation of tasks due to the existence of different departments that carry out distinct activities within the process of credit granting: requesting and receiving the documents from new clients, verification of the clients' good standing and their evaluation, approval of the credit limit by value thresholds.

The identification and management of the credit risk inherent to all products and activities runs according to adequate procedures of risk management and of controls prior to its implementation.

**(ii) Foreign currency risk**

The Company is exposed to exchange rate fluctuations, through the debt generated by trade debts expressed in foreign currency. Throughout 2015, most of the transactions were made in RON. The Company made some assessments to hedge the foreign currency risk, but considering the higher cost incurred by this process, the management decided not to use derivatives to mitigate the currency risk.

**(iii) Interest rate risk**

The operating cash flows of the Company are affected by the variations of the interest rates mainly due to borrowings and loans receivables in RON. The Company's borrowings bear a variable interest rate.



The loans receivables bear a fixed interest rate, which is reviewed periodically. The Company does not use financial instruments in order to protect itself against the fluctuations of the interest rate.

**(iv) Liquidity risk**

The prudent management of the liquidity risk involves providing access to sufficient funds, in accordance with the best practices of the Eurobank Ergasias S.A..

**F. Other information**

**(i) Going concern principle**

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

**a) Position of Eurobank Group**

In 2015, the macroeconomic environment in Greece has been very challenging for the Greek banking system. In the first half of the year, the prolonged uncertainty relating to an agreement with the Eurozone partners over the implementation of the required reforms for the conclusion of the Second Economic Adjustment Program, the unsuccessful expiration of the former, the tightened liquidity conditions due to the financing problems of the Greek State and the significant deposit outflows – already observed from late 2014 – led to the imposition of restrictions in banking transactions (capital controls) together with a temporary bank holiday on 28 June 2015. In mid - August the Greek Government reached a final agreement with its European partners on a new 3-year European Stability Mechanism (ESM) program – the Third Economic Adjustment Program (TEAP) - with a ca € 86 bn financing envelope and a series of reforms aiming to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration. The Greek Government managed to complete two sets of prior actions from the program at the end of November and December 2015. By mid - December 2015, the systemic banks' recapitalization was completed with only ca € 5.4 bn used from the initial buffer of up to €25 billion. The unused funds were subtracted from the ESM loan, reducing it to ca € 64.5 bn as of the end of January 2016. The review of Greece's reform programme by international creditors is currently pending. A swift completion of the program review may alleviate significantly the macroeconomic and sovereign uncertainties.

After the gradual normalization of the economic and political situation in Greece and following the Bank's successful recapitalization, the Group enhanced its liquidity position and reduced its dependence on Eurosystem funding.

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the ESM program. The decisive implementation of the measures agreed in the context of the new European Stability Mechanism (ESM) program and the completion of banks' recapitalization will permit ECB to reinstate the waiver for the instruments issued or guaranteed by the Hellenic Republic and will signal the gradual repatriation of deposits in the banking system, which is a major priority for the Group, and the further re-access to the markets for liquidity.

On 31 October 2015, the ECB announced the results of the comprehensive assessment (CA) based on which the lowest shortfall across Greek banks was identified for the Bank. Following the CA results and in line with the new recapitalization framework introduced by Law 4340/2015, Eurobank Ergasias proceeded to a capital increase of € 2,039 million, which was covered exclusively from the markets. As a result, the Group strengthened further its capital base and its CET1 ratio stood at 17% at the end of December 2015.

**b) Application of the going concern principle in the preparation of the financial statements**

These financial statements were drawn up based on going concern principle assuming that the Company will continue its activity in the predictable future as well. In order to evaluate the applicability of this assumption the management reviews the predictions regarding the future cash inflows. Based on these analyses, the management of ERB RETAIL SERVICES IFN SA considers that it will continue its activity normally in the future and consequently, the financial statements were drawn up in this respect.

The Company relies apart from inflows from the operational activity on financing received from the group entities. For the details refer to Note B.2.1 “Debts regarding credit institutions” and following note “Subsequent events to the balance sheet”.

**(ii) Reclass within previous financial statements**

In 2015, the Company reclassified the intermediation commission expenses paid to merchants within the income statement, as in the following table, to reflect the substance of these transactions, which are directly attributable to new loans provided by the Company through merchants intermediation (as per sections B.3.4 and B.3.6).

<u>Income statement (RON)</u>	<u>31 December 2014</u>		<u>31 December 2014</u>
	<u>Previously reported</u>	<u>Reclassification</u>	<u>Corrected</u>
Commission expenses	(917,193)	(8,358,457)	(9,275,650)
Other administrative expenses	(54,993,524)	8,358,457	(46,635,066)

**(iii) Subsequent events to the balance sheet**

In January 2016, the total balance of RON 133,000,000 of the financing from Eurobank Private Bank Luxembourg was repaid and the contract was terminated.

  
Georgios Georgakopoulos, President of BA

Date: 21 April 2015



