

ERB LEASING IFN SA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

**Prepared in accordance with the Order of the
National Bank of Romania no. 6/2015**

ERB LEASING IFN SA

FINANCIAL STATEMENTS

31 DECEMBER 2016

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ERB LEASING IFN SA

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2016

	Position		<u>31 December 2015</u>	<u>31 December 2016</u>
	Code	Note	(lei)	(lei)
Cash and accounts with central bank	010	2	322	412
Receivables from credit institutions	030	3	21.911.763	10.779.523
- at sight	033	3 a)	2.528.463	10.779.523
- at term	036	3 b)	19.383.300	-
Receivables from clients	040	4	107.285.606	78.934.185
Intangible assets	090	5 a)	200	-
Tangible assets	100	5 b)	2.722.165	1.745.888
Other assets	120	6	40.951.750	34.783.464
Prepaid expenses and accrued income	130	7	543.293	634.462
Total assets	140		<u>173.415.099</u>	<u>126.877.934</u>
Loans from credit institutions	300	8 a)	126.354.350	70.331.472
- at sight (current account)	303	8 a)	44	44
- at term	306	8 a)	126.354.306	70.331.428
Other liabilities	330	9	1.341.112	4.922.591
Deferred income and accrued liabilities	340	10	815.349	535.363
Provisions	355			819.774
Subordinated loans	360	8b)	13.573.500	13.623.300
Subscribed share capital	370	11	3.764.781	3.764.781
Share premium	380	12	12.917.663	12.917.663
Reserves	390		46.752.956	46.752.956
- legal reserves	392	12	752.956	752.956
- other reserves	399	12	46.000.000	46.000.000
Result carried forward				
- Loss	426	12	(37.881.523)	(32.104.612)
Result of the financial year				
- Profit	433	12	5.889.238	5.314.646
Profit distribution	440	12	112.327	
Total liabilities and equity	450		<u>173.415.099</u>	<u>126.877.934</u>
Off balance sheet items				
- commitments	610		=	=

Authorized for issue and signed on behalf of the Board of Directors on 26 April 2017 by:

General Manager
Gina Constantin

Head of Financial and Accounting Dept
Oltean Gabriela

The accompanying notes from pages 7-48 are integral part from the financial statements
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ERB LEASING IFN SA

INCOME STATEMENT

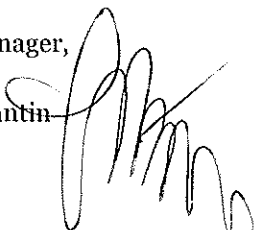
31 DECEMBER 2016

<u>Position</u>	<u>Position code</u>	<u>Note</u>	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Interest and similar income	010	13 a)	7.721.839	4.855.756
Interest and similar expenses	020	13 b)	(4.992.013)	(2.259.574)
Income from commissions	040	13 c)	41.285	20.979
Commission expenses	50	13 d)	(75.766)	(66.961)
Net profit/loss from financial transactions (FX)	060	13 e)	(17.667)	378.694
Other operating income	070	13 f)	9.776.043	13.742.443
General administrative expenses:	080		(2.598.886)	(1.985.885)
- Staff expenses, out of which:	083	13 g),15	(1.658.723)	(1.430.755)
- Salaries	084		(1.360.299)	(1.167.043)
- Social security	085		(298.424)	(263.712)
- Other administrative expenses	087	13 h)	(940.163)	(555.130)
Depreciation	090	5	(1.016.005)	(1.067.811)
Other operating expenses	100	13 i)	(11.092.974)	(17.849.816)
Corrections on the value of receivables and provisions for contingent liabilities and commitments	110	13 j)	(85.295.367)	(12.373.906)
Reversals from correction on the value of receivables and provisions for contingent liabilities and commitments	120	13 j)	93.438.749	22.378.293
Result of the current activity				
- Profit	153		5.889.238	5.772.212
- Loss	156		-	-
Total income	190		110.960.249	41.376.165
Total expenses	200		(105.071.011)	(35.603.953)
Gross result				
- Profit	213		5.889.238	5.772.212
- Loss	216		-	-
Income tax	220	14	-	<u>457.566</u>
- Profit	243		<u>5.889.238</u>	<u>5.314.646</u>
- Loss	246		=	=

Authorized for issue and signed on behalf of the Board of Directors on by:

General Manager,

Gina Constantin



Head of Financial and Accounting Dept

Gabriela Oltean



ERB LEASING IFN SA

STATEMENT OF CASH-FLOW

31 DECEMBER 2016

Position	Position		31 December 2015 (lei)	31 December 2016 (lei)
	code	Note		
Net result	01	12, 14	5.889.238	5.314.646
<i>Components of the net result which do not generate cash flow related to the operating activity</i>				
Net impairment charge	02	13 j	(8.143.382)	(10.004.387)
Depreciation expenses	03	5	1.016.005	1.067.811
Adjustments related to items included in investment or financial activities	05		(889.727)	414.964
Subtotal	07		(2.127.866)	(3.206.966)
<i>Changes in assets and liabilities related to the operating activity after adjustments to items which do not generate cash flows related to operating activity</i>				
± Receivables from clients	10		46.958.745	31.643.186
± Accrued interest	11		1.095.462	118.012
± Other assets related to operating activity	12		(3.448.413)	11.969.433
± Other liabilities related to operating activity	16		(2.056.505)	4.432.456
- Cash payments representing income tax			=	(311.189)
Cash flows from operating activity	18		<u>40.421.423</u>	<u>44.644.932</u>

ERB LEASING IFN SA

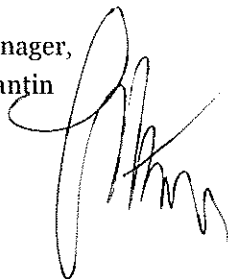
STATEMENT OF CASH-FLOW

31 DECEMBER 2016

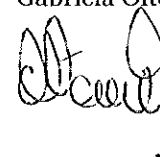
	Code <u>position</u>	<u>Note</u>	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
<i>Cash flows from investment activity</i>				
+ Cash proceeds representing interest received	24		659.515	11.965
- Cash payments for acquisition of land, fixed assets, intangible assets and other non-current assets	25		(100.932)	(101.885)
+ Cash proceeds from sale of land, fixed assets, intangible assets and other non-current assets	26		<u>14.667</u>	<u>55.503</u>
Cash flows from investment activity	29		<u>573.250</u>	<u>(34.417)</u>
<i>Cash flows from financing activity</i>				
- Other cash payments related to financing activity (*)	36		(511.984.144)	(117.989.788)
+ Other cash proceeds from financing activity (*)	37		415.168.065	62.247.123
Cash flows from financing activity	38		<u>(96.816.079)</u>	<u>(55.742.665)</u>
Cash & cash equivalent at the beginning of period	39	16	77.733.491	21.912.085
± Cash flows from operating activity	40		40.421.423	44.644.932
± Cash flows from investment activity	41		573.250	(34.417)
± Cash flows from financing activity	42		(96.816.079)	(55.742.665)
Cash & cash equivalent at the end of the period	44	16	<u>21.912.085</u>	<u>10.779.935</u>

(*) Cash flows from financing activity include cash payments and cash proceeds from the rollover of term loans at each maturity (Note 8a).

General Manager,
Gina Constantin



Head of Financial and Accounting Dept
Gabriela Oltean



ERB LEASING IFN SA

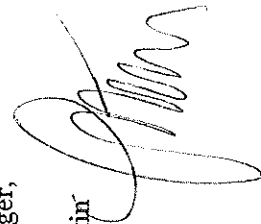
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FINANCIAL YEAR 2015

	Note	Balance as at 1 January 2015	Increases Total	of which by transfer	Decreases Total	of which by transfer	Balance as at 31 December 2015
Subscribed share capital	11	3.203.143	561.638	-	-	-	3.764.781
Share premium	11	-	12.917.663	-	-	-	12.917.663
Total reserves	12	46.640.629	112.327	112.327	-	-	46.752.956
Legal reserves	12	640.629	112.327	112.327	-	-	752.956
Other reserves	12	46.000.000	-	-	-	-	46.000.000
Result carried forward							
(Debit)/Credit balance	12	(3.510.576)	(34.370.947)	(34.370.947)	-	-	(37.881.523)
Result of the financial year							
(Debit) / Credit balance	12	(34.370.947)	5.889.238	-	(34.370.947)	(34.370.947)	5.889.238
Profit distribution							
					112.327	112.327	(112.327)
Total		<u>11.962.249</u>	<u>(14.890.081)</u>	<u>(34.258.620)</u>	<u>(34.258.620)</u>	<u>(35.258.620)</u>	<u>31.330.788</u>

General Manager,

Gina Constantin



Head of Financial Accounting Dept.,

Gabriela Oltean



ERB LEASING IFN SA

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

FINANCIAL YEAR 2016

	Note	Balance at 1 January 2016	Increases Total	of which by transfer	Decreases Total	of which by transfer	Balance at 31 December 2016
Subscribed share capital	11	3.764.781	-	-	-	-	3.764.781
Share premium	11	12.917.663	-	-	-	-	12.917.663
Total reserves	12	46.752.956	-	-	-	-	46.752.956
Legal reserves	12	752.956	-	-	-	-	752.956
Other reserves	12	46.000.000	-	-	-	-	46.000.000
Result carried forward representing the profit not distributed or loss not covered							
(Debit)/ Credit balance Result of the financial year	12	(37.881.523)	-	-	(5.776.911)	(5.776.911)	(32.104.612)
(Debit)/ Credit balance	12	5.889.238	5.314.646	-	5.889.238	5.889.238	5.314.646
Profit distribution		(112.327)	-	-	(112.327)	(112.327)	-
Total		31.330.788	5.314.646	-	-	-	36.645.434

General Manager,
Gina Constantin



Head of Financial Accounting Dept.,
Gabriela Oltean



REPORTING ENTITY

These financial statements have been prepared by ERB LEASING IFN SA (the "Company") and incorporate the results of the Company for the year ended 31 December 2016.

At 31 December 2016, the Company has its headquarters in Bucharest, district 2, 6A Dimitrie Pompeiu Boulevard, 3rd floor, area 1.

The main activity of the Company is financial leasing.

The Board of Directors approves the strategy and policies of the Company and oversees their implementation. The Board of Directors comprises 5 members named by the General Shareholders Meeting.

As at 31 December 2016 the members of the Board of Directors are:

- Mr. Vlad Teodor Micu, Romanian citizen, Chairman of the Board of Directors;
- Mr. Theodoros Karakasis, Greek citizen, member of the Board of Directors;
- Mr. Zacharias Vlachos, Greek citizen, member of the Board of Directors;
- Mr. Konstantinos Kanakis, Greek citizen, member of the Board of Directors;
- Mr. Lambros Yiannis Demosthenous, Cypriot citizen, member of the Board of Directors.

The Company's executive management consists of two members:

- Gina Constantin, General Manager
- Alina Minea, Deputy General Manager (Mrs. Minea was replaced during the child care leave from January 1st to May 9th 2016, by Mrs Gabriela Oltean).

1 SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies adopted in preparing these financial statements are disclosed below.

A. Basis of preparation

These financial statements have been prepared in accordance with:

- (i) The Accounting Law no. 82/1991 amended and published in January 2005 ("Law 82");
- (ii) Accounting regulations harmonised with the European norms, applicable to credit institutions, non-banking financial institutions and to the Deposit Guarantee Fund for banking system deposits approved by the Order of the National Bank of Romania no. 6/2015
- (iii) The Regulation no. 5/2012 issued by the National Bank of Romania as legal basis for the classification of loans and investments, as well as the set-up, regularization and use of specific provisions for credit risk, with subsequent amendments;
- (iv) Current accounting policies.

These financial statements have been prepared based on convention of historical cost, with the exceptions presented hereby in the accounting policies.

One modification introduced by the Order no. 6/2015 of National Bank of Romania is reflected in the Accounting Policies of the Company, by creating a new Section within Chapter S: Tangible Assets, namely Section 4: Investment Property wherein the Company presents the treatment applicable to these type of properties.

Also, as per provision of the same Order 6/2015 was introduced in the Notes of Financial Statement a more detailed presentation of several items, namely in the Note 13j) there have been detailed the items composing the Impairment Charges and, correspondingly, the items composing the Reversal of provisions, also presenting the net position of the Company from provisions perspective.

B. Basis of accounting

The Company keeps accounting records in Romanian RON in compliance with Accounting and Reporting Regulations ("ARR") issued by the National Bank of Romania ("NBR") and the Ministry of Public Finance.

C. Functional and presentation currency

Items included in these financial statements are measured in the currency which reflects most fairly the economic substance of events and circumstances relevant to the Company

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Functional and presentation currency (continued)

("functional currency"). These financial statements are disclosed in Romanian RON, which is the functional currency of the Company both for the current year and for the comparative figures.

D. Use of estimates

The preparation of financial statements in accordance with provisions of Order no. 6/2015 requires the Company management to make estimates and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the respective period. Although these estimates are based on the best information

available as at the date of preparation of the financial statements, actual results may differ from these estimates.

E. Going concern

The accompanying financial statements have been prepared based on the going concern principle, which assumes that the Company will continue to operate in the foreseeable future.

In order to assess the reasonability of this assumption, the management reviews forecasts of the future cash inflows taking into consideration the ongoing financial support that the shareholders are committed to provide for the foreseeable future.

Based on these reviews and the ongoing financial support of the shareholders, the management believes that the Company will be able to continue to operate as a going concern for the foreseeable future and, therefore, this principle has been applied in the preparation of these financial statements.

F. Pozițiön of the Group

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

The next key milestone for Greece is the timely and successful completion of the second review of the TEAP, currently in progress, which would help reinstating depositors' confidence and thus accelerate the return of deposits, it would facilitate the faster

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**F. Poziþion of the Group (continued)**

relaxation of capital controls and would allow for the participation in ECB's Quantitative Easing (QE) program, conditional on the decisions of the Institutions regarding the plan for the implementation of the medium-term debt relief measures. Moreover, the reduction of the short term uncertainty along with, the decisive implementation of the reforms agreed in the context of the ESM program and the mobilization of European Union (EU) funding to support domestic investment and job creation, would facilitate the restoration of confidence in the prospects of the Greek economy and the further stabilization of the domestic economic environment, which are necessary conditions for the return of the country to a sustainable growth path.

The main risks and uncertainties stem from the current macroeconomic environment in Greece and the further delays in the conclusion of the second review of the TEAP. In particular risks include (a) possible delays in the implementation of the reforms' agenda in order to meet the next targets and milestones of the TEAP, which in turn would lead to the delayed disbursement of the third instalment of the ESM loan of € 6.1 bn, (b) the impact on the level of economic activity from the uncertainty associated with the timing of the conclusion of the second review of the TEAP, (c) the impact on the level of economic activity from additional fiscal measures agreed under the first review of the TEAP, (d) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity, (e) the possible acceleration of the deposits outflows observed in the first two months of 2017, and/or possible delays in the effective management of non-performing loans as a result of the continuing macroeconomic uncertainty, (f) a possible deterioration of the refugee crisis and its impact on the domestic economy and (g) the geopolitical conditions in the broader region and the external shocks from a slowdown in the global economy.

The Group, following the successful completion of its recapitalization in November 2015, exclusively from private sources, is focused on the organic strengthening of its capital position by the further expansion of pre-provision income while maintaining its robust risk management practices, and by proceeding to additional initiatives associated with the restructuring, transformation or optimization of operations, in Greece and abroad, that will generate or release further capital and/or reduce risk weighted assets. One of the key areas of focus is the active management of non-performing exposures at an accelerated pace, with the aim to substantially reduce their stock in accordance with the Eurobank Ergasias S.A. operational targets and taking advantage of the Group's internal infrastructure, the external partnerships and the important legislative changes that have taken or are expected to take place. The Group's Common Equity Tier 1 (CET1) ratio stood at 17.6% at December 2016 and the net profit attributable to shareholders amounted to € 230 million for the year ended 31 December 2016.

Related parties – Eurobank Ergasias S.A. shareholding structure

In November 2015, following the completion of the Eurobank Ergasias S.A. share capital increase, fully covered by investors, institutional and others the percentage of the

1 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

F. Pozițiön of the Group (continued)

Eurobank Ergasias S.A. ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF) decreased from 35.41% to 2.38%.

Despite the aforementioned significant decrease of its percentage, the HFSF is still considered to have significant influence over the Eurobank Ergasias S.A. In particular, in the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in the

Eurobank Ergasias S.A. General Assembly only for decisions concerning the amendment of the Eurobank Ergasias S.A. Articles of Association, including the increase or decrease of the Eurobank Ergasias S.A. capital or the granting of a corresponding authorization to the Eurobank Ergasias S.A. Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Eurobank Ergasias S.A., the transfer of assets (including the sale of subsidiaries), or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, Eurobank Ergasias S.A. 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.

G. Position of the Company

In its activity the Company is acting as part of Eurobank Group at coordination and strategic level, and in the same time, by the rules and regulations applicable in Romania.

In 2016, the Company relied on the financial support from Eurobank the Group in terms of borrowings and equity. The Company's borrowings are mainly from Private Bank Luxemburg and the term loan (see Note 8a) currently has maturity at 30 June 2017 and shall be extended until 30/06/2018.

During 2016, the Company repaid loans in amount of 13.5 mil. Euro, the source of repayment being the cash inflows from its normal business .

As of 31 December 2016, subordinated loans from Eurobank Private Bank Luxembourg are in amount of 13.623.300 RON and have maturities until December 2022 (see Note 8b).

As at 31 December 2016, the net assets of the Company, determined as the difference between the total assets and total liabilities of the Company, were positive and were more than half of the share capital value, in compliance with law 31/1990 on commercial companies, republished.

H. Foreign currency translation

Foreign currency transactions are recorded at the exchange rates communicated by the NBR as at the dates of the transaction. Exchange rate differences arising from foreign

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Foreign currency translation (continued)

currency transactions are recognized as income or expenses as at the dates of the transaction, using the exchange rate from that day.

As at 31 December 2016, the exchange rate used for the conversion of balances into foreign currency was : 1 US Dollar =4.3033 lei 1 EUR =4.5411 lei and 1CHF = 4.2245 (2015: 1 US Dollar =4.1477 lei 1 EUR =4.5245 lei and 1 CHF = 4.1797).

Exchange rate gains and losses resulting from the translation of monetary assets and liabilities are recognized in the income statement of the current year.

I. Interest income from leasing transactions

Income from financial leasing operations, which are the main source of income, are recognized over the entire leasing duration, using the net investment method, which reflects a constant periodic rate of return.

Interest income is recognized when the respective revenue is generated on an accrual basis.

J. Income from fees and commissions

Income from fees and commissions include mainly commissions received for the administration of finance lease contracts with clients. Commissions received when signing the lease contract are recognized linearly in the income statement during the lease contract (for financing of vehicles, equipment and buildings) and during the cumulated duration of building construction and contract (for real estate leases which includes a period of construction-assembling).

Commissions received at the beginning of the contract have been presented in "Deferred income" in the balance sheet and in "Interest income" in the income statement.

K. Other income

As secondary sources of income, the Company may record revenue from the repossessed assets, by selling or, occasionally renting them.

Revenue from reselling the assets is recognized when the Company has transferred the risks and benefits associated with the ownership.

Rental income is recognized on an accrual basis in accordance with the economic substance of the contracts involved.

Other revenues include recharges to the customers of expenses incurred by the Company in relation to the leasing contracts. These expenses include, but are not limited to: insurance of assets subject of the leasing contracts, taxes, registration and other vehicle related taxes, excise duties, fees and customs duties, cost of registration in the public records, other expenses incurred by the Company in relation to the financed assets.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Incomes and expenses from financial instruments

Income and expenses received / paid by the Company are recognized in the Profit & Loss account for all interest-bearing financial instruments, since their occurrence, on an accrual basis.

Incomes include interest for deposits and current accounts. Expenses include bank charges paid on commercial transactions conducted through current accounts of the Company and the fees paid for letters of guarantee issued in favor of the financing banks. In these financial statements, income and expenses are presented to gross value, except for income from management fees, deferred during the lease contract and presented at net value, in Note 13a).

M. Cash and cash equivalents

The Cash is the money kept in the cash desk of the company. Cash and cash equivalents are recorded at cost in the balance sheet. For the purpose of the cash flow statement, cash and cash equivalents comprise balances with an original maturity of less than 90 days including: cash, current accounts and deposit accounts.

N. The accounting of leasing contracts and specific provisions for credit risk

The lease contracts for goods and fixed assets where the Company has substantially all the risks and rewards of ownership are transferred to the lessee are classified as financial leasing. In cases of financial leasing, the present value of future lease payments is recognized as receivables. Receivables from clients comprise the loans granted by the Company through finance leases, recorded at gross value less the specific provisions for credit risk.

The Company uses the Regulation 5/2012 with subsequent amendments issued by the NBR as legal basis for the set-up, regularization and use of specific provisions for credit risk for leases granted to clients.

All leasing facilities granted to the same debtor are classified in the same category, by applying contamination principle and considering the weakest classification from all facilities.

- a. According to these regulations, leases are classified in the following categories: In case of customers never rescheduled / restructured, classification is made in accordance with the table below:

<u>Classification category</u>	<u>Debt service</u>
A (standard)	0-15 days
B (watch list)	16 -30 days
C (substandard)	31 -60 days
D (doubtful)	61 -90 days
E (loss)	Minimum 91 days

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. The accounting of leasing contracts and specific provisions for credit risk (continued)

b. In cases of leasing customers whose facilities were restructured / rescheduled:

b.1. The first restructuring operation performed after the date of 01.02.2010 may lead to customer being classified in a more favorable classification category, but no more than two categories for those at the time of restructuring being in category " loss " , respectively one category if clients when restructuring were in the categories " under observation " , " substandard " or "doubtful".

b.2. Starting with the second restructuring operation, classification category cannot be improved, it remains in the best case at the recorded at the last restructuring.

In order to classify a restructured / rescheduled exposure in a category, on a monthly basis the following steps are made:

- Exposure is classified into a category according to debt service at end of the month
- Category thus obtained is compared with the category in which the client was classified at the moment of last restructuring
- The final classification category is the weakest of the two categories mentioned above.

The provisioning coefficients for each category are presented below:

Classification category	Provisioning ratio for leases granted to individuals exposed to the foreign currency risk	Provisioning ratio for leases (other than the ones granted to individuals exposed to the foreign currency risk)
Standard (A)	0.07	-
Watch list (B)	0.08	0.05
Substandard (C)	0.23	0.2
Doubtful (D)	0.53	0.5
Loss (E)	1	1

In order to calculate the provisions, the Company applies the provisioning coefficients to the adjusted exposure (i.e. reduces the amount of gross exposures with the adjusted value of the collaterals). The coefficients used for provisioning not suffer any modifications compared with 2015. The adjustment of the collaterals is made as presented below:

i) For debtors classified under A-D risk categories, the adjusted amount of collaterals is determined as follows:

- a. for intrinsic guarantees such as equipment and vehicles, by adjusting the initial (purchase) value of the asset with the following coefficients, depending on the age of the asset:

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. The accounting of leasing contracts and specific provisions for credit risk (continued)

<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5 and more</u>
70%	60%	50%	40%	30%

- b. Or, in case valuation report is available, by considering 70% of the asset fair value (established according to the valuation report);
- c. for mortgages, the adjusted value of the collateral represent 80% of the market value (established according to the valuation report)
- d. for cash collateral deposits, the adjusted value of the guarantees represent 80% of the amount of the deposit.

ii) For debtors classified under E (Loss) category, the value of the collateral is established by considering only 25% of the fair value of the asset, as follows:

- for intrinsic guarantees such as equipment and vehicles, by adjusting the original (purchase) value of the asset with the following coefficients, depending on the age of the asset:

<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5 and more</u>
(70%) * 25 %	(60%) * 25 %	(50%) * 25 %	(40%) * 25 %	(30%) * 25 %

Or by applying 25% on the market value (in case evaluation report is available), as follows:

- for intrinsic guarantees of type real estate, the adjusted value of the guarantees represent 25% of the market value (established according to the valuation report);
- for mortgages, the adjusted value of the guarantees represent 25% of its market value (established according to the valuation report);
- for cash collateral deposits, the updated value of the guarantees represent 25% of the amount of the deposit.

The value of collaterals calculated as per above algorithm is proportionally allocated to both principal and interest.

For debtors classified under E (Loss) category, the interest is fully provided, irrespective of the collateral value allocated.

1 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

N. The accounting of leasing contracts and specific provisions for credit risk (continued)

The evaluation reports related to intrinsic guarantees for lands and buildings are prepared by licensed ANEVAR members and are updated every 1.5 years.

The provisions for specific credit risks for credits and commitments shown in balance are calculated on a monthly basis and reported as expenses (in case of additional provisions) or as revenues (in case of release, for the respective reporting month).

The release of specific risk provision is performed in the following cases:

- The receivables subject of provision were collected or
- The criteria which determined the need of provisioning are no longer met
- All legal possibilities of recovery have been exhausted or the prescription date has been reached (where the release of provisions is accompanied by a write off)
- All contractual rights for a specific credit have been transferred.

O. Other accounts receivables and the related provisions exclusive of capital items, interest and penalties.

Other receivables are those expense items recharged to the customers, related to leasing contracts and the financed assets (such as, but not limited to, costs of insurance of the financed assets, property taxes, registration tax and other vehicle related taxes, excise duties, fees and customs duties, cost of registration in public records, other expenses) as well as receivables from the sale of repossessed assets, renting of repossessed assets, sale of own fixed assets

For these receivables, the Company books provisions in accordance with Fiscal Code. Thus, provisions are made at 100% (respecting the principle of contamination) for those invoices with delays exceeding 90 days and for all customers in special situations (such as clients in insolvency, bankruptcy, clients erased), regardless of the number of days in delay).

P. Other lease related commitments

During the normal course of business, the Company has undertaken financing commitments towards the customers.

The Company has no other type of guarantee commitments towards customers.

Q. Inventory

The accounting treatment of the inventories is presented in the below notes.

Following the unilateral termination of a leasing contract that has become defaulted, as a first recovery measure, the leased assets are repossessed by the Company.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Inventory (continued)

For establishing the fair value, the Company uses, generally, the market values resulting from an evaluation report, as recent as possible to the date of repossession.

The fair value initially booked for the respective repossessed asset can be adjusted, in direct relation to the changes in the market value of the respective assets, or if there are circumstances or events that would impose a deviation of its fair value.

Together with the registration of the repossessed asset in inventory, the leasing receivables are discharged with the same value.

If the fair value of the repossessed asset exceeds the total value of the leasing receivables calculated as per leasing contract provisions (where receivables include: invoices issued and not cashed, interest and penalties accrued, expenses, insurance, taxes and other amounts due under the lease), the difference is recorded as a potential liability of the Company towards the client.

This potential liability will become due and payable only upon the sale of the asset and only if the amount recovered from sale allows the full recovery of the entire leasing exposure (as defined in the paragraph above).

In case the proceeds from sale do not allow the full recovery of the entire exposure, then the Company de-recognizes the liability toward the client.

Repossessed assets are intended mainly for final sale. In some specific cases, depending on the asset type, they can be also rented, for limited periods of time, having as ultimate purpose their sale. The repossessed assets are re-valued annually using valuation reports prepared by licensed appraisers, internal valuation models or other information available on the market like offers posted on the Internet, records of sale for similar assets, indicative offers, etc. In case the market value is lower than the fair value, impairment provisions are booked in order to keep the value of the assets in books as close as possible to its net realizable value.

In case repossessed assets are rented for long periods (more than 1 year) or taken over as assets for the Company's own use, they are transferred from stocks to tangible assets, at their net value at the time of the transfer.

At the sale of the assets, the sale price is recorded at position 70 "Other operating income", and the discharge of the asset from stock is registered at position 100 "Other operating expenses".

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Intangible assets

(1) Cost

Cost directly attributable to a product which is unique, identifiable, controlled by the company and is expected to generate economic benefits which exceeds its cost, for a period longer than 1 year, are recognized as intangible assets.

Intangible assets are initially recognized at acquisition cost. The acquisition cost for intangible assets includes: purchase price, custom duties (except those taxes recoverable from local authorities) and other expenses directly attributable to the respective assets. Subsequently the intangible assets are recognized at acquisition cost less accumulated amortization plus any other permanent cumulative impairment.

(i) Software

The Company included acquired computer software in this category. These are initially recognized at acquisition cost.

Implementation or customizing costs and other expenditure which enhances or extends the performance of computer software applications beyond their original specifications is recognized as a capital improvement, being capitalized.

Costs associated with development and maintenance of computer software is recognized as expense when incurred.

(ii) Other intangible assets

The Company included Microsoft licenses in this category. These are initially recognized at acquisition cost.

(2) Amortisation

Intangible assets are amortized using the straight line method over the estimated useful life, as follows:

Description	<u>Useful life 2015</u> (years)	<u>Useful life 2016</u> (years)
Licenses	3	3
Software	3	3

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Tangible assets

(1) Cost

Tangible assets are initially recorded at acquisition cost.

The acquisition cost for tangible assets includes: purchase price, import duties (except those taxes recoverable from local authorities), transportation expenses, handling and other expenses directly attributable to the respective assets.

Subsequently, tangible assets are disclosed at cost less accumulated depreciation.

The expenditure on repairs or maintenance of tangible assets is expensed as incurred while the significant improvements which increase the value or useful life of the assets, or which increase their revenue generating capacity are capitalized.

Non-current assets such as inventory items are recorded as expenses when they are put in function and they are not included in the carrying value of tangible assets.

(2) Depreciation

Depreciation is computed using the straight-line method over the estimated useful life of the assets, as follows:

<u>Description</u>	<u>Useful life 2015</u> (years)	<u>Useful life 2016</u> (years)
Buildings	40-60	40-60
Technical installations and machines	2 - 18	2 - 18
Other plant, tools and furniture	2 - 24	2 - 24

(3) Sale or disposal of tangible assets

Items of tangible assets that are retired or otherwise disposed of, are eliminated from the balance sheet along with the corresponding accumulated depreciation. Any gain or loss resulting from such retirement or disposal is included in the current income statement.

(4) Investment Properties

Investment Property is defined as the real estate property (land or building – or part of a building) held by the owner or the lessee on the basis of a financial leasing contract, with the purpose obtaining income from their rent or for capitalizing on their value, or both, rather than:

- To be used for own activity of the company (manufacturing or trade of products) or for administrative purpose;
- To be sold in the normal course of activity.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Tangible assets (continued)

(4) Investment Properties (continued)

Transfers in or out the Investment Property category are made only if there is a change in their utilisation, such as:

- transfer from Investment Property category to Property used by the holder in case the Company starts to use them for its own benefit,
- transfer from Investment Property into Inventory category in case the property starts to be improved for the purpose of being sold;
- transfer from Property used by the holder to Investment Property category in case the Company ceases to use them for its own benefit; or
- transfer from Inventory to Investment Property into Inventory category in case of concluding of an operating lease transaction with a third party.

The transfer of real estate property from Investment property category to Inventory category will be made only if there is a change in its utilisation evidenced by the improvement works started with the purpose of putting the property out for sale.

During the improvement works, the related costs are added to the value of the property and at the final reception, the property is transferred from Inventory to Investment Property category in order to be sold.

In case the Company decides to sell an Investment Property without improvement, the said property will be treated as Investment Property until it is taken out of the books.

Similarly, if the Company starts the improvement process of an Investment Property for the purpose of continuing to use it as Investment Property, then the said property remains under this category and its not transferred into Properties used by the company for its own benefit.

To be noted that ERB LEASING currently holds only one property that is rented (apart 14 in Monte Carlo Palace building) and that is currently registered as „Tangible assets – buildings”; however, the final destination of the property is to be sold, being remarketed along with the other apartments in the building, the rent being only a temporary solution until a buyer is found.

(5) Impairment of non-current assets

Property, plant and equipment and other non-current assets, including the goodwill and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The impairment loss is equal to the difference between the asset's carrying value and the fair value.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Borrowings

Short and long term borrowings are recognized initially at the amount of cash received, net of transaction costs incurred.

U. Other liabilities

Other liabilities are recorded at nominal value, which approximates the fair value of amounts to be paid for goods and services received.

V. Dividends

Dividends on ordinary shares are deducted from the shareholders' equity when declared.

W. Share capital and reserves

Share capital is equal to the nominal value of shares, i.e. to the value of capital contribution, of share premium and reserves incorporated.

Subscribed and paid-in share capital is recorded distinctly in the accounting, based on the articles of incorporation of the Company and on the supporting documentation regarding payments of capital.

The legal reserve is established in accordance with legal requirements in force by allocating a maximum of 5% of the gross profit before tax (computed according to Romanian accounting standards) until the reserve reaches 20% of the subscribed and paid-in share capital. This reserve is not distributable to the shareholders.

At 31/12/2015, the Company has constituted the maximum legal reserve in amount of 752.956 RON, representing 20% of the share capital.

X. Income tax

The Company records current income tax based on taxable profit, in accordance with applicable regulations issued by the NBR and the Minister of Public Finance and Romanian tax legislation.

Y. Provisions for risks and expenses

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Z. Pensions and other post retirement benefits

The Company, in the normal course of business, makes payments to the Romanian State pension funds on behalf of its employees, at statutory rates. All employees of the Company are members of the Romanian State pension plan. The Company does not operate any other pension scheme or postretirement benefit plan and, consequently, has no other obligation in respect of such pensions.

The Company has no other liability related to additional services for former and current employees.

AA. Events subsequent to the balance sheet date

Events subsequent to the balance sheet date which provide additional information in relation with Company's financial position and which requires adjustments are recorded in the balance sheet and in the income statement, if the case. Significant events which do not require adjustments are disclosed in the notes to the financial statements.

BB. Entities under special relation (related parties)

Entities are considered to be under special relations when one of the parties, through a certificate of ownership, contractual rights, family connections or similar items, has the possibility to directly or indirectly control the other party. Entities under special relations include the group's companies, associated companies, directors and members of the Board of Directors, as well as close family members.

CC. Comparative data

Comparatives are presented only when requested by Order 6/2015 of National Bank of Romania

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2 CASH AND ACCOUNTS WITH CENTRAL BANKS

	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Cash on hand		
- in lei	<u>322</u>	<u>412</u>

The company does not have placements with National Bank of Romania.

3 RECEIVABLES FROM CREDIT INSTITUTIONS

a) On sight

	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Current accounts	119.793	304.144
Deposits on sight	<u>2.408.670</u>	<u>10.475.379</u>
Total receivables from credit institutions (on sight)	<u>2.528.463</u>	<u>10.779.523</u>

b) On term

	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Term deposits	19.383.300	-
Total receivables from credit institutions (on term)	<u>19.383.300</u>	=
Total receivables from credit institutions	<u>21.911.763</u>	<u>10.779.523</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

4 RECEIVABLES FROM CLIENTS

<u>Receivables related to leasing contracts</u>	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Outstanding capital	143.202.227	110.827.829
Invoiced capital-current	2.017.174	1.706.104
Invoiced capital-overdue	3.886.021	3.305.674
Invoiced capital-doubtful	37.363.594	35.994.159
Total receivables from clients, gross	<u>186.469.016</u>	<u>151.833.766</u>
Specific provisions for credit risk	<u>(79.183.410)</u>	<u>(72.899.581)</u>
Total receivables from clients, net	<u>107.285.606</u>	<u>78.934.185</u>

<u>Analysis by type of customer</u>	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Individuals		
- in lei	3.006	-
- in foreign currency	483.439	451.855
Legal entities		
- in lei	4.620.288	4.691.450
- in foreign currency	102.178.873	73.790.880
	<u>107.285.606</u>	<u>78.934.185</u>

<u>Specific provisions for credit risk</u>	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Balance at the beginning of the period	120.821.506	79.183.410
Provisions expenses (Note 13 j)	10.489.356	5.700.718
Provisions reversals (Note 13 j)	(51.911.264)	(12.077.030)
Foreign exchange differences	<u>(216.189)</u>	<u>92.483</u>
Balance at the end of the period	<u>79.183.410</u>	<u>72.899.581</u>

5 NON-CURRENT ASSETS

a) Intangible assets

	Concessions, patents, licenses, trademarks, similar rights and values and other intangible assets	<u>Total</u> (lei)
	(lei)	
Gross value		
Balance as of 1 January 2016	495.706	495.706
Additions	101.885	101.885
Disposals	(100.930)	(100.930)
Balance as of 31 December 2016	496.661	496.661
Accumulated depreciation		
Balance as of 1 January 2016	495.506	495.506
Charge for the year	102.085	102.085
Disposals	(100.930)	(100.930)
Balance as of 31 December 2016	496.661	496.661
Net carrying amount as of 1 January 2016	<u>200</u>	<u>200</u>
Net carrying amount as of 31 December 2016	=	=

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

5 NON-CURRENT ASSETS (CONTINUED)

b) Tangible assets

	<u>Buildings</u> (lei)	<u>Investment property</u> (lei)	<u>Technical installations and machines</u> (lei)	<u>Plant, equipment and furniture</u> (lei)	<u>Total</u> (lei)
Gross book value					
Balance as of 1 January 2016	678.724	-	466.749	4.928.749	6.074.222
Reclassification between accounts	(667.020)	667.020	-	-	-
Disposals*	(11.704)	(8.360)	(129.587)	(316.554)	(466.205)
Balance as of 31 December 2016	-	658.660	337.162	4.612.195	5.608.017
Accumulated depreciation					
Balance as of 1 January 2016	10.032	-	449.840	2.795.315	3.255.187
Charge for the year	2.508	7.524	6.358	848.635	865.025
Disposals or reversals	(12.540)	(7.524)	(119.036)	(316.554)	(455.654)
Balance as of 31 December 2016	-	-	337.162	3.327.396	3.664.558

*) These disposals represent sales or exits of tangible assets.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

5 NON-CURRENT ASSETS (CONTINUED)

b) Tangible assets (continued)

Adjustments for reevaluation

	<u>Buildings</u> (lei)	<u>Investment</u> <u>property</u> (lei)	<u>Technical</u> <u>installations</u> <u>and</u> <u>machines</u> (lei)	<u>Plant, equipment</u> <u>and</u> <u>furniture</u> (lei)	<u>Total</u> (lei)
Balance as of 1 January 2016	96.870	-	-	-	96.870
Reclassification between accounts	(96.870)	96.870			-
Charge during the year		100.701	-		100.701
Balance as of 31 December 2016	-	197.571	-	-	197.571
Net book value					
as of 1 January 2016	<u>571.822</u>	<u>=</u>	<u>16.909</u>	<u>2.133.434</u>	<u>2.722.165</u>
Net book value					
as of 31 December 2016	<u>=</u>	<u>461.089</u>	<u>=</u>	<u>1.284.799</u>	<u>1.745.888</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

6 OTHER ASSETS

	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Advances to suppliers related to leases	17.068	11.267
Receivables from clients (except for principal and interest)	12.481.162	13.081.837
Provisions for clients receivables (except for principal and interest)	(11.397.732)	(12.283.221)
Inventories- repossessions	94.055.569	84.643.840
Provisions for inventories - repossessions	(54.375.352)	(50.744.154)
Other assets	1.152.514	73.895
Provisions for other assets	(981.479)	
Total other assets	<u>40.951.750</u>	<u>34.783.464</u>
<u>Provisions for clients receivables</u>	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Balance at the beginning of period	11.263.915	11.397.732
Provisions expenses (Note 13 j)	3.943.607	1.869.626
Provisions incomes (Note 13 j)	(3.809.790)	(984.137)
Balance at the end of period	<u>11.397.732</u>	<u>12.283.221</u>
<u>Provisions for inventories</u>	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Balance at the beginning of the period	25.451.281	54.375.352
Transfer from tangible assets	434.061	-
Provisions expenses (Note 13 j)	31.254.455	2.338.008
Provisions reversals (Note 13 j)	(2.764.445)	(5.969.206)
Balance at the end of period	<u>54.375.352</u>	<u>50.744.154</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

7 PREPAID EXPENSES AND ACCRUED INCOME

	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Accrued interest related to lease contracts	157.283	83.557
Invoiced interest related to current lease contracts	293.632	203.842
Invoiced interest and penalties related to overdue and doubtful lease contracts	5.696.116	5.736.492
Penalties related to other receivables	794.756	799.884
Prepaid expenses - sundry	11.513	23.232
Prepaid expenses – brokers' commissions	37.959	22.375
Interest accrual overnight deposits	8	33
Interest accrual time deposits	82	-
Total prepaid expenses and accrued incomes, gross	6.991.349	6.869.415
Provisions for interest receivables	(6.448.056)	(6.234.953)
Total prepaid expenses and accrued income, net	<u>543.293</u>	<u>634.462</u>
<u>Provisions for interest receivables</u>	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Balance at the beginning of period	7.368.556	6.448.056
Provision expenses (Nota 13 j)	423.225	82.595
Provision reversals (Nota 13 j)	(1.345.737)	(296.347)
Foreign exchange differences	2.012	649
Balance at the end of period	<u>6.448.056</u>	<u>6.234.953</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

8 BORROWINGS

a) Loans from credit institutions

	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Overdraft	44	44
Total loans on sight	44	44
Loans Eurobank Private Luxemburg		
–term loans	124.423.750	70.331.428
Loans from Eurobank Private Luxemburg		
–revolving credit line	1.930.556	0
Fees for letter of guarantee issued by Eurobank Ergasias SA	-	-
Total term loans	<u>126.354.306</u>	<u>70.331.428</u>
Total loans from credit institutions	<u>126.354.350</u>	<u>70.331.472</u>

Loans on sight represent current account overdraft with Bancpost.

Term loans represent loans from Eurobank Private Bank Luxemburg with a variable interest EURIBOR + margin 2.25%.

Loans from Eurobank Private Bank Luxemburg included in 2015 a revolving facility with a balance of 461.889 CHF, equivalent of 1.930.556 RON as of 31 December 2015. This facility was fully reimbursed during 2016, as result of the closing of leasing exposures denominated in CHF.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

8 BORROWINGS (CONTINUED)

b) Subordinated loans

	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Subordinated loans	<u>13.573.500</u>	<u>13.623.300</u>

Subordinated loans include, both as of 31.12.2015, and as of 31.12.2016, a loan from Eurobank Private Bank Luxemburg in amount of 3.000.000 EUR, with final maturity in December 2022.

Subordinated loans had variable interest EURIBOR+ margin 2,75% during the entire year 2016.

Interest is payable on a quarterly basis.

Brakdown on currencies and maturities is presented in Note 17.

9 OTHER LIABILITIES

	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Suppliers	162.267	120.060
Advances from clients	79.124	4.120.935
Sundry creditors	205.855	-
Taxes payable	893.866	661.883
Other liabilities	<u>-</u>	<u>19.713</u>
Total	<u>1.341.112</u>	<u>4.922.591</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

10 DEFERRED INCOME AND ACCRUED LIABILITIES

	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Deffered income from administration fees	480.944	331.567
Other deferred income	45.793	31.483
Accrued interest related to loans from credit institutions	<u>288.612</u>	<u>172.313</u>
Total	<u>815.349</u>	<u>535.363</u>

11 SHARE CAPITAL AND SHARE PREMIUM

The share capital of the Company as of 31 December 2016 consists of 15,059,122 shares of nominal value of RON 0.25 each. Each share represents a vote.

No capital movements took place in 2016.

Share capital as of 2016 and 2015 :

<u>Shareholder</u>	<u>Number of shares</u>	<u>2016 %</u>	<u>Amount (lei)</u>
ERB NEW EUROPE HOLDING BV	14.704.138	97,642731	3.676.035
EUROBANK ERGASIAS SA	354.780	2,355914	88.695
EUROBANK ERGASIAS LEASING SA	68	0,000452	17
EUROBANK ASSET MANAGEMENT MUTUAL FUND MANAGEMENT COMPANY SA	68	0,000452	17
EUROBANK EQUITIES INVESTMENT FIRM SA	<u>68</u>	<u>0,000452</u>	<u>17</u>
Total	<u>15.059.122</u>	<u>100</u>	<u>3.764.781</u>

12 SHARE PREMIUM AND RESERVES

	<u>31 December 2015</u>	<u>31 December 2016</u>
Share premium	12.917.663	12.917.663
Legal reserves	752.956	752.956
Other reserves	46.000.000	46.000.000
Result carried forward	(37.881,523)	(32.104.612)
Result of the financial year	5.889.238	5.314.646

31 DECEMBER 2016

13 INFORMATION REGARDING SOME ITEMS IN THE INCOME STATEMENT

(a) Interest and similar income

	<u>2015</u> (lei)	<u>2016</u> (lei)
Interest from finance lease granted	6.293.405	4.326.960
Commissions from finance lease granted	279.845	209.769
Interest from deposits	643.217	11.908
Penalties related to overdue receivables	505.372	307.119
Total interest income	<u>7.721.839</u>	<u>4.855.756</u>

(b) Interest and similar expenses

	<u>2015</u> (lei)	<u>2016</u> (lei)
Interest expenses for subordinated loans	633.000	344.957
Interest expenses for other bank loans	4.359.013	1.914.617
Total interest expenses	<u>4.992.013</u>	<u>2.259.574</u>

(c) Income from commissions

	<u>2015</u> (lei)	<u>2016</u> (lei)
Other commissions	41.285	20.979

(d) Commission expenses

	<u>2015</u> (lei)	<u>2016</u> (lei)
Commission for bank letter of guarantee	50.461	44.737
Other banking commissions	25.305	22.224
Total commission expenses	<u>75.766</u>	<u>66.961</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

13 INFORMATION REGARDING SOME ITEMS IN THE INCOME STATEMENT
(CONTINUED)

(e) Profit or loss (net) from financial operations

	<u>2015</u> (lei)	<u>2016</u> (lei)
Incomes from foreign exchange differences	1.021.040	609.663
Expenses with foreign exchange differences	<u>1.038.707</u>	<u>230.970</u>
Profit/(loss), net, from financial operations	<u>(17.667)</u>	<u>378.693</u>

Profit or loss from financial operations represents the result of revaluation of assets and liabilities denominated in foreign currency.

(f) Other operating income

	<u>2015</u> (lei)	<u>2016</u> (lei)
Income from sale of fixed assets	14.667	44.952
Income from rent	2.148.884	1.951.723
Income from sale of repossessed assets	3.757.513	7.860.840
Income from insurance intermediation operations	557.607	386.943
Other income	3.206.607	2.516.566
Reversal of provisions for other assets	<u>90.765</u>	<u>981.419</u>
Total other operating income	<u>9.776.043</u>	<u>13.742.443</u>

Within "other income" line are included the expenses incurred by the Company in relation to leasing contracts, expenses which have been subsequently re-invoiced to clients. These expenses refer to, but not limited at: insurance of goods subject to leases, pollution fee, first registration fee, excise duties, commissions and customs fees (Note 13 i).

(g) Staff expenses

	<u>2015</u> (lei)	<u>2016</u> (lei)
Salary expenses	1.360.299	1.167.043
Expenses with insurance and social security	<u>298.424</u>	<u>263.712</u>
Total staff costs (Note 15)	<u>1.658.723</u>	<u>1.430.755</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

13 INFORMATION REGARDING SOME ITEMS IN THE INCOME STATEMENT
(CONTINUED)

(h) Other administrative expenses

	<u>2015</u> (lei)	<u>2016</u> (lei)
Insurance premiums	40.358	18.290
Audit and other advisory services	86.100	73.166
Post office, telecommunications and data processing	31.992	29.690
Other administrative expenses, of which :	494.929	234.126
- Legal services	176.978	75.783
- Technical support – accounting application	143.788	47.660
- Other current activity expenses	174.163	110.683
Consumables and inventory items	40.414	27.564
Advertising and protocol	1.922	2.827
Travel and transportation	3.602	1.642
Maintenance and utilities	51.123	34.091
Rent	<u>189.723</u>	<u>133.734</u>
Total other administrative expenses	<u>940.163</u>	<u>555.130</u>

(i) Other operating expenses

	<u>2015</u> (lei)	<u>2016</u> (lei)
Expenses related to repossessed assets	7.369.645	14.472.053
Expenses with fixed assets sold as scrap	-	-
Other taxes, fees and similar payments	347.504	(261.473)
Other expenses	3.128.675	2.819.462
Provisions for litigations	<u>247.150</u>	<u>819.774</u>
Total other operating expenses	<u>11.092.974</u>	<u>17.849.816</u>

Within *Other expenses* line are included the amounts paid by the Company in relation to leasing contracts. These amounts have been subsequently re-invoiced to clients and they refer to, but not limited at: insurance of goods subject to leases, pollution fee, first registration fee, excise duties, commissions and customs fees.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

13 INFORMATION REGARDING SOME ITEMS IN THE INCOME STATEMENT
(CONTINUED)

(j) Impairment charges and other credit losses

	<u>2015</u>	<u>2016</u>
	(lei)	(lei)
¹ Impairment charges:		
Impairment charge for principal (Note 4)	10.489.356	5.700.718
Impairment charge for interest (Note 7)	423.225	82.595
Impairment charge for other receivables (Note 6)	3.943.607	1.869.626
Impairment charge for inventory (Note 6)	31.254.455	2.338.009
Losses from receivables derecognized	39.184.724	2.382.959
Losses from non-impaired receivables	-	-
Total impairment charges	<u>85.295.367</u>	<u>12.373.906</u>
² Reversals of provisions:		
Reversals of provisions for principal (Note 4)	(51.911.264)	(12.077.030)
Reversals of provisions for interest (Note 7)	(1.345.737)	(296.347)
Reversals of provisions for other receivables (Note 6)	(3.809.790)	(984.137)
Reversals of provisions for inventory (Note 6)	(2.764.445)	(5.969.206)
Incomes from assets repossessions	(33.607.513)	(3.051.573)
Total reversals of provisions	<u>(93.438.749)</u>	<u>(22.378.293)</u>
Net impairment charges	<u>(8.143.382)</u>	<u>(10.004.387)</u>

In Note 13j)¹ we present the provision expenses related to impairment charges (provisions) split by category: impairment charge for customer receivables - principal (Note 4), impairment charge for receivables attached to principal - interest (note 7), impairment charge for other receivables (Note 6).

Equally, there are presented the expenses with impairment for inventories (Note 6), related to the stock of repossessed assets as well as expenses related to derecognized receivables (occurring at the time of asset repossession). The total impairment charges for the year 2016 amounts to 12,373,906 RON.

In Note 13j)² we present the reversals of provisions, also split by category, namely: reversal of provisions for principal (Note 4), reversal of provisions for related receivables - interest (Note 7), reversal of provisions for other receivables (Note 6) and reversal of

13 INFORMATION REGARDING SOME ITEMS IN THE INCOME STATEMENT
(CONTINUED)

(j) Impairment charges and other credit losses (continued)

provisions for stock of repossessed assets. A separate category presents the Revenues obtained from the recoveries of assets (repossessions). The total reversal of provisions for the year 2016 amounts to 22,378,293 RON.

All assets recovered by repossession are intended for sale according to Company's accounting policies.

The difference between total impairment charges and total reversal of provisions shows the Net impairment result.

For 2016, the Company has a positive Net result (ie the reversals are higher than the charges) in amount of 10,004,387 RON.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

14 INFORMATION REGARDING THE INCOME TAX COMPUTATION

	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Profit before taxation	5.889.238	5.772.211
Non-taxable incomes	(6.350.850)	(7.883.728)
Non-deductible expenses (*)	49.936.742	6.997.281
-Fiscal amortization	(1.017.654)	(968.759)
-Legal reserves	(112.327)	-
Total deductions	(1.129.981)	(968.759)
Fiscal loss carried forward	(48.944.808)	(599.659)
Taxable profit/ for the financial year		2.859.780
Income tax	-	(457.566)
Fiscal profit before loss carried forward	48.345.149	3.459.439
Fiscal loss to be recovered in the following years	<u>(599.659)</u>	-

(*) Non-deductible expenses include the Income tax for the financial year.

15 INFORMATION REGARDING THE EMPLOYEES, ADMINISTRATORS AND DIRECTORS

	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Salaries expenses	1.360.299	1.167.043
Employer' contribution to social security	210.868	181.530
Employer' contribution to Health Social Security Fund	69.513	59.688
Employer's contribution to the Unemployment Fund	6.682	5.738
Other employer's contribution	11.361	9.756
Other expenses with social protection	-	<u>7.000</u>
Total staff costs	<u>1.658.723</u>	<u>1.430.755</u>

As of 31 December 2016 the amount of 317,594 de lei (2015: 295,729 lei) represents gross salaries expenses related to Company's management during the financial year.

During 2016, the average number of employees was 14 (2015: 16), of which: senior management 3, the rest as middle management, front-office and back-office.

During 2016 and 2015, the members of the board did not receive any remuneration. As at 31 December 2016 the Company does not have leases granted to persons holding administration positions.

16 CASH AND CASH EQUIVALENTS

	<u>31 December 2015</u> (lei)	<u>31 December 2016</u> (lei)
Cash on hand	322	412
Receivables from credit institutions	<u>21.911.763</u>	<u>10.779.523</u>
	<u>21.912.085</u>	<u>10.779.935</u>

17 RISK MANAGEMENT

Interest rate risk

The Company is exposed to the fluctuation effects of the interest rates.

The Company manages and monitors the interest rate risk in a transparent and responsible manner, through mechanism of compensation of income and losses arising from fluctuations of interest rate. Company's management monitors the exposure to changes in the interest rate.

Market risk

Romania's economy is still undergoing a development process and there is still a significant degree of uncertainty related to the possible direction of domestic economic politics. Company's management is unable to predict the changes that will take place in Romania and the effect of these changes on the financial statements, the transactions result and on the Company's cash flow.

Liquidity risk

The Company policy on liquidity is to maintain sufficient liquid resources in order to meet its liabilities while they are matured and to comply with NBR regulatory norms.

Foreign currency risk

The Company operates in a developing economy that may be affected by unpredictable evolutions of the exchange rate. Under these circumstances, there is a risk of depreciation of the net monetary assets held in RON. In order to protect against the foreign currency risk, the Company uses mechanisms to balance the assets and liabilities including a multicurrency revolving credit line (Note 9 a). Hedging products are also contemplated as solution to diminish this risk.

17 RISK MANAGEMENT (CONTINUED)

Risk associated to credit activity

When granting leases to clients, the Company takes into account the potential risks of payment incapacity of the financed clients. This risk affects the leasing receivables. The concentration of risk associated to credit activity could result in a significant loss to the Company if a change in economic conditions would affect the entire industry or the whole country.

The Company minimizes the credit risk by applying adequate credit criteria including: careful assessment of credit applications, appropriate analysis of the financed assets and of the collateral structures, re payment sources and capacity, as well as by applying a prudent provisioning policy when a risk of a potential loss is identified.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

17 RISK MANAGEMENT (CONTINUED)

(i) Foreign currency risk

The tables below summarize the Company's exposure to the foreign currency risk as at 31 December 2014 and 2015. In the table are included Company's financial assets and liabilities at their carrying value, grouped on main currencies.

	<u>RON</u>	<u>EUR</u>	<u>USD</u>	<u>CHF</u>	<u>Total</u>
As at 31 December 2016					
Cash and accounts with central bank	412	-	-	-	412
Receivables from credit institutions	5,524,190	5,228,378	26,955	-	10,779,523
Receivables from clients	4,691,450	74,242,735	-	-	78,934,185
Other assets	34,783,464	-	-	-	34,783,464
Prepaid expenses and accrued income	563,171	71,291	-	-	634,462
Total assets	45,562,687	79,542,404	26,955	-	125,132,046
Loans from credit institutions	6,756,051	63,575,421	-	-	70,331,472
Subordinated loans	-	13,623,300	-	-	13,623,300
Other liabilities	4,922,591	-	-	-	4,922,591
Provisions	819,774	-	-	-	819,774
Deferred income and accrued liabilities	375,438	159,925	-	-	535,363
Total liabilities	12,873,854	77,358,646	-	-	90,232,500
Net position	32,688,833	2,183,758	26,955	-	34,899,546

The amounts available to the Company are mainly denominated in EUR currency. The FX open positions present a potential FX risks. In order to prevent losses from unfavorable currency exchange fluctuation, the Company is permanently monitoring the assets and liabilities by currency type and holds a FX position within the limits established in the Strategy for management of significant risks (including market risk).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

17 RISK MANAGEMENT (CONTINUED)

(i) Foreign currency risk

As at 31 December 2015	RON	EUR	USD	CHF	Total
Cash and accounts with central banks	322	-	-	-	322
Receivables from credit institutions	5.871.642	16.013.897	26.224	-	21.911.763
Receivables from clients	4.623.294	101.370.298	-	1.292.014	107.285.606
Other assets	40.951.750	-	-	-	40.951.750
Prepaid expenses and accrued income	436.613	105.108	-	1.572	543.293
Total assets	51.883.621	117.489.302	26.224	1.293.586	170.692.734
Loans from credit institutions	22	124.423.772	-	1.930.556	126.354.350
Subordinated loans	-	13.573.500	-	-	13.573.500
Other liabilities	1.340.207	905	-	-	1.341.112
Provisions	-	-	-	-	-
Deferred income and accrued liabilities	526.737	288.612	-	-	815.349
Total liabilities	1.866.966	138.286.789	-	1.930.556	142.084.311
Net position	50.016.655	(20.797.486)	26.224	(636.970)	28.608.423

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

17 RISK MANAGEMENT (CONTINUED)

a. Liquidity risk

The tables below group the assets and liabilities of the Company in relevant maturity intervals based on the period remaining at the balance sheet date until the contracting maturity.

31 December 2016	Up to 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Without maturity	Total
Assets						
Cash and accounts with central banks	412	-	-	-	-	412
Receivables from credit institutions	10.779.523	-	-	-	-	10.779.523
Receivables from clients	10.616.406	18.203.971	48.026.422	2.087.386	-	78.934.185
Other assets	864.686	-	-	7.635	33.911.143	34.783.464
Prepaid expenses and accrued income	588.855	-	-	-	45.607	634.462
Total assets	<u>22.849.882</u>	<u>18.203.971</u>	<u>48.026.422</u>	<u>2.095.021</u>	<u>33.956.750</u>	<u>125.132.046</u>
Liabilities						
Loans from credit institutions	70.331.472	-	-	-	-	70.331.472
Subordinated loans	-	-	-	13.623.300	-	13.623.300
Other liabilities	781.943	-	-	-	4.140.648	4.922.591
Deferred income and accrued liabilities	172.313	-	-	-	363.050	535.363
Provisions	819.774	-	-	-	-	819.774
Total liabilities	<u>72.105.502</u>	<u>-</u>	<u>-</u>	<u>13.623.300</u>	<u>4.503.698</u>	<u>90.232.500</u>
Net position	<u>(49.255.620)</u>	<u>18.203.971</u>	<u>48.026.422</u>	<u>(11.528.279)</u>	<u>29.453.052</u>	<u>34.899.546</u>

The Company has a net short position due to the short term maturity of the loans from Eurobank Private Bank Luxembourg, which are rolled over at maximum 3 months interval, with an actual maturity of the line extended until 30.06.2018 (Note 8 a).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

17 RISK MANAGEMENT (CONTINUED)

a. Liquidity risk

31 December 2015	Up to 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Without maturity	Total
Assets						
Cash and accounts with central banks	322	-	-	-	-	322
Receivables from credit institutions	21.911.763	-	-	-	-	21.911.763
Receivables from clients	16.504.885	25.329.211	61.581.332	3.870.178	-	107.285.606
Other assets	1.144.686	-	-	16.236	39.790.828	40.951.750
Prepaid expenses and accrued income	493.821	-	-	-	49.472	543.293
Total assets	<u>40.055.477</u>	<u>25.329.211</u>	<u>61.581.332</u>	<u>3.886.414</u>	<u>39.840.300</u>	<u>170.692.734</u>
Liabilities						
Loans from credit institutions	126.354.350	-	-	-	-	126.354.350
Subordinated loans	-	-	-	13.573.500	-	13.573.500
Other liabilities	1.261.988	-	-	-	79.124	1.341.112
Deferred income and accrued liabilities	288.612	-	-	-	526.737	815.349
Provisions	-	-	-	-	-	-
Total liabilities	<u>127.904.950</u>	<u>-</u>	<u>-</u>	<u>13.573.500</u>	<u>605.861</u>	<u>142.084.311</u>
Net position	<u>(87.849.473)</u>	<u>25.329.211</u>	<u>61.581.332</u>	<u>(9.687.086)</u>	<u>39.234.439</u>	<u>28.608.423</u>

31 DECEMBER 2016**18 TRANSACTIONS WITH RELATED PARTIES**

The nature of relations with related parties with which the Company carried out significant transactions or with which it had balance as at 31 December 2015 and 2016, is detailed below.

Related parties are the Company' shareholders (Note 11) and companies within EUROBANK group.

The following transactions have been carried out with Company' shareholders and with other related parties:

	<u>31 December 2015</u>		<u>31 December 2016</u>	
		(lei)		(lei)
	Other	Shareholders	Other	Shareholders
Assets				
Receivables from credit institutions	21.911.379	-	10.779.138	-
Receivables from clients	9.865.642	-	8.095.463	-
Other assets	74.390	-	76.377	-
Prepaid expenses and accrued income	34.085	-	57.984	-
Total assets	<u>31.855.496</u>	<u>-</u>	<u>19.008.962</u>	<u>-</u>
Liabilities				
Loans from credit institutions	126.354.350	-	70.331.473	-
Other liabilities	16.044	-	5.363	-
Deferred income and accrued liabilities	288.612	-	193.128	-
Subordinated loans	<u>13.573.500</u>	<u>-</u>	<u>13.623.300</u>	<u>-</u>
Total liabilities	<u>140.232.506</u>	<u>-</u>	<u>84.153.264</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

18 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	<u>31 December 2015</u>		<u>31 December 2016</u>	
		(lei)		(lei)
	<u>Other</u>	<u>Shareholders</u>	<u>Other</u>	<u>Shareholders</u>
Incomes				
Interest and similar income	1.007.137	-	309.797	
Other operating income	<u>26.470</u>	-	<u>17.186</u>	
Total income	<u>1.033.607</u>	-	<u>326.983</u>	
Expenses				
Interest and similar expenses	4.979.637	12.376	2.259.574	
Commissions expenses	25.290	50.461	22.224	44.737
Other operating expenses	<u>726.367</u>	-	<u>473.049</u>	
Total expenses	<u>5.731.294</u>	<u>62.837</u>	<u>2.754.846</u>	<u>44.737</u>

19 GEOGRAPHIC MARKETS

The Company does not have any operations outside Romania's territory the revenues being 99% attributable to the Romanian market.

20 CONTINGENT LIABILITIES AND COMMITMENTS

Off balance sheet items	<u>31 December 2015</u>	<u>31 December 2016</u>
	(lei)	(lei)
Loan commitments	-	-

Within the commitments line are comprised the financing commitments granted to clients.

Committing means to cumulatively meet the following conditions: signing the leasing agreement, signing the sale contract with the supplier, receiving the advance from the client, other conditions established through the lease agreement as precedent conditions.

As of 31 December 2016, the Company does not have any pledged assets.

20 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)**Taxation**

The Romanian taxation system is undergoing a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties (currently, penalties determined by the duration of delay, plus 0.05% per day delay). In Romania, tax periods remain open for tax inspection for 5 years. The Company's management considers that the tax liabilities included in these financial statements are fairly stated.

Litigations

The Company is subject to several legal actions arisen in the normal course of business. The management of the Company considers that they will have no material adverse effect on the results and the financial position of the Company.

Impact on customers/ borrowers:

The current economic environment may affect customers' liquidity and their capacity to repay the amounts owed to creditors. Deteriorating operating conditions for debtors have been taken into account when assessing the impairment of financial and non-financial assets and, to the extent of available information, the Company has properly reflected revised estimates of expected future cash flows in their impairment assessments.

The Company has policies and procedures for credit risk management and applies various measures to reduce / monitor credit risk:

- Assess customer creditworthiness at individual level;
- Evaluation and classification of suppliers of the leased assets;
- Establishment of risk provisions for the absorption of expected loss;
- Avoiding concentration on economic sectors, financed asset classes, insurance companies;
- Periodical queries in databases on customers' payment behavior and evolution of their status (Insolvency Bulletin, Justice Ministry portal, Electronic Archive of Securities, etc.);
- Monitoring of the exposure on groups of borrowers;
- Periodic evaluation of collaterals of significant value (all the buildings and equipment with significant values are inspected and reviewed periodically).

20 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Impact on collateral (especially real estate):

The amount of provisions for impaired loans is based on management appraisals at the balance sheet date, after taking into consideration the cash flows that may result from foreclosure less costs for remarketing.

The necessary of provisions for impairment is assessed periodically, thus adjusting the value of assets by:

- Annual revaluation of repossessed assets in stock
- Periodical revaluation (every 1-2 years) of the real estate and equipment type of assets of important values, that are the object of on-going leasing contracts
- Reassessment and change of the impairment coefficients in case of repossessed assets for which there are no individual evaluations available, based on statistics of remarketing activity and / or other instruments and information on the market (statistics of insurance companies, statistics of automotive market, etc.)

20 SIGNIFICANT LEASING CONTRACTS

The top four leasing exposures in the portfolio ERB LEASING IFN SA as of the yearend 2016 are exposures over 1 million EUR and they are described below:

Societatea Hoteliera Times S.R.L. represents a sale & lease back transaction performed in December 2006, the leased asset being Times Tulip Hotel in Bucharest, a four stars hotel which is part of Golden Tulip network. The amount of outstanding principal as of 31 December 2016 is RON 18.5 million. The facility was restructured during 2016, in order for the debt service to meet the current financial standing of the company.

Teo Central is also a sale & lease-back transaction performed in December 2010, the leased asset being the building of a private hospital in Brasov. The leasing facility is normally reimbursed, the outstanding principal as of 31 December 2016 is 9.6 million RON.

Tiger Amira Com is a real estate leasing where the leased asset is a commercial building used as showroom for household sanitary objects, flooring & tiles and storage facility for the respective showroom, located in Oradea. The outstanding principal as of 31 December 2016 is 4.97 million RON and the facility is normally reimbursed.

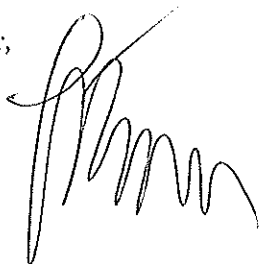
Emsil Techtrans has four contracts ongoing, the financed assets being industrial equipment used in the core activity of the customer. The balance of outstanding principal as of 31 December 2016 is 4.8 million RON and the facility is normally reimbursed.

21 EVENTS SUBSEQUENT TO THE BALANCE SHEET

On 04.05.2017 the addendum for the extension of the validity of the term loan from Eurobank Private bank Luxembourg has been signed, having a maturity date 30/06/2018.

General Manager,

Constantin Gina



Head of Financial Accounting Dept,

Oltean Gabriela



