ERB LEASING EAD
INDEPENDENT AUDITOR'S REPORT
DIRECTORS'REPORT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

CONTENTS

Independent auditor's report

To the sole shareholder of ERB Leasing EAD

Report on the Financial Statements

We have audited the accompanying financial statements of ERB Leasing EAD (the Company) which comprise the balance sheet as of 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ERB Leasing EAD as of 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

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

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

In our opinion, the Annual Report set out on pages 2 to 6, is consistent with the accompanying financial statements of the Company as of 31 December 2015.

Milka Damianova
Registered Auditor

Stefan Weiblen
PricewaterhouseCoopers Audit OOD

20 May 2016
Sofia, Bulgaria

The directors present the annual report and audited financial statements for the year ended 31 December 2015.

BUSINESS DESCRIPTION

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

BUSINESS OVERVIEW

As of the end of December 2015, the outstanding loans and finance lease receivables before provisions amounted to BGN 261,404 thousand (2014: BGN 259,308 thousand). This places ERB Leasing among the leaders on the Bulgarian market of leasing services with a market share of over 8%. This performance is attributed both to the strong support from Eurobank Ergasias Leasing, and to the beneficial cooperation with Eurobank Bulgaria in the area of car financing and corporate banking.

The Company's total outstanding portfolio marked a growth of about 1% compared to the end of 2014. The product that the Company offers is financial leasing of different types of assets that aims to respond to the dynamic and multifarious customers' needs. Real estate has the largest share in the lease portfolio – 43%, followed by vehicles with 37% and industrial equipment with 21% share.

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

In view of the competitive market, the main strategic priorities of the Company for 2015 were focused on preserving the quality and profitability of its existing portfolio, growth through sustainable business development in target markets, introduce innovative and flexible products, high quality customer service, efficient cost management and prudent risk management.

SHARE CAPITAL STRUCTURE

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

The share capital of the Company amounts to BGN 1,050 thousand split in 1,050 thousand registered shares (2014: BGN 1,000 thousand, split in 1,000 thousand shares) fully owned by Eurobank Ergasias S.A. (the Bank).

In May 2014, following the completion of the Bank's 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 the Bank

SHARE CAPITAL STRUCTURE (CONTINUED)

until that date, decreased from 95.23% to 35.41%. Accordingly, as of that date HFSF was considered to have significant influence over the Bank. In November 2015, following the completion of the Bank's 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 the Bank's General Assembly only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets, or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014. Taking into account the terms of the revised RFA, the HFSF is still considered to have significant influence over the Bank.

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

BOARD OF DIRECTORS

As at December 31, 2015 the Board of Directors consisted of the following members:

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

In 2015 the members of the Board of Directors have not received compensation in their capacity of members of the Board of Directors.

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

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

In 2015 none of the Board members participated in other commercial enterprises, as unlimited liability partner or as an owner of more than 25% of the capital of another company.

BOARD OF DIRECTORS (CONTINUED)

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

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

Dimitar Shumarov

Eurobank Bukgaria AD, Bulgaria – Executive Director, Chief Financial Officer and a Member of the Management Board;
IMO Rila EAD, Bulgaria – Member of the Board of Directors;
IMO Central Office EAD, Bulgaria – Member of the Board of Directors (until 3 September 2015);
IMO 03 EAD, Bulgaria – Executive Director and Member of the Board of Directors;
Chief Financial Officers Club, Bulgaria – Member of the Management Board.

Zacharias Vlachos

ERB Leasing IFN S.A., Romania – Member of the Board of Directors
ERB Leasing a.d. Beograd, Serbia – Member of the Management Board
Mr. Vlachos was Director of the BoD of "T Credit" up to 31.12.2015, at which date the company ceased to exist.

Konstantinos Kanakis

Eurobank Ergasias Leasing S.A., Greece – Chief Executive Officer and Member of the Board of Directors
ERB Leasing IFN S.A., Romania – Member of the Board of Directors
ERB Leasing A.D Beograd, Serbia – Member of the Management Board

Mr. Kanakis was Member of the BoD and Chief Executive Officer of "T Credit" up to 31.12.2015, at which date the company ceased to exist.

Efthymios Zois

ERB Retail Services IFN S.A., Romania – Member of the Board of Directors
ERB New Europe Funding B.V., The Netherlands - Managing Director A
ERB New Europe Funding II B.V., The Netherlands - Managing Director A

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

BOARD OF DIRECTORS (CONTINUED)

The Company has not entered into contracts specified in Article 240b, paragraph 1 of the Commerce Act during 2015.

COMPANY STRUCTURE AND BRANCH NETWORK

ERB Leasing EAD had thirteen registered branches through which the Company provides services to clients in Plovdiv, Varna, Bourgas, Pleven, Rousse, Stara Zagora, Veliko Tarnovo, Gabrovo, Blagoevgrad, Sliven, Haskovo, Pazardjik and Shumen.

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

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

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

FINANCIAL RISKS

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

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

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

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

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

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

BUSINESS OBJECTIVES FOR 2016

Anticipating certain signs showing a recovery of the economy, in 2016 ERB Leasing EAD shall focus mainly on generating a healthy new business, while maintaining and improving the quality and profitability of its existing portfolio. In terms of new business the Company shall focus on its key vendors and corporate clients of the Group.

In order to achieve this, we will continue to invest in training and development of the professional team working for the company. This will allow them to maintain high customer satisfaction, assume additional responsibilities and grow the business in a reasonable manner. With a team of motivated employees, competitive and innovative products and strong support from the Group, the Company is well-positioned to achieve these goals and meet the challenges that it will face in 2016.

In 2016 ERB Leasing will continue working towards becoming the leasing company of first choice for the retail and corporate clients, and a partner of first choice for the leading vendors on the market.

MANAGEMENT RESPONSIBILITIES

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

The Directors confirm that suitable accounting policies have been used.

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

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

By order of the Board:

Gergana Gerdzhikova
Executive Director

ERB Leasing EAD

20 May 2016

ERB LEASING EAD
STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2015

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

Statement of comprehensive income

	Notes	2015	2014
Interest income	5	8,947	8,942
Interest expense	5	(4,305)	(5,976)
Net interest income		**4,642**	**2,966**
Other operating income	6	1,792	1,438
Foreign exchange (loss), net		(3)	(5)
Other operating expenses	7	(2,463)	(2,289)
Gains/(Losses) from sale of repossessed assets	8	514	(7)
Provisions for impairment	11	(3,322)	(26,527)
Profit/(Loss) before income tax		**1,160**	**(24,424)**
Income tax expense	9	-	(1,709)
Profit/(Loss) for the year		**1,160**	**(26,133)**
Other comprehensive income		-	-
Total comprehensive income		**1,160**	**(26,133)**

The financial statements were authorised on 20 May 2016

И Ар Би Лизинг ЕАД
ERB Leasing
04
Град София

Gergana Gerdzhikova
Executive Director

Radoslav Yordanov
Executive Director and Finance Manager

Initialled for identification purposes in reference to the audit report.

Milka Damianova
Registered Auditor
Date: 20 May 2016

Stefan Weiblen
PricewaterhouseCoopers Audit OOD

Специализирано одиторско предприятие
София
Рег. N. 085
"ПрайсуотърхаусКупърс Одит" ООД

The accompanying notes set out on pages 11-50 are inseparable part of these financial statements.

ERB LEASING EAD
BALANCE SHEET
31 DECEMBER 2015

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

Balance sheet	**Notes**	**As at 31 December 2015**	**2014**
Assets			
Cash and bank balances	10	16	101
Finance lease receivables and other loans	11	188,833	187,670
Corporate tax recoverable		692	692
Other assets	13	4,256	3,489
Equipment	14	2,528	3,208
Intangible assets	15	518	490
Total assets		**196,843**	**195,650**
Liabilities			
Borrowings	16	189,566	210,680
Payables to suppliers and clients	17	610	602
Other liabilities	18	497	872
Total liabilities		**190,673**	**212,154**
Shareholder's equity			
Share capital	19	1,050	1,000
Other reserves	19	22,695	1,231
Accumulated losses		(17,575)	(18,735)
Total shareholder's equity		**6,170**	**(16,504)**
Total liabilities and equity		**196,843**	**195,650**

The financial statements were authorised on 20 May 2016

Gergana Gerdzhikova
Executive Director

И Ар Би Лизинг ЕАД
ERB Leasing
04
Град София

Radoslav Yordanov
Executive Director and Finance Manager

Initialled for identification purposes in reference to the audit report.

Milka Damyanova
Registered Auditor
Date: 20 May 2016

Stefan Weiblen
PricewaterhouseCoopers Audit OOD

Специализирано одиторско предприятие
София
Рег. №085

The accompanying notes set out on pages 11-50 are inseparable part of these financial statements.

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

Statement of changes in shareholders' equity	Share capital	Other reserves	Accumulated losses	Total
Balance at 1 January 2014	**250**	**25**	**2,094**	**2,369**
Comprehensive income				
Loss for the year	-	-	(26,133)	(26,133)
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**(26,133)**	**(26,133)**
Transactions with owners				
Absorption of subsidiary (Note 22)	-	-	5,304	**5,304**
Issue of share capital (Note 19)	750	1,206	-	**1,956**
Total transactions with owners	**750**	**1,206**	**5,304**	**7,260**
Balance at 31 December 2014	**1,000**	**1,231**	**(18,735)**	**(16,504)**
Balance at 1 January 2015	**1,000**	**1,231**	**(18,735)**	**(16,504)**
Comprehensive income				
Profit for the year	-	-	1,160	**1,160**
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**1,160**	**1,160**
Transactions with owners				
Issue of share capital (Note 19)	50	21,464	-	**21,514**
Total transactions with owners	**50**	**21,464**	**-**	**21,514**
Balance at 31 December 2015	**1,050**	**22,695**	**(17,575)**	**6,170**

The financial statements were authorised on 20 May 2016

Gergana Gerdzhikova
Executive Director

И Ар Би Лизинг ЕАД
ERB Leasing
04

Radoslav Yordanov
Executive Director and Finance Manager

Initialled for identification purposes in reference to the audit report.

Milka Damianova
Registered Auditor
Date: 20 May 2016

Stefan Weiblen
PricewaterhouseCoopers Audit OOD

София
Рег. №085

ERB LEASING EAD
STATEMENT OF CASH FLOWS
31 DECEMBER 2015

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

	Notes	2015	2014
Cash flows from operating activities			
Interest received		10,376	9,919
Interest paid		(4,299)	(6,149)
Other income received		1,758	1,385
Proceeds from sale of repossessed assets		1,238	2,138
Payments to employees and suppliers		(1,743)	(1,650)
Changes in operating assets and liabilities:			
- (Increase)/Decrease in finance lease receivables		(3,753)	(1,814)
- (Increase) in other assets		(3,652)	(527)
- Increase/(Decrease) in payables to clients and suppliers		8	26
- Increase/(Decrease) in other liabilities		(375)	535
Cash from operating activities		**(442)**	**3,863**
Cash flows from investing activities			
Purchase of equipment and intangible assets		(196)	(845)
Proceeds on disposal of equipment		159	97
Absorption of subsidiary	22	-	1,300
Cash from/(used in) investing activities		**(37)**	**552**
Cash flows from financing activities			
Issue of share capital	19	21,514	1,956
Repayment of borrowed funds		(21,120)	(7,167)
Cash used in financing activities		**394**	**(5,211)**
Net decrease in cash and cash equivalents		**(85)**	**(796)**
Cash and cash equivalents at the beginning of the year		101	897
Cash and cash equivalents at the end of the year	10	**16**	**101**

The financial statements were authorised on 20 May 2016

Gergana Gerdzhikova
Executive Director

ERB Leasing

Radoslav Yordanov
Executive Director and Finance Manager

Initialled for identification purposes in reference to the audit report.

Milka Damianova
Registered Auditor
Date: 20 May 2016

Stefan Weiblen
PricewaterhouseCoopers Audit OOD

София
Рег. №085

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

1. General information

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

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

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

Position of Eurobank Group

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 ESM program will permit European Central Bank (ECB) to reinstate the waiver for the instruments issued 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.

1. General information (continued)

Position of Eurobank Group (continued)

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, the Bank 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.

Position of the Company

The Company realised a loss for 2014 and, as a result, has a negative equity as at 31 December 2014. As disclosed in Note 19, in February 2015, following a decision of the sole owner, the share capital of the Company was increased by BGN 21,514 thousand through a cash contribution, which lead to sufficient positive equity and stable financial and liquidity position of the Company. Considering all of the above, and the support provided by the parent company (Note 22), the Company's financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

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

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

In May 2014, following the completion of the Bank's 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 the Bank until that date, decreased from 95.23% to 35.41%. Accordingly, as of that date HFSF was considered to have significant influence over the Bank. In November 2015, following the completion of the Bank's 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 the Bank's General Assembly only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets, or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014. Taking into account the terms of the revised RFA, the HFSF is still considered to have significant influence over the Bank.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

The policies set out below have been consistently applied to the years 2015 and 2014 except as described below. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Amendments to standards and new interpretations adopted by the Company

The following amendments to standards and new interpretations, as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IC) and endorsed by the European Union (EU), apply from 1 January 2015:

Annual Improvements to IFRSs 2011-2013 Cycle

The amendments introduce key changes to three IFRSs, following the publication of the results of the IASB's 2011-13 cycle of the annual improvements project, as follows:

- Clarify that IFRS 3 'Business Combinations' does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;
- Clarify that the exception in IFRS 13 'Fair Value Measurement' for measuring the fair value of a group of financial assets and financial liabilities on a net basis applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 'Financial Instruments: Recognition and Measurement' or IFRS 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities under IAS 32 'Financial Instruments: Presentation';

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- Address the interrelationship between IFRS 3 'Business Combinations' and IAS 40 'Investment Property', clarifying in the latter that an entity should assess whether: (a) the acquired property is investment property under IAS 40 and (b) the acquisition of investment property constitutes a business combination as defined in IFRS 3.

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

IFRIC 21, Levies

IFRIC 21 Levies clarifies that an entity recognizes a liability for a levy that is not income tax when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, for example a specified level of revenue, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The adoption of the amendment had no impact on the Company's financial statements.

New standards and amendments to standards not yet adopted by the Company

A number of new standards and amendments to existing standards are effective after 2015, as they have not yet been endorsed for use in the European Union or have not been early applied by the Company. Those that may be relevant to the Company are set out below:

IAS 1, Amendment - Disclosure initiative (effective 1 January 2016)

The amendment clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

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

IAS 7, Amendment – Disclosure Initiative (effective 1 January 2017, not yet endorsed by EU)

The amendment requires disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The disclosure requirements also apply to changes in financial assets, such as assets that hedge liabilities arising from financing activities, if cash flows from those financial assets were or future cash flows will be, included in cash flows from financing activities. The amendments include illustrative examples to show how an entity can meet the objective of the disclosure requirements. The adoption of the amendment is not expected to impact the Company's financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IAS 12, Amendment – Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017, not yet endorsed by EU)

The amendment clarifies that unrealized losses on debt instruments measured at fair value in the financial statements and at cost for tax purposes can result in deductible temporary differences. It also clarifies that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that when comparing deductible temporary differences with future taxable profits, the future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences. The adoption of the amendments is not expected to impact the Company's financial statements.

IAS 16 and IAS 38, Amendments -Clarification of Acceptable Methods of Depreciation and Amortization (effective 1 January 2016)

The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The adoption of the amendments is not expected to impact the Company's financial statements.

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

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

IAS 27, Amendment –Equity Method in Separate Financial Statements (effective 1 January 2016)

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

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 9, Financial Instruments (effective 1 January 2018, not yet endorsed by EU)
In July 2014, the IASB published the final version of IFRS 9 which replaces IAS 39 'Financial Instruments'. IFRS 9 sets out revised requirements on the classification and measurements of financial assets, addresses the reporting of fair value changes in own debt when designated at fair value, replaces the existing incurred loss model used for the impairment of financial assets with an expected credit loss model and incorporates changes to hedge accounting.

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

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

The Company is currently assessing the impact of the new classification and measurement requirements in its financial statements, which will be driven to a large extent by the Company's operations and the structure of its portfolios upon transition to IFRS 9.

Impairment of financial assets
IFRS 9 introduces an expected credit loss model that will apply to all financial instruments that are subject to impairment accounting and replaces the incurred loss model in IAS 39.
The new requirements eliminate the threshold in IAS 39 that required a credit event to have occurred before credit losses were recognised. Under IFRS 9, a loss allowance will be recognised for all financial assets, therefore the new requirements will result in the earlier recognition of credit losses.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

The new standard uses a 'three stage approach' that will reflect changes in credit quality since initial recognition. At each reporting date, a loss allowance equal to 12-month expected credit losses will be recognised for all financial assets for which there is no significant increase in credit risk since initial recognition. For financial assets that have experienced a significant increase in credit risk since initial recognition as well as purchased or originated credit impaired financial assets, a loss allowance equal to lifetime expected credit losses will be recognised. The measurement of expected credit losses will be a probability-weighted average amount that will reflect the time value of money. In measuring expected credit losses, information about past events, current conditions and forecasts of future conditions should be considered.

The new impairment model is expected to result in a higher loss allowance for the Company.

Hedge accounting

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

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

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

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

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are in a subsidiary. The adoption of the amendments is not expected to impact the Company's financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 11, Amendment – Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)

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

IFRS 15, Revenue from Contracts with Customers (effective 1 January 2018, not yet endorsed by EU)

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

IFRS 16, Leases (effective 1 January 2019, not yet endorsed by EU)

Under IFRS 16, which replaces the current guidance in IAS 17, the classification of leases for a lessee, as either operating leases or finance leases, is eliminated and all leases are treated similarly to finance leases under IAS 17. Leases are capitalized by recognizing the present value of the lease payments and are shown either as lease assets (right of use assets) or together with property, plant and equipment. A financial liability is also recognized, if lease payments are made over time, representing the obligation to make future lease payments. In addition, lease expense treatment is aligned for all leases of lessees and the typical straight line operating lease expense for operating leases under IAS 17 is replaced with a depreciation charge for lease assets and an interest expense on lease liabilities. Recognition of assets and liabilities by lessees are not required for certain short term leases and leases of low value assets.

Under the new standard a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

The Company is currently assessing the impact of IFRS 16 on its financial statements.

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

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

- Definition of vesting condition in IFRS 2 'Share – based Payment';
- Accounting for contingent consideration in a business combination in IFRS 3 'Business Combinations;

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets in IFRS 8 'Operating Segment';
- Short-term receivables and payables in IFRS 13 'Fair Value Measurement';
- Revaluation method—proportionate restatement of accumulated depreciation in IAS 16 'Property, Plant and Equipment';
- Key management personnel in IAS 24 'Related Party Disclosures'; and
- Revaluation method—proportionate restatement of accumulated amortization in IAS 38 'Intangible Assets'

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

Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)

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

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

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

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

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

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

2.2 Foreign currency translation

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

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. As of 31 December 2015 the monetary assets and liabilities are denominated using the official rate of Bulgarian National Bank – EUR 1= BGN 1.95583 (2014: 1.95583).

2.3 Interest income and expense

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

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

2. Summary of significant accounting policies (continued)

2.3 Interest income and expense (continued)

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

2.4 Other income and expense

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

2.5 Equipment

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

	2015	**2014**
Computers	5 years	5 years
Vehicles	1-4 years	1-4 years
Machinery and equipment	6-7 years	6-7 years
Other fixed assets	5-10 years	5-10 years

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

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

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

2. Summary of significant accounting policies (continued)

2.6 Impairment of financial assets

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

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

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

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

2. Summary of significant accounting policies (continued)

2.6 Impairment of financial assets (continued)

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

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

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

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

2.7 Leases

Finance leases – the Company as a lessor

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

Operating leases- the Company as a lessor

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

Operating leases- the Company as a lessee

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

2. Summary of significant accounting policies (continued)

2.8 Assets held for sale

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

2.9 Loans and receivables

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

2.10 Cash and cash equivalents

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

2.11 Borrowings

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

2.12 Current and deferred income tax

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

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

2. Summary of significant accounting policies (continued)

2.12 Current and deferred income tax (continued)

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

2.13 Share capital

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

(a) Share issue costs

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

(b) Dividends on ordinary shares

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

2.14 Employee benefits

(a) Social, pension and health funds.

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

(b) Pension obligations

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

2. Summary of significant accounting policies (continued)

2.14 Employee benefits (continued)

(b) Pension obligations (continued)

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

3. Critical accounting estimates and judgements in applying accounting policies

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

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

The Company reviews its loan and finance lease portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and finance leases before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers and lessees in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Fair value of repossessed assets held for sale

The Company determines the fair value of repossessed assets held for sale from market-based evidence by appraisal that is undertaken by professionally qualified valuers. The Company follows its accounting policy to revalue the assets every four months. Based on the accounting policy of the Company the revaluation of repossessed assets was performed by a qualified independent valuer.

The main valuation approaches used to determine the fair value were *income, cost and sales comparison approaches*.

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

4. Financial risk management and fair value

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

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

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

4.1 Credit risk

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

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

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

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

4. Financial risk management and fair value (continued)

4.1 Credit risk (continued)

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

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

Corporate clients are rated in 11 categories. The Company groups wholesale clients categorized from 1 to 6 in the grade acceptable risk and these categorized with 7 - in the watch list area. The Company presents the wholesale clients in the category from 8 to 11 as individually impaired loans based on individual impairment analysis.

Qualitative factors are those that deal with the borrower's management, industry, operating conditions, the market sector in which the borrower operates, securities, loan servicing etc.

Quantitative factors are those that refer to a set of ratios (main ratios: profitability, leverage, liquidity) emerging from the borrower's financial statements (balance sheet, income statement, notes to the financial statements etc.)

According to Group Guidelines, exposures to wholesale clients rated in categories 1 to 7 are presented as "Neither past due nor impaired" if they are regular and "Past due but not impaired" if they are up to 179 days past due. If they are above 180 days past due exposures to these clients are presented as "Impaired". All exposures to wholesale clients above 180 days past due and all exposures to wholesale clients rated in categories 8 to 11 are presented as "Impaired". All terminated wholesale exposures are presented as "Impaired".

Regarding restructured wholesale loans to clients rated in categories 1 to 6 are presented as "Neither past due nor impaired" if they are regular and in category "Past due but not impaired" if they are up to 179 days past due. If they are between 180-359 days past due these clients are presented as "Impaired". The clients rated in category 7 are presented as „Past due but not impaired" if they are up to 360 days past due. All exposures to wholesale clients above 360 days past due and all exposures to wholesale clients rated in categories 8 to 11 are presented as "Impaired". All terminated wholesale exposures are presented as "Impaired".

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

4. Financial risk management and fair value (continued)

4.1 Credit risk (continued)

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

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

4.1.1 Exposure to credit risk	**Balance at 31 December**	
	2015	**2014**
Credit risk exposures relating to on-balance sheet assets are as follows:		
Cash and bank balances (Note 10)	16	101
Finance lease receivables from customers (Note 11):	186,871	184,742
Consumer lending	*12,640*	*11,809*
Small Business lending	*31,847*	*27,460*
Corporate lending	*142,384*	*145,473*
Other loans (Note 11)	1,962	2,928
Total	**188,849**	**187,771**

Finance lease receivables are summarised as follows:

	Balance at 31 December	
	2015	**2014**
Neither past due nor impaired	90,924	54,611
Past due but not impaired	11,467	39,150
Impaired	157,051	162,619
Gross	**259,442**	**256,380**
Less: allowance for impairment (Note 11)	(72,571)	(71,638)
Net	**186,871**	**184,742**

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

4. Financial risk management and fair value (continued)

4.1. Credit risk (continued)

4.1.1. Exposure to credit risk (continued)

Other Loans are summarized as follows:

	Balance at 31 December 2015	2014
Neither past due nor impaired	1,962	2,928
Less: allowance for impairment	-	-
Net	**1,962**	**2,928**

(a) Finance lease receivables and other loans - Neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at 31 December 2015 can be assessed by reference to the internal standard grading system. The following information is based on that system:

	Balance at 31 December 2015	2014
Acceptable risk	92,886	57,539
Watch list	-	-
	92,886	**57,539**

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

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

31 December 2015	**Consumer Lending**	**Small Business Lending**	**Corporate Lending**	**Total**
Past due up to 29 days	505	1,944	7,963	**10,412**
Past due 30 – 89 days	121	503	431	**1,055**
Past due 90 days – less than 1 year	-	-	-	-
Total	**626**	**2,447**	**8,394**	**11,467**
of which: Other loans past due 90 days – less than 1 year	-	-	-	-

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

4. Financial risk management and fair value (continued)

4.1 Credit risk (continued)

4.1.1. Exposure to credit risk (continued)

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

(c) Finance lease receivables impaired

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

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

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

The individually impaired finance lease receivables as at 31 December 2015 were BGN 137,494 thousand (2014: BGN 146,810 thousand) and all of them are Corporate Lending.

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

31 December 2015	**Consumer Lending**	**Small Business Lending**	**Corporate Lending**	**Total**
Impaired leases	1,820	13,590	141,641	**157,051**
Number of leases	135	595	634	**1,364**

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

4. Financial risk management and fair value (continued)

4.1 Credit risk (continued)

4.1.1. Exposure to credit risk (continued)

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

Management considers the finance lease receivables as impaired despite being covered by assets owned by the leasing company. The impairment provisions reflect the probability that management may not be able to enforce its rights and return the possession over the leased asset on defaulted loans.

(d) Allowance for impairment (Note 11)

	Consumer Lending	Small Business Lending	Corporate Lending	Total
Balance as at 31 December 2013	38	4,101	35,286	39,425
Absorption of subsidiary (Note 22)	1,323	4,313	8,107	13,743
Charge to profit or loss	30	2,299	21,829	24,158
Loans written off during the year as uncollectible	-	(114)	(5,574)	(5,688)
Balance as at 31 December 2014	1,391	10,599	59,648	71,638
Charge to profit or loss	155	258	954	1,367
Loans written off during the year as uncollectible	(5)	(8)	(421)	(434)
Balance as at 31 December 2015	1,541	10,849	60,181	72,571

4.1.2. Assets with returned possession

Repossessed assets are sold as soon as practicable. Repossessed assets are classified in the balance sheet within other assets. During the year, the Company repossessed assets for the amount of BGN 462 thousands (2014: BGN 1,219 thousands).

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

4. Financial risk management and fair value (continued)

4.1 Credit risk (continued)

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

Industry sectors

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

	Commerce and services	Private individuals	Manufact uring	Constru ction	Other	Total
Finance lease receivables						
-Consumer lending	-	14,631	-	-	-	**14,631**
-Small business lending	22,814	746	5,079	2,962	12,108	**43,709**
-Corporate lending	150,332	-	32,773	6,398	13,561	**203,064**
31 December 2015	**173,146**	**15,377**	**37,852**	**9,360**	**25,669**	**261,404**
31 December 2014	**171,604**	**13,581**	**37,079**	**9,945**	**27,099**	**259,308**

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

	2015	2014
Industrial equipment	19%	19 %
Real Estate	43%	46 %
Vehicles	37%	34 %
Other	1%	1 %
	100%	**100%**

4.2 Market risk

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

4. Financial risk management and fair value (continued)

4.2 Market risk (continued)

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

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

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

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

The objectives of market risk control and supervision are to

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

4.2.1. Market risk measurement techniques

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

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

- Foreign Exchange rates
- Interest Rates

4.2.2. Foreign exchange risk

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

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

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

4. Financial risk management and fair value (continued)

4.2 Market risk (continued)

4.2.2. Foreign exchange risk (continued)

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

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

4.3. Cash flow and fair value interest risk

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

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

As of 31 December 2015 and 2014, the Company's liabilities under interest-bearing instruments are from instruments with floating interest rates.

The Management and the Managing Board constantly monitor interest rate levels and conduct an active policy of adjusting interest spreads. In view of general market trends the Company is using variable interest rates in all financial lease contracts. The objective of the Company's policy on interest rate risk management is to minimize potential losses due to negative impacts from changes in market interest rates.

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

	2015	2014
Interest Rate Risk – sensitivity analysis		
1) +100 bps shift in interest rate curves (2014: +100 bps shift in interest rate curves) (all currencies)	(7)	8
2) -100 bps shift in interest rate curves (2014: -100 bps shift in interest rate curves) (all currencies)	7	(8)

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

4. Financial risk management and fair value (continued)

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

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

From economic value perspective, a parallel yield curve shift in all currencies will bring no direct P&L or equity reserves effect. The figures in the table above represent the long-term effect of a parallel yield curve shift of +/-100 bps on the Company's net worth (the change in the net present value of its assets and liabilities).

4.4 Fair value of financial assets and liabilities

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

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

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

	31 December 2015				
	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying amount
Financial assets					
Finance lease receivables (Note 11)	-	-	191,357	191,357	188,833

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

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

4. Financial risk management and fair value (continued)

4.4 Fair value of financial assets and liabilities (continued)

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

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

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

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

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

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

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

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

4. Financial risk management and fair value (continued)

4.5 Liquidity risk

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

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

Maturities of financial liabilities

As of 31 December 2015	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Liabilities						
Borrowings (Note 16)	329	658	190,159	-	-	191,146
Payables to clients and suppliers (Note 17)	610	-	-	-	-	610
Other payables (Note 18)	462	-	-	-	-	462
Total liabilities	**1,401**	**658**	**190,159**	-	-	**192,218**
Total assets held for managing liquidity	**8,145**	**6,388**	**74,611**	**141,827**	**61,221**	**292,192**

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

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

4.6 Capital management

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

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

The table below summarizes the Company's capital structure:

	2015	2014
Borrowings (Note 16)	189,566	210,680
Payables to suppliers and clients (Note 17)	610	602
Total borrowed funds	**190,176**	**211,282**
Cash and bank balances (Note 10)	(16)	(101)
Net debt	190,160	211,181
Shareholder's equity	6,170	(16,504)
Total capital	**196,330**	**194,677**
Net debt / Total capital	**97%**	**108%**

5 Net interest income

	2015	2014
Interest income		
Finance lease receivables	8,947	8,941
Interest on bank deposits	-	1
	8,947	**8,942**
Interest expense		
Interest on bank borrowings	4,305	5,976
	4,305	**5,976**

6 Other operating income

	2015	2014
Commission income insurance brokers	174	170
Income from operating leases	917	860
Maintenance fee income	73	60
Gain on disposal of equipment	34	53
Other	594	295
	1,792	1,438

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

7 Other operating expenses	2015	2014
Staff costs (Note 7a)	825	703
Expenses related to repossession, storage and repairs of assets	158	231
Consulting services	65	36
Operating lease rentals	154	148
Office maintenance	129	130
Advertising	13	11
Courier services	11	11
Depreciation and amortisation (Note 14, 15)	723	644
Other expenses	385	375
	2,463	**2,289**

7a Staff costs	2015	2014
Salaries	723	614
Social security costs	102	89
	825	**703**

8 Gains/(Losses) from sale of repossessed assets	2015	2014
Proceeds from sale of repossessed assets	1,444	4,218
Net book value as of date of sale	(930)	(4,225)
	514	**(7)**

9 Income Tax

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

	2015	2014
Profit/(Loss) before income taxes	1,160	(24,424)
Tax (expense)/credit calculated at a tax rate of 10 %	(116)	2,442
Utilized tax losses/Non-recognised deferred tax asset	116	(4,151)
Income tax (expense)/credit including:	-	**(1,709)**
Deferred income tax (charge)/credit (Note 12)	-	(1,709)
Current income tax expense	-	-

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

9 Income Tax (continued)

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

10 Cash and bank balances

	2015	2014
Current accounts with banks	16	101
Included in cash and cash equivalents	**16**	**101**

11 Lease receivables and other loans

	2015	2014
Finance lease receivables		
Corporate entities	202,566	205,121
Small Business Lending	42,695	38,059
Consumer Lending	14,181	13,200
	259,442	**256,380**
Less: provision for impairment	(72,571)	(71,638)
Total net finance lease receivables	**186,871**	**184,742**
Other loans	1,962	2,928
Less: Provision for impairment	-	-
Net loans	1,962	2,928
Total net finance lease receivables and loans	**188,833**	**187,670**

The position other loans includes prepayments by the Company for leasing contracts that will be delivered in 2016. Those amounts are net of clients' down-payments and the Company accrues interest until delivery. The amounts are fully secured with promissory notes and mortgage and/or pledges on receivables/inventory.

Gross investment in finance leases and loans, receivables:	2015	2014
Up to 1 year	145,240	129,614
Between 1 and 5 years	90,604	94,064
Over 5 years	54,345	74,287
	290,189	**297,965**
Unearned future finance income from finance leases	(28,785)	(38,657)
Net investment in finance leases	**261,404**	**259,308**

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

11 Lease receivables and other loans (continued)

Net investment in finance leases is analysed as follows:	**2015**	**2014**
Up to 1 year	138,639	120,731
Between 1 and 5 years	75,514	74,338
Over 5 years	47,251	64,239
Net investment in finance leases	**261,404**	**259,308**

Movement in provisions was as follows:

	2015	**2014**
Balance at the beginning of the year	**71,638**	**39,425**
Absorption of subsidiary (Note 22)	-	13,743
Charge to profit or loss	1,367	24,158
Receivables written off during the year as uncollectible	(434)	(5,688)
Balance at end of year	**72,571**	**71,638**

Provisions for impairment	**2015**	**2014**
Increase in provisions for lease impairment	1,367	24,158
Impairment of repossessed assets (Note 13a)	1,955	2,369
Total provision for impairment	**3,322**	**26,527**

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

	2015	**2014**
Not later than 1 year	773	904
Later than 1 year but not later than 5 years	614	1,300
Later than 5 years	-	-
Total	**1,387**	**2,204**

12 Deferred income taxes

	2015	**2014**
Deferred tax asset at beginning of year	-	1,711
Absorption of subsidiary (Note 22)	-	(2)
Income statement (charge)/credit (Note 9)	-	(1,709)
Deferred tax asset at end of year	-	-

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

12 Deferred income taxes (continued)

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

	31.12.2014	Increase	Decrease	Net change	31.12.2015
Other temporary differences	(71)	-	(28)	(28)	(99)
Tax losses carried forward	71	28	-	28	99
Deferred tax asset balance	-	28	(28)	-	-
Income statement credit/(charge)				-	

Tax losses carried forward for which no deferred income tax asset was not recognised, and the year of their expiry are as follows:

Year of expiry	2015	2014
2017	13,514	15,807
2018	1,250	1,250
2019	26,028	26,028
	40,792	**43,085**

13 Other assets

	2015	2014
Repossessed assets	3,152	4,208
Provision on repossessed assets (Note 13a)	(2,396)	(1,029)
Prepayments	94	134
VAT receivable	3,305	-
Other	101	176
	4,256	**3,489**

13a Provision on repossessed assets

	2015	2014
As of 1 January	1,029	2,250
Absorption of subsidiary (Note 22)	-	62
Impairment of repossessed assets (Note 11)	1,955	2,369
Accumulated impairment of assets sold	(588)	(3,652)
As of 31 December	**2,396**	**1,029**

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

14 Equipment

	Furniture, equipment and motor vehicles	Computers and hardware	Total
At 1 January 2014			
Cost	3,772	65	3,837
Accumulated depreciation	(795)	(57)	(852)
Net book amount	2,977	8	2,985
Year ended 31 December 2014			
Opening net book amount	2,977	8	2,985
Additions	844	-	844
Absorption of subsidiary (Note 22)	30	-	30
Disposals (net of depreciation)	(44)	-	(44)
Depreciation charge (Note 7)	(605)	(2)	(607)
Closing net book amount	3,202	6	3,208
At 31 December 2014			
Cost	4,750	80	4,830
Accumulated depreciation	(1,548)	(74)	(1,622)
Net book amount	3,202	6	3,208
Year ended 31 December 2015			
Opening net book amount	3,202	6	3,208
Additions	126	-	126
Disposals (net of depreciation)	(125)	-	(125)
Depreciation charge (Note 7)	(679)	(2)	(681)
Closing net book amount	2,524	4	2,528
At 31 December 2015			
Cost	4,455	80	4,535
Accumulated depreciation	(1,931)	(76)	(2,007)
Net book amount	2,524	4	2,528

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

	31.12.2015	31.12.2014
Cost at 31 December	3,994	4,218
Accumulated depreciation at 31 December	(1,492)	(1,057)
Net book amount at 31 December	2,502	3,161

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

15 Intangible assets

	Software	Total
At 1 January 2014		
Cost	574	574
Accumulated amortisation	(183)	(183)
Net book amount	391	391
Year ended 31 December 2014		
Opening net book amount	391	391
Additions	1	1
Absorption of subsidiary (Note 22)	135	135
Amortisation charge (Note 7)	(37)	(37)
Closing net book amount	490	490
At 31 December 2014		
Cost	756	756
Accumulated amortisation	(266)	(266)
Net book amount	490	490
Year ended 31 December 2015		
Opening net book amount	490	490
Additions	70	70
Amortisation charge (Note 7)	(42)	(42)
Closing net book amount	518	518
At 31 December 2015		
Cost	826	826
Accumulated amortisation	(308)	(308)
Net book amount	518	518

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

16 Borrowings

Short-term	2015	2014
Bank borrowings	189,500	210,620
Accrued interest	66	60
Total	**189,566**	**210,680**

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

17 Payables to clients and suppliers

	2015	2014
Deposits from clients	119	103
Liabilities to suppliers	491	499
	610	602

18 Other liabilities

	2015	2014
Prepayments from clients	212	145
Personnel and social security	35	24
VAT payable	-	561
Other	250	142
	497	872

19 Share capital

As at 31 December 2015 the total share capital of the Company was BGN 1,050 thousand (2014: BGN 1,000 thousand). In September 2014, following a decision of the sole owner of the Company, the Company issued new 750,000 shares having par value of BGN 1 per share and total issue value of BGN 1,955,830, which were fully subscribed and paid by the sole owner. In February 2015, following a decision of the sole owner of the Company, the Company issued new 50,000 shares having par value of BGN 1 per share and total issue value of BGN 21,514,130, which were also fully subscribed and paid by the sole owner.

The excess of the issue value above the nominal value of the shares of BGN 1,205,830 in 2014, and respectively, BGN 21,464,130 in 2015, is credited to reserves in accordance with requirements of art. 176, par.3 and art. 246, par. 2, p.2 of the Commercial Act, which requirements are also reflected in the decision of the sole owner for the share capital increase.

The Company's sole-owner is Eurobank Ergasias S.A. The registered capital of the Company is divided into 1,050,000 shares (2014: 1,000,000 shares) with a nominal value of BGN 1 each. All shares give equal voting rights and are fully paid.

19 Share capital (continued)

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

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

20 Related party transactions

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

In May 2014, following the completion of the Bank's 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 the Bank until that date, decreased from 95.23% to 35.41%. Accordingly, as of that date HFSF was considered to have significant influence over the Bank. In November 2015, following the completion of the Bank's 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 the Bank's General Assembly only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets, or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014. Taking into account the terms of the revised RFA, the HFSF is still considered to have significant influence over the Bank.

Since the foundation of the Company, its owners have provided financial support, so that the Company is able to continue its operations. The Company's ability to meet its obligations and to continue as a going concern is dependent on the funds provided by the owners. The Company's parent confirmed in its letter of support dated 19 February 2016 its current policy to provide financial support to ERB Leasing EAD.

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

20 Related party transactions (continued)

A number of transactions are being entered during the normal course of business. These transactions are being carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the year end, and relating expense and income for the period are as follows:

	2015	2014
Assets		
Current accounts (Eurobank Bulgaria AD)	15	100
Current accounts (Eurobank Private Bank Luxembourg S.A.)	1	1
Other assets (IMO Central Office EAD)	25	26
Other assets (Eurobank Bulgaria AD)	3	-
Liabilities		
Bank borrowings (Eurobank Private Bank Luxembourg S.A.)	121,514	172,365
Interest payable (Eurobank Private Bank Luxembourg S.A.)	21	33
Bank borrowings (Eurobank Bulgaria AD)	67,986	38,255
Interest payable (Eurobank Bulgaria AD)	45	27
Other liabilities (I(MO Property Investmenst EAD)	-	12
Other liabilities (ERB Property Services Sofia)	6	-
Income/(expense)		
Interest income (Eurobank Bulgaria AD)	10	1
Interest expense (Eurobank Private Bank Luxembourg S.A.)	(2,927)	(4,991)
Interest expense (Eurobank Bulgaria AD)	(1,378)	(985)
Foreign currency exchange (Eurobank Bulgaria AD)	(3)	(5)
Other operating expenses (IMO Central Office EAD)	(180)	(184)
Sale of assets (IMO Central Office EAD)	-	77
Other operating expenses (IMO Property Investments EAD)	(10)	(106)
Other operating income (IMO Property Investments EAD)	5	5
Other operating income (ERB Auto Leasing EOOD)	-	15
Other operating income (Eurobank Bulgaria AD)	424	418
Other operating expenses (Eurobank Bulgaria AD)	(9)	(21)
Other operating income (ERB Property Services AD)	15	15
Intangible assets (Eurobank Bulgaria AD)	(115)	-
Other services (ERB Property Services AD)	(24)	(21)

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

20 Related party transactions (continued)

Key management compensation for the year ended 31 December 2015 amounted to:

	2015	2014
Management compensation	230	144

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

21 Contingent liabilities and commitments

Operating lease commitments - the Company as a lessee

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

Non-cancellable operating lease rentals are payable as follows:	2015	2014
Not later than 1 year	88	94
Later than 1 year but not later than 5 years	-	-
Total	**88**	**94**

22 Absorption of subsidiary

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

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

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

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

22 Absorption of subsidiary (continued)

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

23 Events after the balance sheet date

In May 2016 the Company extended its loan facilities from Eurobank Private Bank Luxembourg S.A. and Eurobank Bulgaria AD (Note 16 and 20) till 30 June 2017.