ERB LEASING IFN SA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

ERB LEASING IFN SA

FINANCIAL STATEMENTS

31 DECEMBRIE 2015

CONTENTS **PAGE**

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Position code	Note	31 December 2014 (lei)	31 December 2015 (lei)
Cash and accounts with central bank	010	2	8	322
Receivables from credit institutions	030	3	77.733.483	21.911.763
- on sight	033	3 a)	3.778.833	2.528.463
- on term	036	3 b)	73.954.650	19.383.300
Receivables from clients (net)	040	4	150.126.485	107.285.606
Intangible assets	090	5 a)	10.762	200
Tangible assets	100	5 b)	9.390.824	2.722.165
Other assets	120	6	26.729.385	40.951.750
Prepaid expenses and accrued income	130	7	760.671	543.293
Total assets	140		264.751.618	173.415.099
Loans from credit institutions	300	8 a)	189.553.047	126.354.350
- on sight	303	8 a)	66	44
- on term	306	8 a)	189.552.981	126.354.306
Other liabilities	330	9	2.655.419	1.341.112
Deferred income and accrued liabilities	340	10	1.327.541	815.349
Provisions	355		89.642	
Subordinated loans	360	8 b)	59.163.720	13.573.500
Subscribed share capital	370	11	3.203.143	3.764.781
Share premium	380	11	-	12.917.663
Reserves	390	12	46.640.629	46.752.956
- legal reserves	392	12	640.629	752.956
- other reserves	399	12	46.000.000	46.000.000
Result carried forward				
- Loss	426	12	(3.510.576)	(37.881.523)
Result for the financial year				
- Profit/(Loss)	436	12	(34.370.947)	5.889.238
Profit distribution	440		-	112.327
Total liabilities and equity	450		264.751.618	173.415.099
Off balance sheet items				
Commitments	610	19	502.892	-

Authorized for issue and signed on behalf of the Board of Directors on 22 April 2016 by:

General Manager,

Gina Constantin

Head of the Financial and Accounting Department,

Oltean Gabriela

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Position code	Note	Year ended 31 December 2014 (RON)	Year ended 31 December 2015 (RON)
Interest and similar income	10	13 a)	12.877.840	7.721.839
Interest and similar expenses	20	13 b)	(7.663.027)	(4.992.013)
Income from commissions	40	13 c)	83.879	41.285
Commission expenses	50	13 d)	(380.790)	(75.766)
Net profit or loss arising from financial activity	60	13 e)	1.049.139	(17.667)
Other operating income	70	13 f)	40.458.600	9.776.043
General administrative expenses :	80		(2.939.511)	(2.598.886)
- Staff expenses, out of which:	83	13g),15	(1.963.293)	(1.658.723)
- Salaries	84		(1.560.336)	(1.360.299)
- Social security	85		(402.957)	(298.424)
-Other administrative expenses	87	13 h)	(976.218)	(940.163)
Depreciation	90	5	(1.683.511)	(1.016.005)
Other operating expenses	100	13 i)	(41.274.016)	(11.092.974)
Correction on the value of receivables and provisions for contingent liabilities and commitments	110	13 j)	(190.893.474)	(85.295.367)
Reversals from correction on the value of receivables and provisions for contingent liabilities and commitments	120	13 j)	155.993.924	93.438.749
Result of the current activity				
- (Loss) / Profit	156		(34.370.947)	5.889.238
Total income	190		210.463.382	110.960.249
Total expenses	200		(244.834.329)	(105.071.011)
Gross result				
- (Loss) / Profit	216		(34.370.947)	5.889.238
Income tax	220	14	-	-
Net result for the financial year				
- (Loss) / Profit	246		(34.370.947)	5.889.238

Authorized for issue and signed on behalf of the Board of Directors on 22 April 2016 by:

General Manager
Gina Constantin

Head of the Financial and Accounting Department
Oltean Gabriela

	Position code	Note	Year ended 31 December 2014 (RON)	Year ended 31 December 2015 (RON)
Net result	01	12,14	(34.370.947)	5.889.238
Components of the net result which do not generate cash flow related to the operating activity				
Net impairment charge (included FX)	02	13 j	34.899.550	(8.143.382)
Depreciation expenses	03	5	1.683.511	1.016.005
Adjustments related to items included in investment or financing activities	05		(2.789.843)	(889.727)
Subtotal	07		(577.729)	(2.127.866)
Changes in assets and liabilities related to the operating activity after adjustments to items which do not generate cash flows related to the operating activity				
+/- Receivables from clients	10		24.944.706	46.958.745
+ /- Accrued interest	11		4.040.915	1.095.462
+/ - Other assets related to the operating activity	12		55.132.885	(3.448.413)
(+ / - Other liabilities related to the operating activity	16		(8.800.525)	(2.056.505)
Cash payments representing income tax	17		-	-
Cash flow from operating activities	18		74.740.252	40.421.423

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Position cod	Note	Year ended 31 December 2014 (lei)	Year ended 31 December 2015 (lei)
Cash flows from investment activities				
+ Cash proceeds representing interest received	24		1.560.767	659.515
-Cash payments for acquisition of land and fixed assets, intangible assets and other non-current assets	25		(101.964)	(100.932)
+ Cash proceeds from sale of land, fixed assets, intangible assets and other non-current assets	26		-	14.667
Cash flows from investment activities	29		1.458.803	573.250
Cash flows from financing activities				
-Cash payments related to subordinated loans	*31*		-	-
+Cash proceeds from issuance of shares	32		-	-
- Other cash payments related to financing activities (*)	36		(69.593.169)	(511.984.144)
+Other cash proceeds from financing activities (*)	37		20.443.720	415.168.065
Cash flows used in financing activities	38		(49.149.449)	(96.816.079)
Cash & cash equivalents at the beginning of the period	39		50.683.885	77.733.491
Cash flow from operating activities	40		74.740.252	40.421.423
Cash flow from investment activities	41		1.458.803	573.250
Cash flow used in financing activities	42		(49.149.449)	(96.816.079)
Cash & cash equivalents at the end of the period	44	16	77.733.491	21.912.085

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

	Note	Balance as at 1 January 2014	Total increases	out of which increases by transfer	Total decreases	out of which decreases by transfer	Balance as at 31 December 2014
Subscribed share capital	11	3.203.143	-	-	-	-	3.203.143
Share premium	11	-	-	-	-	-	-
Reserves	12	46.640.629					46.640.629
Legal reserves	12	640.629	-	-	-	-	640.629
Other reserves	12	46.000.000	-	-	-	-	46.000.000
Result carried forward representing the profit not distributed or loss not covered	12	(4.351.954)	-	-	(841.378)	(841.378)	(3.510.576)
Result of the financial year (Debit)/Credit balance	12	841.378	(34.370.947)	-	841.378	841.378	(34.370.947)
Profit distribution		-	-	-	-	-	-
Total		46.333.196	(34.370.947)	-	-	-	11.962.249

General Manager,

Gina Constantin

Head of the Financial and Accounting Department,

Oltean Gabriela

ERB LEASING IFN SA

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Balance as at 1 January 2015	Total increases	out of which increases by transfer	Total decreases	out of which decreases by transfer	Balance as at 31 December 2015
Subscribed share capital	11	3.203.143	561.638	-		-	3.764.781
Share premium	11	-	12.917.663	-	-	-	12.917.663
Reserves	12	46.640.629	112.327	112.327	-	-	46.752.956
Legal reserves	12	640.629	112.327	112.327	-	-	752.956
Other reserves	12	46.000.000	-	-	-	-	46.000.000
Result carried forward representing the profit not distributed or loss not covered	12	(3.510.576)	(34.370.947)	(34.370.947)	-	-	(37.881.523)
Result of the financial year (Debit)/Credit balance	12	(34.370.947)	5.889.238	-	(34.370.947)	(34.370.947)	5.889.238
Profit distribution		-	-	-	112.327	112.327	(112.327)
Total		11.962.249	(14.890.081)	(34.258.620)	(34.258.620)	(34.258.620)	31.330.788

General Manager,

Gina Constantin

Head of the Financial and Accounting Department,
Oltean Gabriela

REPORTING ENTITY

These financial statements have been prepared by ERB LEASING IFN SA (the "Company") and incorporate the results of the Company for the year ended 31 December 2015.

As at 31 December 2015 the Company had its head office in Bucharest 2, 6A Dimitrie Pompeiu Boulevard, 5th floor, room 5.04.In 2016 head office was subsequently changed in Bucharest 2, 6A Dimitrie Pompeiu Boulevard, 3th floor, 1 area.

The main scope of business of the Company is providing financial leasing services and, as secondary scope, activities related to fulfilling the main object of activity.

The Board of Directors sets the objectives and approves the strategies and policies of the Company and monitors their implementation. The Board of Directors comprises of 5 members named by the General Shareholders Meeting.
As at 31 December 2015 the members were as follows:

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

The Company's executive management consists of two members:

- Gina Constantin, General Manager
- Alina Minea, Deputy General Manager (subsequently, Ms. Alina Minea entered child care leave being replaced in the position of Deputy General Manager by Mrs. Gabriela Oltean).

1 SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of preparation

These financial statements have been prepared in accordance with:

(i) The Accounting Law no. 82/1991 amended and published in January 2005 ("Law 82");
(ii) Accounting regulations harmonized with the European norms, applicable to credit institutions, non-banking financial institutions and to the Deposit Guarantee Fund for banking system deposits approved by the Order of the National Bank of Romania no. 27/2011 and subsequent amendments and supplements ("Order 27/2011");
(iii) The Regulation no. 5/2012 issued by the National Bank of Romania as legal basis for the classification of loans and investments, as well as the set-up, regularization and use of specific provisions for credit risk, with subsequent amendments;
(iv) Current accounting policies.

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

B. Basis of accounting

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

C. Functional and presentation currency

Items included in these financial statements are measured in the currency which reflects most fairly the economic substance of events and circumstances relevant to the Company ("functional currency"). These financial statements are disclosed in Romanian RON, which is the functional currency of the Company both for the current year and for the comparative figures.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Use of estimates

The preparation of financial statements in accordance with provisions of Order no. 27/2011 requires the management of the Company to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the respective period. Although these estimates are based on the best information available as at the date of preparation of the financial statements, actual results may differ from these estimates.

E. Going concern

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

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

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

F. Position of the 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Position of the group (CONTINUED)

After the gradual normalization of the economic and political situation in Greece and following EUROBANK ERGASIAS SA successful recapitalization, the Group enhanced its liquidity position and significantly 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. 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 EUROBANK ERGASIAS SA. Following the CA results and in line with the new recapitalization framework introduced by Law 4340/2015, EUROBANK ERGASIAS SA 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.

Related parties

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Position of the Company

In its activities, the Company acts as part of the Eurobank Group at coordination and strategic level, while respecting the rules applicable in Romania.
The Company benefited in 2015 from the financial support of the Group, in terms of borrowings and equity. The assets of the Company are mostly financed by borrowings from Eurobank Private Bank Luxembourg having a maturity until June 2017 (see Note 8 a) as well as from equity.

During 2015, the Company repaid loans of amount 21.2 million euros, the source being mainly represented by the proceeds from ordinary activities (mainly clients' normal reimbursements from ongoing leasing contracts) and kept in cash reserves during the year. Subordinated loans from Eurobank Private Bank Luxembourg were reduced during 2015, having a balance, as of December 2015, of EUR 3 million, respectively 13.573.million RON, and a maturity until December 2022. (Note 8b).

In June 2015, a capital increase was performed in amount of EUR 3 million, in RON equivalent. The mechanism used was a debt to equity swap, respectively the conversion of subordinated loans into capital, the new shares being subscribed by the majority shareholder ERB NEW EUROPE HOLDING BV, which thus increased its participation in the share capital, currently holding 97.643%.

As a result of this measure, the Company has secured an equity structure adequate with its business profile and credit exposures, being in full compliance with NBR regulations regarding capital adequacy.

As of 31 December 2015, the net assets of the Company, determined as the difference between the total assets and total liabilities of the Company, were positive and higher than half of the share capital value, being in compliance with the provisions of the Law 31/1990, republished.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Foreign currency translation

Foreign currency transactions are recorded at the exchange rates communicated by the NBR as at the dates of the transaction. Exchange rate differences arising from foreign currency transactions are included as income or expenses as at the dates of the transaction, using the exchange rate from that day.

As at 31 December 2015, the exchange rate for the conversion of balances into foreign currency was US Dollar 1 = RON 4.1477 and EURO 1= RON 4.5245 (2014: US Dollar 1 = RON 3.6868 RON and EURO 1= RON 4.4821).

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

H. Interest income from leasing transactions

Income from financial leasing operations, which are the main source of income, are recognized over the entire leasing duration, using the net investment method, which reflects a constant periodic rate of return.
Interest income is recognized when the respective revenue is generated on an accrual basis.

I. Income from fees and commissions

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

J. Other income

As secondary sources of income, the Company may record revenue from the repossessed assets, by selling or, occasionally renting them.
Revenue from reselling the assets is recognized when the Company has transferred the risks and benefits associated with the ownership.
Rental income is recognized on an accrual basis in accordance with the economic substance of the contracts involved.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Incomes and expenses from financial instruments

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

Incomes include interest for deposits and current accounts. Expenses include bank charges paid on commercial transactions conducted through current accounts of the Company and the fees paid for letters of guarantee issued in favor of the financing banks.

In these financial statements, income and expenses are presented to gross value, except for income from management fees, deferred during the lease contract and presented at net value.

L. Cash and cash equivalents

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

M. Accounting for loans granted by the Company and risk provisions

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accounting for loans granted by the Company and risk provisions (continued)

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

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

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

b.1. The first restructuring operation performed after the date of 01.02.2010 may lead to customer being classified in a more favorable classification category, but no more than two categories for those at the time of restructuring being in category ” loss “ , respectively one category if clients when restructuring were in the categories " under observation ", " substandard " or " doubtful ".b.2. Starting with the second restructuring operation, classification category cannot be improved, it remains in the best case at the recorded at the last restructuring.

In order to classify a restructured / rescheduled exposure in a category, on a monthly basis the following steps are made:
- Exposure is classified into a category according to debt service at end of the month
- Category thus obtained is compared with the category in which the client was classified at the moment of last restructuring
- The final classification category is the weakest of the two categories mentioned above.

The provisioning coefficients for each category are presented below:

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accounting for loans granted by the Company and risk provisions(continued)

In order to calculate the provisions, the Company applies the provisioning coefficients to the adjusted exposure (i.e. reduces the amount of gross exposures with the adjusted value of the collaterals). The coefficients used for provisioning not suffer any modifications compared with 2014.The adjustment of the collaterals is made as presented below:

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

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

Year 1	Year 2	Year 3	Year 4	Year 5 and more
70%	60%	50%	40%	30%

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

ii) For debtors classified under E (Loss) category, the value of the collateral is established by weighting the fair value of the asset with 25% coefficient and is only considered to cover the principal. Interest for the debtors classified under E are fully provided.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accounting for loans granted by the Company and risk provisions(continued)

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

– for intrinsic guarantees of type real estate, the adjusted value of the guarantees represent 25% of the market value (established according to the valuation report);

– for mortgages, the adjusted value of the guarantees represent 25% of its market value (established according to the valuation report);

– for cash collateral deposits, the updated value of the guarantees represent 25% of the amount of the deposit.

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

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

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

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

O. Other lease related commitments

During the normal course of business, the Company has undertaken financing commitments towards the customers.
The Company has no other type of guarantee commitments towards customers.

P. Inventory

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Inventory (continued)

As per the accounting rules applicable, the Company books the repossessed asset it its fair value as stocks of goods, by discharging in the same time, the loan value (leasing receivables) with the same amount.
For establishing the fair value, the Company uses, generally, the market values resulting from an evaluation report, as recent as possible to the date of repossession.

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

If the fair value of the repossessed asset exceeds the total value of the leasing receivables calculated as per leasing contract provisions where receivables include: invoices issued and not cashed, interest and penalties accrued, expenses, insurance, taxes and other amounts due under the lease), the difference is recorded as a liability of the Company towards the customer.
This liability will become due and payable only upon the sale of the asset and only if the amount recovered from sale allows the full recovery of the entire leasing exposure (as defined in the paragraph above).
In case the proceeds from sale do not allow the full recovery of the entire exposure, then the Company de-recognizes the liability toward the client.

Repossessed assets are re-valued annually using evaluation reports prepared by licensed appraisers, internal valuation models or other information available on the market like offers posted on the Internet, records of sale for similar assets, indicative offers, etc. In case the market value is lower than the fair value, impairment provisions are booked in order to keep the value of the assets in books as close as possible to its net realizable value.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Intangible assets

(1) Cost

Cost directly attributable to a product which is unique, identifiable, controlled by the company and is expected to generate economic benefits which exceeds its cost, for a period longer than 1 year, are recognized as intangible assets.
Intangible assets are initially recognized at acquisition cost. The acquisition cost for intangible assets includes: purchase price, custom duties (except those taxes recoverable from local authorities) and other expenses directly attributable to the respective assets. Subsequently the intangible assets are recognized at acquisition cost less accumulated amortization plus any other permanent cumulative impairment.

(i) Software

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

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

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

(ii) Other intangible assets

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

(2) Amortization

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

Description	**Useful life 2014 (years)**	**Useful life 2015 (years)**
Licenses	3	3
Software	3	3

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Tangible assets

(1) Cost

Tangible assets are initially recorded at acquisition cost.

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

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

Tangible assets

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

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

(2) Depreciation

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

Description	Useful life 2014 (years)	Useful life 2015 (years)
Buildings	40-60	40-60
Technical installations and machines	2 – 18	2-18
Other plant, tools and furniture	2 – 24	2-24

(3) Sale or disposal of tangible assets

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Impairment of non-current assets

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

T. Borrowings

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

U. Other liabilities

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

V. Dividends

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

W. Share capital and reserves

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

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

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

X. Income tax

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

Y. Provisions for risks and expenses

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Z. Pensions and other post-retirement benefits

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

AA. Events subsequent to the balance sheet date

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

BB. Entities under special relation (Related parties)

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

CC.Comparative

Comparatives are presented only when requested by Order 27/2011.

2 CASH AND ACCOUNTS WITH CENTRAL BANKS

	31 December 2014 (lei)	31 December 2015 (lei)
Cash on hand		
in RON	8	322
Total	8	322

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

3 RECEIVABLES FROM CREDIT INSTITUTIONS

a) On sight

	31 December 2014 (RON)	31 December 2015 (RON)
Current accounts	113.492	119.793
Deposits on sight	3.665.341	2.408.670
Total receivables on sight	3.778.833	2.528.463

b) On term

	31 December 2014 (RON)	31 December 2015 (RON)
Deposit on term	73.954.650	19.383.300
Total receivables on term	73.954.650	19.383.300
Total receivables	77.733.483	21.911.763

4 RECEIVABLES FROM CLIENTS

Receivables related to leases	31 December 2014 (RON)	31 December 2015 (RON)
Outstanding capital	226.570.440	143.202.227
Invoiced capital - current	4.665.413	2.017.174
Invoiced capital - overdue	1.861.016	3.886.021
Invoiced capital - doubtful	37.851.122	37.363.594
Total receivables from clients, gross	270.947.991	186.469.016
Specific provisions for credit risk	(120.821.506)	(79.183.410)
Total receivables from clients, net	150.126.485	107.285.606

Analysis by type of customer	31 December 2014 (RON)	31 December 2015 (RON)
Individuals		
- in RON	5.365	3.006
- in foreign currency	532.883	483.439
Corporate		
- in RON	4.658.970	4.620.288
- in foreign currency	144.929.267	102.178.873
Total	150.126.485	107.285.606

Specific provisions for credit risk	31 December 2014 (RON)	31 December 2015 (RON)
Balance at the beginning of the period	123.265.538	120.821.506
Provision expenses (Note 13 j)	104.713.365	10.489.356
Provision reversals (Note 13 j)	(106.455.368)	(51.911.264)
Foreign exchange difference	(702.029)	(216.189)
Balance at the end of the period	120.821.506	79.183.410

5 NON-CURRENT ASSETS

a) Intangible assets

	Concessions, patents, licenses, trademarks, similar rights and values and other intangible assets	Total
	(RON)	(RON)
Gross book value		
Balance as at 1 January 2015	496.739	496.739
Additions	100.930	100.930
Disposals	(101.963)	(101.963)
Balance as at 31 December 2015	495.706	495.706
Accumulated amortization		
Balance as at 1 January 2015	485.977	485.977
Charge for the year	111.494	111.494
Disposals	(101.965)	(101.965)
Balance as at 31 December 2015	495.506	495.506
Net carrying amount as a 1 January 2015	10.762	10.762
Net carrying amount as a 31 December 2015	200	200

5 NON-CURRENT ASSETS (CONTINUED)

b) Tangible assets

	Investment property (RON)	Land (RON)	Technical installations and machines (RON)	Plant, equipment and furniture (RON)	Total (RON)
Gross book value					
Balance as at 1 January 2015	5.137.587	1.793.806	551.930	4.931.966	12.415.289
Additions	-	-	11.317	-	11.317
Disposals *	(4.458.863)	(1.793.806)	(96.498)	(3.217)	(6.352.384)
Balance as at 31 December 2015	678.724	-	466.749	4.928.749	6.074.222
Accumulated depreciation					
Balance as at 1 January 2015	38.356	-	507.286	1.947.892	2.493.534
Charge for the year	29.210	-	24.661	850.640	904.511
Disposals or reversals	(57.534)	-	(82.107)	(3.217)	(142.858)
Balance as at 31 December 2015	10.032	-	449.840	2.795.315	3.255.187

* These disposals represent transfers of goods repossessed in stock.

5 NON-CURRENT ASSETS (CONTINUED)

b) Tangible assets (continued)

Adjustments from re-evaluation	Investment property (RON)	Lands (RON)	Technical installations and machines (RON)	Plant, equipment and furniture (RON)	Total (RON)
Balance as of 1 January 2015	186.619	344.312	-	-	530.931
Adjustments during the year	(89.749)	(344.312)	-	-	(434.061)
Balance as of 31 December 2015	96.870	-	-	-	96.870
Net book value as at 1 January 2015	4.912.612	1.449.494	44.644	2.984.074	9.390.824
Net book value as at 31 December 2015	571.822	-	16.909	2.133.434	2.722.165

6 OTHER ASSETS

	31 December 2014 (RON)	31 December 2015 (RON)
Advances to suppliers related to leases	291.510	17.068
Client receivables (except for principal and leasing interest)	14.936.289	12.481.162
Provision for client receivables (except for principal and leasing interest)	(11.263.915)	(11.397.732)
Inventories – repossessions	48.016.443	94.055.569
Provisions for inventories - repossessions	(25.451.282)	(54.375.352)
Other assets	936.643	1.152.514
Provision for other assets	(736.303)	(981.479)
Total other assets	26.729.385	40.951.750

Provisions for client receivables	31 December 2014 (RON)	31 December 2015 (RON)
Balance at the beginning of the period	16.883.775	11.263.915
Provision expenses (Note 13 j)	5.118.740	3.943.607
Provision reversals (Note 13 j)	(10.738.600)	(3.809.790)
Balance at the end of the period	11.263.915	11.397.732

Provisions for inventories	31 December 2014 (RON)	31 December 2015 (RON)
Balance at the beginning of the period	18.034.383	25.451.281
Transfer from tangible assets	-	434.061
Provision expenses (Note 13 j)	9.672.117	31.254.455
Provision reversals (Note 13 j)	(2.255.219)	(2.764.445)
Balance at the end of the period	25.451.281	54.375.352

7 PREPAID EXPENSES AND ACCRUED INCOME

	31 December 2014 (RON)	31 December 2015 (RON)
Accrued interest related to lease contracts	321.600	157.283
Invoiced interest related to lease contracts which are current	574.321	293.632
Invoiced interest and penalties related to overdue and doubtful lease contracts	6.314.200	5.696.116
Penalties related to other receivables	827.128	794.756
Prepaid expenses – sundry	19.207	11.513
Prepaid expenses - brokers' commissions	56.383	37.959
Interest accrual overnight deposits	16	8
Interest accrual time deposits	16.372	82
Total prepaid expenses and accrued income, gross	8.129.227	6.991.349
Specific provisions for interest receivables	(7.368.556)	(6.448.056)
Total prepaid expenses and accrued income, net	760.671	543.293

Specific provisions for interest receivables	31 December 2014 (RON)	31 December 2015 (RON)
Balance at the beginning of the period	10.605.054	7.368.556
Provision charges (Note 13 j)	2.955.204	423.225
Provision reversals (Note 13 j)	(6.190.918)	(1.345.737)
Foreign exchange difference	(784)	2.012
Balance at the end of the period	7.368.556	6.448.056

8 BORROWINGS

a) Loans from credit institutions

	31 December 2014 (RON)	31 December 2015 (RON)
Overdraft at Bancpost	66	44
Total Loans on sight	66	44
Loans from Eurobank Private Bank Luxemburg- term loans	186.007.151	124.423.750
Loans from Eurobank Private Bank Luxemburg- revolving credit line	3.405.466	1.930.556
Fees for letter of guarantee issued by Eurobank Ergasias SA	140.364	-
Total Term loans	189.552.981	126.354.306
Total Loans from credit institutions	189.553.047	126.354.350

Loans on sight represent current account overdraft with Bancpost.

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

The loans from Eurobank Private Bank Luxembourg also include a revolving credit line with a balance of CHF 461,889, total equivalent in RON 1,930,556 as at 31 December 2015 (31 December 2014: CHF 913,655). The credit line has indefinite maturity, is available in RON and/or other currency and the Company has the obligation to pay the interest on a quarterly basis.

The revolving line was secured by letters of guarantee issued by Eurobank Ergasias for which the Company is paying a commission.

8 BORROWINGS (CONTINUED)

b) Subordinated loans

	31 December 2014 (RON)	31 December 2015 (RON)
Subordinated loans	59.163.720	13.573.500

Subordinated loans include as of 31 December 2014 three loans from Eurobank Private Bank Luxemburg in amount of EUR 10,200,000, EUR 1,500,000 and EUR 1,500,000 with the following maturities at the same date: July 2016, December 2016 and January 2017.

During 2015, the subordinated loans in amount of EUR 10,200,000 was partially repaid in amount of EUR 7,200,000 from term loan facility. The remaining amount from subordinated loan has been extended until December 2022. The other two subordinated loans, in amount of EUR 1,500,000 each were converted into shares following the resolution of the Extraordinary General Assembly of Shareholders dated 30.06.2015.

All subordinated loans bear variable interest of Euribor + margin 2.75% during 2015.

Interest is paid on a quarterly basis.

Classification by foreign currency and maturities is disclosed in Note 17.

9 OTHER LIABILITIES

	31 December 2014 (RON)	31 December 2015 (RON)
Suppliers	309.289	162.267
Advances from clients for lease contracts	586.977	79.124
Sundry creditors	436.305	205.855
Taxes payable	1.322.799	893.866
Other liabilities	49	-
Total	2.655.419	1.341.112

10 DEFERRED INCOME AND ACCRUED LIABILITIES

	31 December 2014 (RON)	31 December 2015 (RON)
Deferred income from administration commissions	669.339	480.944
Other deferred income	56.098	45.793
Accrued interest related to loans from credit institutions	602.104	288.612
Total	1.327.541	815.349

11 SHARE CAPITAL AND SHARE PREMIUM

The share capital of the Company as of 31 December 2015 consists of 15.059.122 shares of nominal value of RON 0.25 each (12.812.572 shares as at 31 December 2014). Each share represents one vote.

As of 1 January 2015

Shareholder	Number of shares	2014 %	Amount (RON)
ERB NEW EUROPE HOLDING BV	12.457.520	97,228878	3.114.380
EUROBANK ERGASIAS SA	354.780	2,768999	88.695
EUROBANK ERGASIAS LEASING SA	68	0,000531	17
EUROBANK ASSET MANAGEMENT MUTUAL FUND MANAGEMENT COMPANY SA	68	0,000531	17
EUROBANK EQUITIES SA	68	0,000531	17
THEODOROS KARAKASIS	68	0,000531	17
Total	12.812.572	100	3.203.143

Movements (+/-) in 2015

Shareholder	**Number of shares**	**2015 %**	**Amount (RON)**
ERB NEW EUROPE HOLDING BV	2.246.550		561.655
EUROBANK ERGASIAS SA	-		-
EUROBANK ERGASIAS LEASING SA	-		-
EUROBANK ASSET MANAGEMENT MUTUAL FUND MANAGEMENT COMPANY SA	-		-
EUROBANK EQUITIES SA	-		-
THEODOROS KARAKASIS	(68)		(17)
Total	2.246.482		561.638

A of 31 December 2015

Shareholder	**Number of shares**	**2015 %**	**Amount (RON)**
ERB NEW EUROPE HOLDING BV	14.704.138	97,642731	3.676.035
EUROBANK ERGASIAS SA	354.780	2,355914	88.695
EUROBANK ERGASIAS LEASING SA	68	0,000452	17
EUROBANK ASSET MANAGEMENT MUTUAL FUND MANAGEMENT COMPANY SA	68	0,000452	17
EUROBANK EQUITIES SA	68	0,000452	17
Total	15.059.122	100	3.764.781

In 2015 Mr. Karakasis, one of the shareholders had sold all the shares to the majority shareholder, ERB NEW EUROPE HOLDING BV

12 SHARES PREMIUM, RESERVES AND RETAINED EARNINGS

	2014	2015
Share premium	-	12.917.663
Legal reserves	640.629	752.956
Other reserves	46.000.000	46.000.000
Result carried forward	(3.510.576)	(37.881.523)
Result of the financial year	(34.370.947)	5.889.238

13 INFORMATION REGARDING SOME ITEMS IN THE INCOME STATEMENT

a) Interest and similar income

	2014 (RON)	2015 (RON)
Interest from finance lease granted	9.727.200	6.293.405
Commissions from finance lease granted	716.772	279.845
Interest from bank deposits	1.574.329	643.217
Penalties related to overdue receivables	859.539	505.372
Total interest income	12.877.840	7.721.839

Commissions from finance lease granted represent management fee received from customers at the start of the lease agreement net of commission fees paid to brokers (if transactions were intermediated by brokers).

b) Interest and similar expenses

	2014 (RON)	2015 (RON)
Interest expense for subordinated loans	1.779.046	12.376
Interest expenses for other bank loans	5.883.981	4.979.637
Total interest expense	7.663.027	4.992.013

c) Income from commissions

	2014 (RON)	2015 (RON)
Other commissions	83.879	41.285

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

d) Commission expenses

	2014 (RON)	2015 (RON)
Commission for bank letters of guarantee	329.545	50.461
Other banking services expenses	51.245	25.305
	380.790	75.766

e) Profit or loss (net) from financial operations

	2014 (RON)	2015 (RON)
Incomes from foreign exchange differences	1.543.376	1.021.040
Expenses from foreign exchange differences	494.237	1.038.707
Profit/(net loss) from financial operations	1. 049.139	(17.667)

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

f) Other operating income

	2014 (RON)	2015 (RON)
Income from sale of fixed assets	-	14.667
Income from rent	1.272.619	2.148.884
Income from disposal of repossessed assets	33.635.106	3.757.513
Income on insurance intermediation operations	677.991	557.607
Other income	3.999.717	3.206.607
Reversals of provision for other assets	873.167	90.765
Total other operating income	40.458.600	9.776.043

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

f) Other operating income (continued)

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

g) Staff costs

	2014 (RON)	2015 (RON)
Salary expenses	1.560.336	1.360.299
Expenses on insurance and social security	402.957	298.424
Total staff costs (Note 15)	1.963.293	1.658.723

h) Other administrative expenses

	2014 (RON)	2015 (RON)
Insurance premiums	112.200	40.358
Audit and other advisory services	96.177	86.100
Post office, telecommunications and data processing	45.072	31.992
Other administrative expenses – from which :	397.614	494.929
-legal fees	101.114	176.978
- technical support for accounting application	145.992	143.788
-other expenses for current activities	150.508	174.163
Consumables and inventory items	42.837	40.414
Advertising and protocol	3.119	1.922
Travel and transportation	3.678	3.602
Maintenance and utilities	52.557	51.123
Rent	222.964	189.723
Total other administrative expenses	976.218	940.163

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

i) Other operating expenses

	2014 (RON)	2015 (RON)
Expenses related to repossessed goods	37.807.461	7.369.645
Expenses fixed asset sold for scrap	1.488	-
Other taxes, fees and similar payments	(184.146)	347.504
Other expenses	3.513.090	3.128.675
Provision for taxes	136.123	247.150
Total other operating expenses	41.274.016	11.092.974

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

j) Impairment charges and other credit losses

	2014 (RON)	2015 (RON)
Impairment charge for principal (Note 4)	104.713.365	10.489.356
Impairment charge for interest (Note 7)	2.955.204	423.225
Impairment charge for other receivables (Note 6)	5.118.740	3.943.607
Impairment charge for inventory (Note 6)	9.672.117	31.254.455
Losses from receivables derecognized	68.431.315	39.184.724
Losses from non-impaired receivables	2.733	-
Total impairment charges	190.893.474	85.295.367
Reversals of provisions for principal (Note 4)	(106.455.368)	(51.911.264)
Reversals of provision for interest (Note 7)	(6.190.918)	(1.345.737)
Reversals of provisions for other receivables (Note 6)	(10.738.600)	(3.809.790)
Reversals of provisions for inventory impairment (Note 6)	(2.255.219)	(2.764.445)
Incomes from assets repossession	(30.353.819)	(33.607.513)
Total reversals of provisions	(155.993.924)	(93.438.749)
Net impairment charge	34.899.550	(8.143.382)

14 INFORMATION REGARDING THE INCOME TAX COMPUTATION

	31 December 2014 (RON)	31 December 2015 (RON)
Net (loss)/profit before taxation	(34.370.947)	5.889.238
Non-taxable income	(13.224.741)	(6.350.850)
Non-deductible expenses	20.460.902	49.936.742
Fiscal amortization	1.225.464	1.017.654
Legal Reserve	-	112.327
Total deductions	1.225.464	1.129.981
Taxable profit / (Tax loss) for the reporting year	(28.360.250)	48.345.149
Fiscal loss brought forward	(20.584.558)	(48.944.808)
Fiscal loss carried forward in the following years	(48.944.808)	(599.659)

15 INFORMATION REGARDING THE EMPLOYEES, ADMINISTRATORS AND DIRECTORS

	31 December 2014 (RON)	31 December 2015 (RON)
Salaries expenses	1.560.336	1.360.299
Employer's contribution to social securities	301.025	210.868
Employer's contribution to the Health Social Security Fund	79.733	69.513
Employer's contribution to the Unemployment Fund	7.666	6.682
Other employer's contribution	13.033	11.361
Other expenses related with social protection	1.500	-
Total staff costs	1.963.293	1.658.723

As at 31 December 2015 the amount of RON 295.729 (2014: RON 342,557) represents gross salaries expenses related to Company's management during the financial year.

During 2015, the average number of employees was 16 (2014:19), out of which: senior management 3, the rest of the staff being middle management, front-office and back-office.
During 2015, the members of the board did not receive remuneration.
As at 31 December 2015 the Company does not have leases granted to persons holding administration positions.

16 CASH AND CASH EQUIVALENTS

	31 December 2014 (RON)	31 December 2015 (RON)
Cash on hand	8	322
Receivables from credit institutions	77.733.483	21.911.763
	77.733.491	21.912.085

17 RISK MANAGEMENT

Interest rate risk

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

Market risk

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

Liquidity risk

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

Foreign currency risk

The Company operates in a developing economy that may be affected by unpredictable evolutions of the exchange rate. Under these circumstances, there is a risk of depreciation of the net monetary assets held in RON. In order to protect against the foreign currency risk, the Company uses mechanisms to balance the assets and liabilities including a multicurrency revolving credit line (Note 8 a). Hedging products are also contemplated as solution to diminish this risk.

17 RISK MANAGEMENT (CONTINUED)

Risk associated to credit activity

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

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

17 RISK MANAGEMENT (CONTINUED)

(i) Foreign currency risk

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

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

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

17 RISK MANAGEMENT (CONTINUED)

(i) Foreign currency risk

As at 31 December 2014	**RON***	**EUR**	**USD**	**CHF**	**Total**
Cash and accounts with central bank	8	-	-	-	8
Receivables from credit institutions	3.211.440	74.519.553	2.490	-	77.733.483
Receivables from clients	4.664.334	142.099.948	-	3.362.203	150.126.485
Other assets	26.729.385				26.729.385
Prepaid expenses and accrued income	603.520	151.179	-	5.972	760.671
Total financial assets	35.208.687	216.770.680	2.490	3.368.175	255.350.032
Loans from credit institutions	44	186.147.537	-	3.405.466	189.553.047
Subordinated loans	-	59.163.720	-	-	59.163.720
Other liabilities	2.566.674	88.745	-	-	2.655.419
Provision	-	89.642	-	-	89.642
Deferred income and accrued liabilities	725.437	602.104	-	-	1.327.541
Total financial liabilities	3.292.155	246.091.748	-	3.405.466	252.789.369
Net position	31.916.531	(29.321.067)	2.490	(37.291)	2.560.663

*Assets in RON are not subject of FX risk.

17 RISK MANAGEMENT (CONTINUED)

17 RISK MANAGEMENT (CONTINUED)

(ii) Liquidity risk

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

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

The Company has a net short position due to the short term maturity of the loans from Eurobank Private Bank Luxembourg, which are rolled over at maximum 3 months interval, within a final maturity of the line extended until 30 June 2017 .

17 RISK MANAGEMENT (CONTINUED)

(ii) Liquidity risk

31 December 2014	Up to 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Without maturity	Total
Assets						
Cash and account with central banks	8	-	-	-	-	8
Receivables from credit institutions	77.733.483	-	-	-	-	77.733.483
Receivables from clients	20.358.797	33.141.875	87.896.549	8.729.264	-	150.126.485
Other assets	3.748.013	-	-	16.236	22.965.136	26.729.385
Prepaid expenses and accrued income	685.081	-	-	-	75.590	760.671
Total financial assets	102.525.382	33.141.875	87.896.549	8.745.500	23.040.726	255.350.032
Liabilities						
Loans from credit institutions	189.553.047	-	-	-	-	189.553.047
Subordinated liabilities	-	-	59.163.720	-	-	59.163.720
Other liabilities	2.068.441	-	-	-	586.978	2.655.419
Deferred income and accrued liabilities	602.104	-	-	-	725.437	1.327.541
Provisions	-	89.642	-	-	-	89.642
Total financial liabilities	192.223.592	89.642	59.163.720	-	1.312.415	252.789.369
Net position	(89.698.210)	33.052.233	28.732.829	8.745.500	21.728.311	2.560.663

18 TRANSACTIONS WITH RELATED PARTIES

The nature of relations with related parties with which the Company carried out significant transactions or with which it had balance as at 31 December 2014 and 2015, is detailed below.

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

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

	31 December 2014 (RON)		31 December 2015 (RON)	
	Other	**Shareholders**	**Other**	**Shareholders**
Assets				
Receivables from credit institutions	77.678.093	-	21.911.379	-
Receivables from clients	10.246.080	-	9.865.642	-
Other assets	7.517	-	74.390	-
Prepaid expenses and accrued	54.460	-	34.085	-
Total assets	87.986.150	-	31.855.496	-
Liabilities				
Loans from credit institutions	189.412.616	-	126.354.350	-
Other liabilities	69.867		16.044	-
Deferred income and accrued liabilities	602.104	140.364	288.612	-
Subordinated loans	59.163.720	-	13.573.500	-
Total liabilities	249.248.307	140.364	140.232.506	-
Income				
Interest and similar income	1.960.553	-	1.007.137	-
Other operating income	20.462.387	-	26.470	-
Total incomes	22.422.940	-	1.033.607	-
Expenses				
Interests and similar expenses	7.499.067	-	4.979.637	12.376
Commissions expenses	51.245	329.545	25.290	50.461
Other operating expenses	805.788	-	726.367	-
Total expenses	8.356.100	329.545	5.731.294	62.837

19 GEOGRAPHIC MARKETS

The Company does not have any operations outside Romania's territory.

20 CONTINGENT LIABILITIES AND COMMITMENTS

Off- balance sheet items

	31 December 2014 (RON)	31 December 2015 (RON)
Commitments	502.892	-

Within the commitments line are comprised the financing commitments granted to clients.
Committing means to cumulatively meet the following conditions: signing the leasing agreement; signing the sale contract with the supplier; receiving the advance form the client; other conditions established through the lease agreement as precedent conditions.

As of 31 December 2015, the Company does not have any pledged assets.

Taxation

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

Litigations

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

20 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Impact on customers/ borrowers:

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

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

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

Impact on collateral (especially real estate):

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

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

- Annual revaluation of repossessed assets in stock

Impact on collateral (continued)

- Periodical revaluation (every 1-1.5 years) of the real estate and equipment type of assets of important values, that are the object of on-going leasing contracts
- Reassessment and change of the impairment coefficients in case of repossessed assets for which there are no individual evaluations available, based on statistics of remarketing activity and / or other instruments and information on the market (statistics of insurance companies, statistics of automotive market, etc.)

20 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

SIGNIFICANT LEASING CONTRACTS

The top four leasing exposures in the portfolio ERB LEASING IFN SA as of the yearend 2015 are exposures over 2 million EUR and they are described below:

Societatea Hoteliera Times S.R.L. represents a sale & lease back transaction performed in December 2006, the asset being Times Tulip Hotel in Bucharest, a four stars hotel which is part of Golden Tulip network. The amount of outstanding principal as of 31 December 2015 is RON 19 million.

Teo Central is also a sale & lease-back transaction performed in December 2010, the leased asset being the building of a private hospital in Brasov. The leasing facility is normally reimbursed, the outstanding principal as of 31 December 2015 is 11.4 million RON.

EMSIL Techtrans has four contracts ongoing, the financed assets being industrial equipment used in the core activity of the customer. The balance of outstanding principal as of 31 December 2015 is 6.2 million RON

Tiger Amira Com is a real estate leasing where the leased asset is a commercial building used as showroom for household sanitary objects, flooring & tiles and the storage facility for the respective showroom, located in Oradea. The outstanding principal as of 31 December 2015 is 6.1 million RON.

21 POST BALANCE SHEET EVENTS

In ………, the company signed the addendum act for tenor prolongation until 30.06.2017 of the term loan granted by Eurobank Private Bank Luxembourg, currently having a limit of …million EUR.

General Manager,	Head of the Financial and Accounting Department
Gina Constantin	Gabriela Oltean