Annual Report 2010

Postbank

Postbank, legally known as Eurobank EFG Bulgaria, is one of the leading universal commercial banks in Bulgaria. The bank commands a market share of nearly 10%, a workforce of 3,000 employees and a branch network of over 200 locations countrywide. The bank is a member of Eurobank EFG Group.

Eurobank EFG Group is a European banking organization with total assets of € 87.2 billion (FY2010). The Group employs more than 22,500 people and offers its products and services both through its network of 1,600 branches and points of sale, and through alternative distribution channels. Eurobank EFG Group has an established presence in Greece, Bulgaria, Serbia, Romania, Turkey, Poland, Ukraine, United Kingdom, Luxembourg, and Cyprus. It is a member of the EFG Group, an international banking group with presence across 40 countries.

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I. THE YEAR IN REVIEW

Letter to the Shareholders

Dear Shareholders,

2010 was a difficult year for Bulgaria. Nevertheless, the country is now on the path to recovery, enjoying stable macroeconomic fundamentals. The recession was officially over in the third quarter of the year when the economy grew for a second consecutive quarter. Inflation remained subdued and unemployment rate is off its peak since April. Although recovery is still slow, some sectors show positive signs and it is a matter of time before the effects are felt throughout the wider economy.

The banking system withstood the crisis well and remained stable thanks to the Bulgarian National Bank's appropriate reading of the situation in the present as well as in the past. Adequate measures were taken early enough to ensure preserving the liquidity and the capital adequacy of the system which remains one of the highest in Europe.

Despite the difficult environment, our bank performed very well. We remained profitable and one of the best performing banks in the country throughout the crisis. We have followed our strategy with renewed emphasis on the segmentation of clients and strengthening the corporate and transactional banking element of our operations.

One of our main priorities in 2010 was to preserve our liquidity which we have successfully achieved. We have increased our deposits, especially individual deposits which we consider to be our core funding. The bank ranks second in terms of local currency denominated individual deposits and holds 4th place overall. Deposits from companies performed well in the crisis showing a slow but stable growth in the last few months of the year. We were also working closely with the supranational organizations such as EBRD and EIB, signing new contracts and making new funds of more than €100 million available to the real economy.

We have placed a renewed emphasis on the real economy, doing our best to support viable projects with sustainable growth prospects and characteristics that make sense in the current environment.

I. THE YEAR IN REVIEW

This allowed us to preserve our positions among both the top 5 providers of corporate loans and leasing products. At the same time, we continued to work closely with our SME and SBB clients supporting them during these difficult times either through extension of new credit or restructuring when and where appropriate.

As ensuring liquidity is as important for the companies as for the banks, we were actively promoting our factoring and trade-related services where we have become a major player in the market. Together with the Capital Markets Division, the Corporate Banking Division has developed a special product for its clients for hedging the interest rate risk. The Capital Market Division has also scored notable achievements in other areas holding top positions in the interbank market, custody and bond trading.

On the retail side, we defended our leading positions as the second biggest mortgage lender in the country, third biggest bank in consumer lending and top three in the card business. We have also launched several new products throughout the year such as the "Flexi" mortgage loan, the virtual card, the “Dinamika” packages for SBB clients and the new deposit “Renta” for our individual clients. All the product launches were supported by targeted advertising campaigns as this was the best of times to get our message heard on the market and enhance our image as an active and solid banking institution.

We have managed to preserve our pre-provision income through careful pricing of our lending and deposit products and promoting our fee generating business. Several new sources of income were introduced and the existing ones were further developed. The insurance business is a particular success story with income quadrupling in the last two years. At the same time, we managed to exercise very tight cost control and achieve one of the lowest cost-income ratios in the country.

Without a doubt, the biggest challenge for us in the past year was managing the delinquent portfolio. Our historic emphasis on risk management control and audit issues has served us well and helped us remain below the average for the market in terms of delinquent loans. We also introduced better control and monitoring of the overdue loans, even micromanaging some cases with cautious but positive results. We placed a lot of efforts to help our clients by properly managing and reviewing their loan obligations, renegotiation and restructuring where and when appropriate. Together with our sister companies EFG Property Services and IMO we have developed a special program for sale and lease back of real estate to enable our clients to reduce their debt while keeping use of their main assets. For the most difficult NPL cases, we relied on the expert advice of our Head Office and Legal Division while Internal Audit and Compliance Divisions protected us from internal frauds and misconduct.

All our successes would be impossible to achieve without the dedication and commitment of our employees and I want to use this opportunity to thank them for being with us through this year. We have placed considerable emphasis on the retraining of our human resources, incentivizing them and rewarding them for a job well done. At the same time, we asked a lot from them and they responded positively. Our employees in the branch network responded in an especially outstanding manner, regarding the various demands we placed upon them, with their multitasking responsibilities and approach, acting on several fronts simultaneously.

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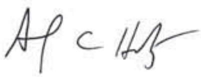
In addition, we did not forget that we have a responsibility vis-à-vis the community we live in. We have launched and supported numerous CSR programs and our employees have been an active part of many of them. We were distinguished for our efforts and granted several awards for our products and service excellence. Without a doubt, the most important of them were to be selected as “Bank of the year” and “Bank of the client” by Pari Daily and the Bank of the Year Association respectively.

Looking forward to the year 2011, we know that we are on the right track as the country emerges from the crisis. We planted the seeds for re-emphasizing our customer centric approach as well as the corporate and transactional bank concept, always working closely with the Head Office and International in Greece, which we think will serve us well in the future. We are actively investing in new software, hardware and training, relying more on the new technologies. For us the future lies in promoting the bank as a technologically advanced institution, changing the way we interact with our customers while providing them with the excellent service they deserve.

Feel invited!



Anthony C. Hassiotis
Chief Executive Officer

I. THE YEAR IN REVIEW

Financial Highlights

	2010	2009
Balance Sheet		
Loans and Advances to Customers	5,222,861	5,457,333
Client Deposits	4,641,511	4,332,669
Shareholders` Equity	905,775	845,104
Total Assets	8,073,687	7,820,727
Profit and Loss Statement		
Net Interest Income	310,025	321,883
Net Fee and Commissions Income	61,561	55,595
Net Trading Gains	1,553	-1,014
Other Operating Income	1,222	3,963
Total Operating Income	374,360	380,427
Total Operating Expense	154,107	148,145
Deposit Insurance Fund	-17,101	-16,903
Provisions for Impairement	-139,801	-153,716
Profit before Tax	63,351	61,663
Income Tax	6,215	6,452
Profit after Tax	57,137	55,211
Key Financial Ratios		
Net Interest Margin	3.84%	4.12%
Cost/Income Ratio	41.17%	38.94%
Total Capital Adequacy Ratio	13.34%	13.17%
Loans/Deposits Ratio	96	105
ROA (after tax)	0.72%	0.71%
ROE (after tax)	6.53%	7.99%
Earnings per Share	0.13	0.12

All figures are in '000 BGN

I. THE YEAR IN REVIEW

Financial Review

The year 2010 was a turning point for the world economy and the international markets. The world economy rebounded, boosted by the recovery in the developed countries. IMF expects the world GDP to grow by more than 4% with much of that growth originating in the emerging markets. The health of the world economy is still fragile, however, due to the rising commodity prices and the still weaker demand in the developed countries.

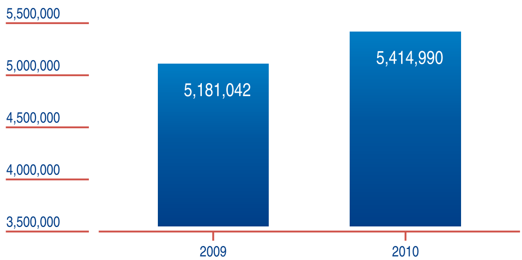
The European economy is still in difficult condition, not least because the attention of the speculators turned to the southern members of the European Union. The EU has duly taken the appropriate measures to alleviate the pressure, creating the European Financial Stability Mechanism and the European Financial Stability Facility to provide financing for the countries in need. However, the rising inflation in the eurozone has prompted the European Central Bank into hinting a possible increase of the interest rates which might further increase the pressure for the weaker economies.

At the same time, the Bulgarian economy is also on the path to recovery. As expected, the country exited the recession in the second half of 2010, with growth driven by rising activity in the export industries and the good results of the agricultural and the tourism sectors. As a result, the Bulgarian economy grew by 0.2% in 2010, lower than expected but with higher growth prospects for 2011. The consumption and the service industry still remain in difficult condition, but they too started showing encouraging signs of growth towards the end of the year.

The general state of the economy continued to exercise a significant influence on the state of the banking system in the country. The demand for loans remained weak as the companies and individuals were trying to decrease the level of their indebtedness and increased their rate of savings.
The nonperforming loans almost doubled their share which, combined with the falling income from the lending portfolios and increased provisions for impairment, resulted in a 20% decrease of the net profit of the system.

Amid this difficult environment, Postbank and its affiliated companies managed to achieve some very positive results. Maintaining solid liquidity and credit quality and increasing profitability were key strategic priorities that were successfully accomplished. Cost control remained rigid, although a new client-servicing concept is gradually being introduced with the aim to increase even more customer experience and satisfaction. In this respect, several new and innovative products were introduced designed to answer the ever expanding clients' needs.

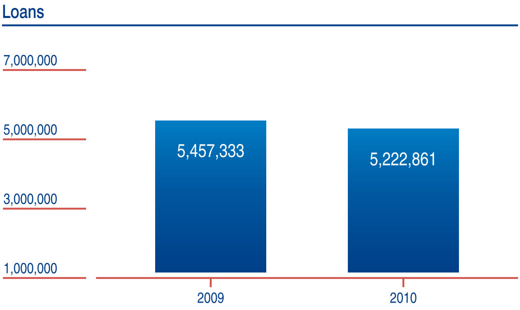
Deposits



All figures are in '000 BGN

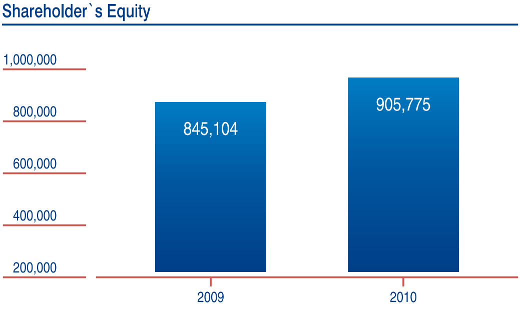
I. THE YEAR IN REVIEW

A lot of efforts were placed in ensuring strong deposit gathering. In 2010 the clients` deposits increased by BGN 234 million to BGN 5.41 billion allowing the bank to repay easily a € 150 million syndicated loan at maturity. In the same time, the bank managed to decrease the cost of funds by 100 bps while preserving its market share and optimizing the deposit mix.



All figures are in '000 BGN

The demand for loans remained weak throughout the year from both companies and individuals. The lending portfolio decreased by BGN 234 million to BGN 5.22 billion with the fast amortization, but also higher yielding consumer loans accounting for most of the decrease. This, however, meant lower balance sheet risk and a better capital adequacy ratio. Capital adequacy improved by more than 10 bps in 2010 to 13.3%, comfortably above the regulatory limit. The capital base was boosted in 2010 with the retained profit from 2009 and a new € 20 million subordinated term debt from the Group.



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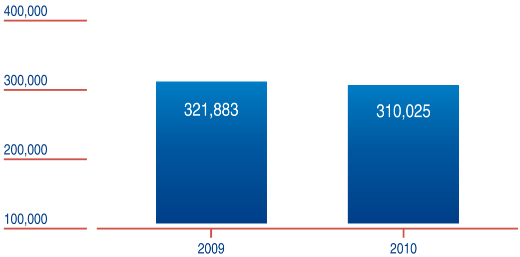
I. THE YEAR IN REVIEW

Interest income was affected by the deleveraging of the lending portfolio; however, the effect was counterbalanced by the lower funding costs and focus on products with higher margin and acceptable risk levels. Net interest income for the year was BGN 310 million and net F&C income stood at BGN 61.5 million.

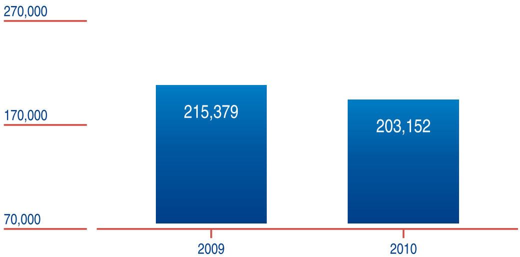
Net Interest Income



All figures are in '000 BGN

Pre-provision income exceeded BGN 203 million; however, the real gain came from the management of delinquent loans. The bank followed a conservative approach in the beginning of the crisis, evaluating the expected losses and taking early measures to accrue enough provisions against future losses. This approach has paid off and in 2010 the provisions for impairment decreased by 9% to BGN 139.8 million. As a result, the profit after tax increased by 3% in 2010 to BGN 57.1 million, beating the industry trend.

Profit from operations before provisions



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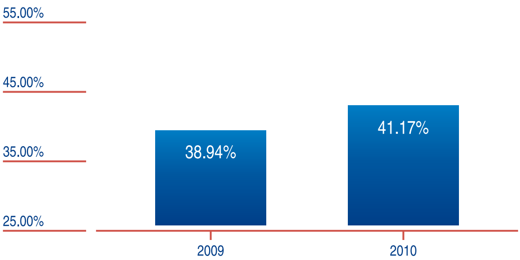
I. THE YEAR IN REVIEW

Cost to income ratio for the year was 41%, a notch higher than in the previous year, but still well below pre-crisis levels. The vigilant cost control exercised over the last two years resulted in long-lasting cost optimization which will continue to bring benefits in the following years.

Cost to Income Ratio



All figures are in '000 BGN

I. THE YEAR IN REVIEW

Management & Shareholders

Board of Directors

Emilia Milanova
Chairperson of the Board

Theodore Karakassis
Deputy Chairperson

Anthony C. Hassiotis
Member of the Board and Chief Executive Officer

Assen Yagodin
Member of Board and Executive Director

Petia Dimitrova
Member of Board and Executive Director

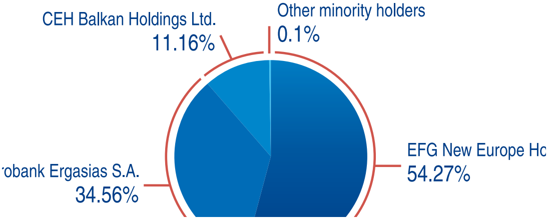
Piergiorgio Pradelli
Member of Board

Evangelos Kavvalos
Member of Board

Georgios Katsaros
Member of Board

Andreas Chasapis
Member of Board

Shareholders' Structure



As of December 2010

II. RETAIL BANKING

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Branch Network

With over 200 locations in 107 towns Postbank possesses a very well-developed, positioned and accessible branch network. Locations of the bank are situated in all 28 districts of the country and evenly distributed – there are 52 locations in the capital and 155 are in the country. In 2010 Postbank continued to further optimize its branch network both in terms of location and with aim to provide high quality service thus ensuring higher customer satisfaction.

Personal Banking

As a continuation of the efforts to constantly improve client service and be a trusted financial partner, the bank began a major transition from a product- to a client-oriented business model, which impacted all aspects of its retail business. The launch of the personal banking model, aimed at addressing the specific financial needs of the affluent client segment, was an immediate success and by the end of the year was applied to more than 70 branches. The Personal Banking Officers – dedicated to servicing affluent clients – started laying the foundation of a strong long-term relationship based on an individual approach and special, custom-tailored banking solutions.

Deposits

Keeping up pace with the changing market environment Postbank managed to further strengthen its liquidity position, increasing its deposit base while diversifying funding sources and optimizing the funding costs. The bank was successful in attracting new deposits from individuals and companies in both BGN and foreign currencies thus managing to retain its strong position and keep its stable market share. As of December 2010 individual deposits reached BGN 2, 920 million, growing by 10%. The growth was driven mainly by term deposits which marked 14% growth. The bank posted a steady growth of 17% in the volume of the more sustainable and cost-efficient funds in current accounts.

The bank successfully competed in the marketplace attracting more clients and expanding the customer-bank relationship. These results were achieved through the careful management of the innovative product set and various marketing campaigns, which actively promoted the bank's leading product: the new term deposit "Renta". The special feature of paying the accrued interest monthly proved to be particularly appealing to clients looking for high return in the form of additional regular income.

Group sales

In 2010 the bank significantly increased its payroll customers emphasizing on its flagship "Premia" program. Offering convenience and preferential terms for banking products many presentations, meetings and the special "Eurobank Days" were held at the premises of our corporate customers.
Members of the Board of Directors

Consumer Lending and Cards

Remedial Management

In 2010 the main focus of the Consumer Lending Division was placed on remedial management of the portfolio with aim to improve its quality despite the stressed economic environment. The bank's strategy and processes were redesigned with new tools being developed and implemented focusing in two areas: helping customers who were facing difficulties in repaying their obligations by offering various tailor-made solutions (according to the profile and the specific needs of each customer) and controlling/minimizing the delinquencies by strengthening our collection and recovery efforts towards overdue customers. These strategies and tactics led to the improvement of the portfolio quality (the 90+ delinquency ratio was decreased by 20% versus 2009) and the total provisions charge was reduced by 38% y-o-y (from BGN 50 million to BGN 31 million).

Credit cards

In 2010 the bank's efforts were mainly focused on activation of the existing credit cards portfolio and retention of cardholders. Postbank successfully executed three Visa POS spend stimulation campaigns which led to a 28% increase of the sales draft transactions, a 21% increase of the sales draft amounts and a 36% increase in the sales draft active cards per month. The bank was recognized by Visa Europe for its outstanding results in the "Championship for Merchants" campaign targeting the increase of sales draft volumes of existing Visa cardholders as well as Postbank Visa acquiring volumes. In July 2010 we also set the beginning of the EMV migration of Visa credit cards.

Sales

Despite the deteriorating economic environment Postbank managed to sustain its results from 2009 and achieve respectively 22.3% growth in terms of number of transactions and 10% in acquiring turnovers through the POS network in 2010.
Together with other divisions from the bank, such as Corporate and SBB, the Consumer Lending Division established the basis for a more focused approach and joint efforts in attracting key merchants as bank clients, which will be one of the main challenges in 2011 in order to further increase the cross-sales ratio and profitability streams from transactional banking activities. Some of the key merchants acquired throughout the year were all Inditex brands (Zara, Bershka etc.) and Adidas. The bank successfully launched a POS share deal with DSK Bank which will allow an increase of the coverage of merchants accepting American Express cards in a cost-efficient manner.

Auto Business

In 2010 the auto business was mainly directed to retain the close relationship with the car dealers in the country. During the year thanks to the strong cooperation with Corporate Banking Division and EFG Leasing Bulgaria & International, the Consumer Lending Division managed to develop a new procedure for approval of vendors, as the strategy for the future was directed to generating new business only with approved official car dealers by Corporate Banking. The latter gave us the opportunity to offer the approved vendors not only leasing services for their customers, but also to embrace the car dealers needs for other banking products. Based on the above mentioned cooperation, 10 frame agreements with official car dealers in the country were signed.

Mortgage Lending

In 2010 the bank's Mortgage Lending Division continued placing the majority of its efforts in the preservation of portfolio quality and client base. As a socially responsible bank we extended our existing restructuring schemes for an additional 12-month period to provide further assistance to those clients who are not totally back on their feet and to also allow new clients to take advantage of these schemes.
In the first half of 2011 Postbank launched a home equity product "Active Home". The loan was geared toward individuals who wish to capitalize on their property by using its equity for purposes such as home improvements, education abroad or simply to draw a bigger line of credit under which to consolidate existing credits with lower interest rates. The product was received very positively by the market.
In the second half of the year the Division shifted its focus more on new mortgage development

business. With clients at the center of its focus, the bank designed a product to address clients' life needs. The Mortgage Lending Division developed a truly innovative and unique for the Bulgarian market home loan called "Flexi". The loan's features allowed clients to adapt it to their needs by giving them control to decrease their monthly installment up to 50% or increase it up to 200% for a period up to 6 months annually or even to skip one installment annually altogether.

The above initiatives and product launches allowed Postbank to maintain its second place position in terms of market share and deliver solid bottom line figures.

Small Business Banking

In 2010 the main goal of Postbank's Small Business Banking Division was to offer extensive support to its lending customers in order to become the first-choice partner of the entrepreneurs.

The bank's market strategy was strongly focused on a lending relationship that rests on close collaboration with customers. Moreover, the SBB Division expanded the definition of its target market from companies with less than € 0.5 million annual sales to € 1 million annual sales.

During the year the bank placed strong emphasis on business development. Despite complex international market conditions, we continued to support small businesses in cooperation with the European Bank for Reconstruction and Development (EBRD), the Bulgarian Bank for Development and the European Investment Bank (EIB). Additionally the bank successfully launched new deposit products.

The SBB unit has been always devoted to its team. The Division remained focused on regular coaching in order to create an efficient working atmosphere. In the present times of crisis, the unit exerted constant efforts to broaden team member expertise, to redeploy them as efficiently as possible and above all to affirm company values and inspire commitment to corporate goals, in order to deliver excellent service to the Division's more than 12 thousand customers.

At the same time, close attention was paid to portfolio quality, the detection of early signs and undertaking of preventive measures for quality improvement in the sensitive business environment. In order to strengthen the bank's positioning in such a fragile setting, the SBB unit channeled efforts into in-depth market observation, better recognition of customer needs, regular consulting and persistent collection activities. In particular, various restructuring products had been devised with the aim of assisting customers undergoing temporary liquidity constraints or facing business obstacles.

In 2010 the SBB Division dedicated a lot of resources to operational efficiency. As a result of its on-going re-examination of the business processes, the unit was able not only to identify deficiencies, but also to launch a system-based application for its annual lending review, to further excel in portfolio reporting, to set-up a centralized unit for management of late delinquent loans, to support systemically the full set of restructuring solutions and many others. In addition, various other projects are under way, such as the development of a customer-oriented campaign tool, the introduction of a system to handle the legal processing of overdue accounts, etc. All these activities aim at one critical point – to ensure that the bank's SBB customers enjoy high-quality service.

The Division's goal in 2011 is to stay in tune with the market, being fully supportive to small businesses financial needs, offering a range of well-structured solutions in order to explore emerging opportunities in the most competitive manner.

III. WHOLESALE BANKING

Postbank

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Corporate Banking

Postbank's Corporate Banking Division aims to service large corporate and medium enterprises by providing high quality products and services, through a network of 10 dedicated business centers in addition to the bank's significant branch network.

In 2010, when the Bulgarian economy suffered from the impact of the international financial crisis, CBD acted in a prudent and responsible manner, by undertaking prompt and efficient measures in order to diminish the consequences of the crisis upon its customers and business, while proactively supporting the Bulgarian economy. The division's main focus in 2010 was placed on portfolio quality. In this respect, it took actions to identify possible areas of concern, discussed alternative plans with clients and supported their business through loan re-scheduling or restructuring. As a result Postbank's problematic Corporate Banking loans remained at levels below market average.

Strong emphasis was also placed on attracting deposits, cross selling and the reevaluation of corporate relationships based on their return on risk assets. In this regard, CBD structured two new organizational units: Deposit Specialists within the Corporate Transaction Banking Department, with focus on servicing the deposits, investments and transactional needs of corporate clients, as well as the Corporate Business Development Department, whose main aim is to assist the identification and development of new business opportunities. The continuous streamlining of internal processes combined with the use of new technologies in 2010 led to a number of projects that improved the bank's services such as "flash" payments between Eurobank EFG countries and also led to cost savings and faster response to clients' demands.

Furthermore, the division actively supported Bulgarian exporters, by creating tailor-made banking products and services, such as export factoring, and organizing conferences, in an effort to support the export-oriented economic policy of Bulgaria, a critical pillar to a sustainable economic recovery and growth.

In terms of liquidity and in line with Postbank's strategy to improve access to finance for Bulgarian companies, Corporate Banking signed a new term loan of € 50 million with EIB and a facility of € 115 million with EBRD to support the lending expansion and collaboration with existing and new clients. CBD's priorities for 2011 are to continue monitoring portfolio quality, as well as focusing on business development mainly through export-oriented companies, the primary driver of recovery for the Bulgarian economy.

Total outstanding corporate lending balances closed at € 1,152 million at the end of the year and total corporate deposits at € 243 million.

Capital Markets

In 2010 Postbank continued to hold a stable market position and build long-term relationships of cooperation and trust with its customers in the segment. Main focuses during the year were securing strong liquidity, fortifying the balance sheet and adding value though strengthening positions in treasury products and services to businesses.

Trading Desk

Postbank is a major player on the local fixed income market with the 4th largest portfolio as of the end of 2010. The bank seized the opportunity of the spread tightening rally on Bulgarian government bonds and realized substantial gains. The stable funding repo lines resulted in steady net interest income. As a primary dealer and market maker on Bulgarian government bonds, the bank was active on the primary, as well as on the secondary fixed income market. The market share from fixed income operations stood at 22% for 2010, which resulted in sizable trading gains. The money market remained one of the most important income sources. The bank kept its leading position, having the biggest share on the MM market for four months.

Brokerage

The Bulgarian stock exchange market performed poorly in 2010, with SOFIX marking a 15.2% loss in value and turnover at historical lows. The main sources of brokerage income in this market environment were revenues from reverse repo deals and market-making services for stocks traded on BSE. The bank maintained its position as the only active institution for equities market making and the pioneer among the banks in Bulgaria.

Treasury Sales

In 2010, the proactive approach in marketing Treasury Sales products and services was focused on all of the three major clients groups in the bank – corporate clients, institutional clients and retail clients. During the past year the unit successfully introduced a new product – "Refundable Cap". The campaign was successful with 12 deals closed with total volume € 43 million.
On the institutional deposits market Postbank continued to be a major player with 10.2% market share as of December 2010.

Assets and Liabilities Management

ALM monitors and manages the bank's balance sheet exposures to currency, interest rate and liquidity risks. Prudent funding base management in 2010 ensured stable liquidity reserves upon repayment of the € 150 million syndicated loan. Implementation of funding strategy with focus on cost of funds optimization and diversification of funding base was a key priority in 2010. Supranational institutions gained importance as strategic partners in terms of funding.
The bank positioned itself as "Market Maker" for EUR/BGN derivatives – Interest Rate Swaps, Forwards, Cross Currency Swaps.

Cooperation with International Financial Institutions (IFIs)

The IFIs & State Budget Department which facilitates financing of EU structured fund projects achieved its goal and even exceeded its objectives for 2010. In 2010, Postbank managed to secure major deals attracting considerable financing from EIB. A new credit line was negotiated with EBRD for € 75 million for SME financing. In the state budget field, the number of clients was increased which led to newly attracted funds worth € 11 million.

Custody

Postbank offers a full range of custody services to local and foreign institutional investors including safekeeping, processing and servicing clients' securities portfolios. In 2010 Eurobank EFG Group was awarded "Top Rated" status for custody service rendered to foreign institutional investors in all markets of the region where it operates – Bulgaria, Romania, Greece and Cyprus.

Mutual Funds

The international mutual funds offered by Postbank attracted increased investor interest in 2010, as the bank reported a 74% increase in Mutual Funds sales, as compared to 2008, prior to the crisis. The best performing fund was the "Turkish Equity Fund" with an annual return of 34%, followed by the "Emerging Europe Fund" with a 25% return in 2010. Despite the risky profile of the investments in mutual funds, the funds managed by our Group proved to be a serious alternative to saving accounts.

Insurance Brokerage

The Insurance Section in the Capital Markets Department offers a wide range of insurance products in order to provide added value and protection for the bank's clients and for the EFG Group. In 2010 the unit launched a new successful service "Bancassurance" – established lines in Consumer, Mortgage and SBB.

Subsidiaries

EFG Leasing & EFG Auto Leasing

EFG Leasing and EFG Auto Leasing provide the full range of leasing products for purchase of passenger and commercial vehicles, equipment, machinery and real estate, to both corporate and retail clients. The products are oriented to match the demands of the competitive market and customized to meet the exact needs of the clients. Traditionally commercial and passenger vehicles have the largest share in EFG Leasing's Portfolio with 41%, followed by real estate - 35% and industrial equipment 20%.

In 2010 the leasing market continued to shrink compared to the previous two years. Leasing companies focused primarily on managing the existing portfolio and preserving its quality and profitability by primarily targeting its key partners – vehicle dealers and corporate clients. In a stagnated leasing market EFG Leasing managed to preserve its solid position based on the strong cooperation and support from Postbank and EFG Eurobank Ergasias Leasing, as well as the efficiency and competency of its personnel. As a result the company managed to outperform the market and with a net profit of € 1.46 million ranked among its leaders.

Looking at challenges as an opportunity EFG Leasing will enter 2011 offering sophisticated products and professional service to its clients and targeting new business in close cooperation with the Wholesale and Retail Business Units of Postbank.

EFG Factors Branch Bulgaria

In 2010 Eurobank EFG Factors, the factoring company of Eurobank EFG Group, maintained its leading position in offering corporate clients the full range of factoring services – recourse and non-recourse domestic and international factoring, collection services, reverse factoring, back-to-back factoring, invoice discounting, forfeiting. According to the statistics of Factors Chain International (FCI) more than 50% of the export and import factoring transactions in Bulgaria have been performed via Eurobank EFG Factors.

III. WHOLESALE BANKING

In 2010 EFG Factors Branch Bulgaria more than doubled its volumes: purchased receivables up to € 150 million and loan outstanding balance up to € 10 million. Not only did business volumes increase, but due to innovative product development and the client-centric approach applied with the CBD team, product margins remained stable and resulted in more than doubling of market revenues y-o-y, outperforming the ambitions budgets and bringing healthy profitability for the company. Working in close collaboration with Corporate Banking Division of Postbank under the umbrella of Corporate Transaction Banking, the Branch continued supporting corporate clients by offering high quality and innovative factoring services.

Factors Chain International announced Eurobank EFG Factors' second worldwide position in International Factoring, at the 42nd Annual Meeting of FCI held in Vienna. Eurobank EFG Factors was ranked first among 252 members of FCI from 66 countries worldwide.

In 2011 Eurobank EFG Factors Branch Bulgaria will further strengthen its presence on the Bulgarian market by providing short-term financing and risk mitigation services to corporate clients. As part of the Eurobank EFG Group, the company will continue launching new and innovative factoring services to meet the specific needs of clients, as well as the growing demand on the domestic market and the region.

EFG Property Services Sofia

The company continued its successful activities, providing real estate appraisal and agency services. The Valuation Department of the company with its own network of appraisers, including more than 60 partners throughout the country, offered reliable and timely services and provided for the needs of Postbank. The company performed through its network and reviewed more than 8, 000 valuations in 2010, covering the full range of assets.

Regarding real estate agency services, the company provides services to Postbank such as finding new premises and locations for bank branches, and related consultancy services. The company also focuses mainly on third party corporate clients, trying to meet their needs by not only offering brokerage and valuation services but also by providing wider consultancy support related to real estate selection, acquisition and management.

Main services of EFG Property Services Sofia:

- Real estate agency services: sales and leases
- Full range of valuation services
- Real estate investment and technical consulting

IV. INFORMATION TECHNOLOGIES

Postbank

IV. INFORMATION TECHNOLOGIES

In 2010 IT efforts were focused in several main directions specified by EFG Group Top Management:

- **Group initiatives including:**
- ✓ Basel II group
- ✓ Group initiatives
- **Strategic initiatives including:**
- ✓ Credit quality
- ✓ Collections/Restructuring
- ✓ Fraud Detection & Prevention
- ✓ Deposit gathering/Liquidity
- ✓ Holistic relationship with clients and improved customer service
- ✓ “Run the bank” initiatives
- ✓ Audit findings projects
- ✓ Regulatory requests

The new implementations and enhancements were focused on different areas to meet the increased business requirements as well as the EFG Group initiatives connected with implementation of Basel II, fraud detection and prevention and improvement of the restructuring/renegotiation processes of the bank in order to improve the loans portfolio and increase credit quality.

In 2010 Postbank starts the implementation of the Productivity redesign project which is an innovative approach giving the bank advantage over the competition in terms of customer experience, efficiencies, speed and cross-sell opportunities. With this project the bank enters a new era – one that brings a new perspective to the concept of customer, service, interaction and access capabilities. The bank is repositioning itself as a technologically state of the art institution, further enhancing its image as a modern and innovative leader.

Fundamentals of the new system are:

- ✓ Efficiency
- ✓ Security, fraud prevention and control
- ✓ Cross selling and marketing
- ✓ Customer information and database
- ✓ Remedial management and collection
- ✓ MIS and analyses

In the four quarters of 2010, out of 172, the following initiatives were completed:

	Number
Rolled over from 200	10
Completed Q1Q4 2010	86
Requested by Top Management	7
Total completed	103

IV. INFORMATION TECHNOLOGIES

Group initiatives

The highest priority Group initiatives for the bank were Basel II Projects:

- **BASEL II – IRB Models – Historical extractions 2009, 2010 and onwards.** The project is a stage of Basel II Internal Ratings Models implementation for capital accord calculation. After the extracts for 2006 and 2007 the historical information loaded in the Experian modeler was extended with the data for 2009 and 2010. The data for Basel II is extracted regularly on a monthly basis. Basel II Data for all bank customers and their exposures is loaded to Probe SM Modeling System where the model of portfolio is built. In 2010 the project was extended and includes essential information about written-off loans in the data used to build statistical models needed for capital accord calculation (Loss Given Default extracts).

- **Basel II – IRB Models – Corporate Data warehouse (CDW) Extractions.** The projects are a next stage of the implementation of Basel II Internal Rating Models for capital accord calculation. The extracts of the databases of I-Apply, CSoft, Prime and Qualco applications are sent to the data warehouse on a daily basis. They contain information about all deals in the applications and all transactions posted on a daily basis.

- **Basel II Restructuring** includes new functionalities implementations which allow the necessary data for Basel II on the restructuring/renegotiation of the loans to be provided in the monthly extractions and in the daily extracts to the Corporate Data warehouse. The restructuring is performed in the I-Apply application and the necessary information is transferred by a real time interface to the core banking system. The project covers the main requirements and practices of the bank regarding debt consolidation and loan renegotiation.

- **Basel II – Rating non-MRA eligible customers** – This is a Group developed web-based application – a rating tool for assignment of ratings of the corporate customers who cannot be rated through Moody's.

Strategic Initiatives for the bank were several projects connected with the EFG Securities merger, insurances and collections, fraud detection and prevention and credit quality improvement.

- A set of projects was implemented which aimed to improve the quality of the loan portfolio and to satisfy the regulatory requirements:

✓ **Implementation of application for non-performing loans (AROTRON)** - the new software insures the processing of non-performing loans of the bank, reporting and monitoring. The application supports online and batch interfaces with the core banking system CSoft and with the cards processing system Prime in order to meet full automation of the processes.

✓ **Bespoke scorecard for mortgage loans** – The Bespoke scorecard is a model between the generic and behavior scorecard. Scoring is essential for the proper evaluation of the customers applying for loans.

✓ BNB Target 2 – Bisera 7 – The project aim is implementation of new SEPA standards in the national and European payment systems.

IV. INFORMATION TECHNOLOGIES

- **Fraud detection and prevention** is a very important area of bank activities and several projects were implemented to improve the security and to prevent the customers of possible fraud. Implementations increasing the bank network security were also included in 2011 activities of IT.

✓ **EMV Chip Issuing and Acquiring MasterCard & VISA for Debit and Credit cards.**
The initiative refers to the launch of Cards systems of the Bank based on the EMV standard, which is a joint effort between Europay, MasterCard and VISA. In 2010 our bank developed and certified its Cards systems based on this standard.

The EMV certification of all VISA and MasterCard products of the bank allows the replacement of the magnetic stripe functionality of those products with the chip one. Introduction of Chip and PIN improves cards' security and protects customers more effectively.

✓ **SMS Notifications projects cover** implementation of SMS notifications based on the event driven mechanism. For different types of events (transactions with debit cards, credit cards, forthcoming payments, overdues etc.) the respective SMS message can be parameterized.

✓ **Improvement of Core Network Security** is a technical infrastructure project which provides further security for the bank production systems by implementing granular firewall rules at user facing application layers. This greatly reduces the possibility for internally initiated network attacks/virus infections targeting production systems.

✓ To increase security of the bank network against possible virus attacks a **Deployment of new primary Anti-Virus Solution was implemented.**

- In 2010 important **audit issues** were implemented:

✓ **Segregation of Duties - User Access Rights in I-Apply** allows the user access rights and the users' administration in I-Apply to be segregated and to cover group requirements for granting of user access rights.

✓ **Systemic Approval for cash and non-cash transactions** – improvement of the second control for all kinds of transactions performed in the bank. Introduction of different levels of approval based on the user role, assigned limits and types of transactions.

- **"Run the bank" initiatives** include several projects necessary for the improvement of the bank's business processes, performance of the IT systems and technical infrastructure of the bank:

✓ **Productivity redesign** – the new front-end application facilitates the process and improves the quality of the customer service. The implemented process redesign insures simplification of transactions by minimizing input, creating standardization, improvement of the control environment and reduction of human errors. The new user interface is faster, simpler and entirely with drag and drop functionality. The project includes two stages. The tellers' application was implemented in the first stage. The second stage, scheduled for 2011, includes all customer related services in the branches. The new front end will:

- Enhance Postbank's position as a modern and innovative bank.

- Offer customers faster and more efficient service.
- Reduce idle/useless time in front of the teller.
- Reduce the time for end of the day activities and the time for training of new employees.

✓ **Nostro Reconciliation project** aims to comprise and optimize the activities associated with the reconciliation of the Nostro accounts and suspense accounts of the bank. The reconciliation covers national and international payments (SWIFT, RTGS etc), central depository and national card operator (BORIKA).

✓ **EFG Securities Merger projects** is a result of merging of EFG Securities unit to the bank. New functionality was developed in the existing Investment Platform of the core banking application in order to meet the business requirements.

✓ **RORA Reports** – an enhancement in MIS and provides information about the profitability on a customer and group level. The project aims at improving customer relationship management.

✓ **Help Desk – Service Level Agreement and Service Level Catalogue** is a technical infrastructure project providing an elaboration of the Help Desk system implementing Service Catalogues for ticket categories and a new approach for appraisal of quality of user and technical support. Time log for all categories and tickets, new statuses, list with used spare parts and devices of circulation by tickets are also provided.

- **Customer service improvement initiatives** include a variety of projects for achieving better servicing and providing more attractive bank product to customers:

✓ **Credit Cards and Merchants promotions**
System developments facilitating marketing initiatives aimed at increasing sales, card usage and cards popularity. The project supports cards profitability increase and strengthens the bank's image and popularity.

✓ **Virtual MasterCard debit card**
System developments supported the launch of a new product with innovative design, extra security, flexibility and customer convenience. The product was awarded the "Financial Product of the Year" prize at the Ninth International Financial Forum "Banks Investment Money" with special recognition for Innovation and Quality.

✓ **Life insurance for SBB and Life insurance for Mortgages** – implementation of new functionality for processing of life insurance for SBB and mortgage loans.

V. RISK MANAGEMENT

Postbank

V. RISK MANAGEMENT

Postbank has responded to the adverse conditions over the last two years with a number of initiatives aiming to strengthen the bank's balance sheet and enhance its relationship with customers. Special priority was given to loan portfolio quality and to the creation of pre-emptive provisions to protect against potential future risks, the more efficient utilization of shareholders' funds and liquidity management. The Risk Division is subordinated to the Chief Executive Officer of the Bank, and is headed by a Chief Risk Officer (CRO), directly reporting to the Group Chief Risk Officer. The CRO is responsible for the supervision and coordination of the development of policies related to risk management, the development and implementation of adequate measures and procedures in the area of credit risk, market risk, operational risk and other types of risk, resulting from the activities of the bank.

Credit Risk

Credit risk is the most significant risk to which the bank is exposed. The credit process within Postbank is based on a division of responsibility between the business origination and credit risk management functions, with the business origination function performing preliminary selection to filter out poor credit risks as part of its quest for sustainable revenues. The credit risk management function concentrates its evaluation on the question of whether a given credit risk could prove damaging to the bank, while bearing the risk/reward relationship in mind. To manage and control credit risk, different structures and bodies are established with specific responsibilities:

- Risk Committee – for strategic decisions and country risk management.
- Country Credit Committee and Regional Credit Committee – for Credit Approval Process decisions.
- Credit Committee – for provisioning management and deteriorated loans management decisions.
- Loans and Product Committee – for approval of products' risk parameters.

The credit activity of the bank is governed by the Policies and Procedures, based on EFG Group Guidelines, ensuring that all aspects of credit risk are adequately covered, monitored and controlled.

Market Risk

The Market Risk Department deals with the measurement, monitoring and management of the bank's exposure to market risks, aiming to keep the potential financial losses from adverse changes in market variables such as interest or foreign exchange rates and equity prices within acceptable levels. The bank's Market Risk Policy and the related procedures apply to the control of market risks, arising from all of the bank's assets, liabilities and off-balance sheet positions, therefore covering both Treasury and non-Treasury activities that run market risk. In 2010, the process of monitoring, measuring, analyzing, reporting and managing the bank's exposure to market risks was further improved by the automation of many reports and processes and the introduction of additional reports, stress tests and analyses. The stress tests, simulating adverse interest rate, foreign exchange and equity portfolio scenarios, carried out on a regular monthly basis, have proven to be a valuable forward-looking risk-management tool. Currently, the bank does not take material open positions in foreign currencies other than the Euro, which keeps the exposure to currency risk at low levels. The bank's overall exposure to interest rate risk also remained relatively low, mainly due to the floating rate nature of most of its assets and liabilities and the short re-pricing periods. The interest rate risk of a significant part of the bond portfolio is hedged through asset swaps. The bank's proprietary equity portfolio consists entirely of equities listed on the Bulgarian Stock Exchange. Equity price risk monitoring and management is performed on a daily basis, further supported by daily portfolio VaR calculations. Counterparty risk monitoring and management is also performed on a daily basis, together with daily PFE limit monitoring for corporate customer exposures.

V. RISK MANAGEMENT

Liquidity risk

Liquidity risk is the risk that the bank would not be able to fund assets to meet obligations at a reasonable cost or at all; for financial assets the risk is that an instrument cannot be sold or otherwise exchanged for its full market value. Prudent liquidity risk management and appropriate supervision and control are essential elements for the effective management of the bank. The bank aims to effectively manage its liquidity risks and also to maintain sufficient liquidity to withstand potential stress events. The ultimate responsibility for liquidity management lies with the Assets and Liabilities Committee (ALCO). In 2010, despite the difficult economic situation and the unfavourable market developments, Postbank maintained a very strong and stable liquidity position. The liquidity ratios and buffers improved further to historically high levels. The main liquidity ratios – “liquid assets maturing within 1 month to liabilities maturing within 1 year” and “1-month maturity mismatch to liabilities maturing within 1 year” remained high above the minimum target levels, set by the ALCO. The Liquid assets ratio as per BNB Ordinance No 11 was at 25.44% at the end of the year, also well above the BNB required minimum of 15%. The positive outlook of the bank’s liquidity position has been further supported by the results of the stress tests for liquidity risk, performed on a regular monthly basis.

Operational Risk

2010 was a year of major advances in the operational risk area and further steps were undertaken by the bank to support the effective and proactive management of operational risk, i.e. the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. Operational risk awareness has been enhanced within the organization through trainings, and an Operational Risk Committee is established to adhere to the operational risk framework of the Group. Operational risk management in Postbank is based upon the following distinct, even though interrelated and integrated, programs: Operational Risk Events database maintenance; Operational Risk Indicators (KRIs); and, Risk and Control Self Assessment (RCSA). No operational losses that could expose the bank to significant for its size risk were registered in 2010.

Basel II

In accordance with the Group’s roll-out plan, implementation of internal models for the risk assessment of Postbank’s loan portfolios is intended to take place by January 1, 2012 (Foundation IRB for Corporate portfolio and Advanced IRB for Retail portfolio). In this context, but also in view of the commitment of the bank for continuous enhancement of Risk Management, Basel II Program activities’ continued in 2010 in alignment with the Group’s standards and best practices.

VI. CORPORATE GOVERNANCE

VI. CORPORATE GOVERNANCE

Postbank is committed to adhere to the best corporate governance practices, legal and ethical principles. Acknowledging that corporate governance is essential to achieving and maintaining public trust and confidence, the bank implements an appropriate organizational structure that includes an adequate system of "checks and balances" and clear lines of responsibility and authority.

The Board of Directors, assisted by its committees and a specially designated Corporate Governance Department, constantly strives to improve the corporate governance framework and thus ensuring the safe and sound functioning of the bank.

Board of Directors

Postbank is managed and represented by its Board of Directors, a permanent collective body, exercising its powers under the control of the General Meeting of Shareholders. It consists of nine members, three executive and six non-executive, one of which is independent.

The Board of Directors holds regular meetings periodically as needed, however not less than once per quarter. The foremost duty and responsibility of the Board of Directors is to deliver sustainable growth in shareholder value and to safeguard the bank's interests. The Board of Directors organizes and manages the performance of the decisions of the General Meeting of Shareholders of the bank. As part of implementing the principles of corporate governance, the Board of Directors has established specialized committees to facilitate its own work.

Risk Committee

The Risk Committee assists the Board of Directors in the management of the overall risk profile and of significant risks in the bank. The Board of Directors has delegated to the Risk Committee the role of approving all strategic risk management decisions and monitoring the quantitative and qualitative aspects of all market, credit, liquidity and operational risks. The Risk Committee develops risk policies and procedures and monitors their implementation.

Audit Committee

The Audit Committee is appointed by the General Meeting of Shareholders. Its function is to assist the Board of Directors in discharging its oversight responsibilities primarily relating to:

- The review of the adequacy of the Internal Control and Risk Management systems, and the compliance with rules and regulations monitoring process.
- The review of the financial reporting process and satisfaction as to the integrity of the Bank's Financial Statement.
- The external Auditors' selection, performance and independence.
- The effectiveness and performance of the Internal Audit and Compliance functions.

Remuneration Committee

The Remuneration Committee assists the Board of Directors on matters relating to executive and key management personnel remuneration, and all other personnel as required, including remuneration policy, employee benefits and incentive schemes.

VII. HUMAN RESOURCES

Postbank

VII. HUMAN RESOURCES

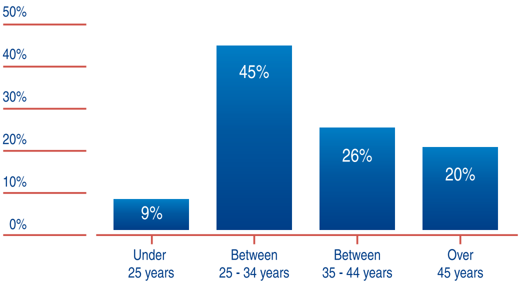
The constant aspiration for excellence of the Human Resources Division made it an integral part in the achievement of Postbank's goals in 2010. In order to contribute to business development HR remained committed to creating and sustaining an open environment of skills improvement and rewarding performance.

The results of the bank in 2010 were mainly due to the highly-motivated and devoted workforce. That is why HR Division fosters initiative and change, providing proper training and equal career advancement opportunities.

Recruitment

The recruitment process in Postbank has always been based on principles of high value, such as accuracy, transparency and objectivity in the selection. 2010 was not an exception in following high standards in recruitment. According to the changed situation on the labour market there were 342 newcomers numbered at the end of the year and 329 internal transfers within the bank structure.

Employee Age Structure 2010



Training

Postbank supports an environment where employees can continuously learn and gain professional growth through its training programs and initiatives. The Training and Development Department is committed to the continuous development of people by providing systematic training, recognition of performance and equal career advancement opportunities, thus optimizing employee motivation and retaining potential. Main initiatives are dedicated to improving customer service and consultancy selling skills, sustaining product and technical knowledge and fostering management skills. The total number of training man-hours for 2010 amounted to 54 287.

Eurobank EFG Progress

In 2010, after the successful launch of Eurobank EFG Start (an induction program for new recruits in Branch Network) and the recognition of the program by the Bulgarian Human Resource Management and Development Association (BHRMDA) – the professional organization of HR specialists in Bulgaria in 2009, the efforts of T&D department continued in the same direction. The unit developed a second level of the program named Eurobank EFG Progress which targeted bank employees that have been promoted to another position. The program is again structured in modules and aims to refresh and upgrade the knowledge gained during the first level – Eurobank EFG Start.

Long-term Qualifications

In 2010, Postbank continued its policy to offer outstanding performers enrollment in internationally acclaimed qualification programs, such as ACCA, CFA, CIA, CISA, CIM and Master's Degrees.

Harvard Business School

Supporting sophisticated training methods, Postbank successfully completed the second cycle of an e-learning program for middle management development in cooperation with Harvard Business Publishing, an affiliate of the graduate business school of Harvard University. The program is designed to equip managers with the essential skills that would turn them into efficient leaders by significantly reinforcing their interpersonal communication skills, empowering their capabilities of problem solving and motivating their direct reports. The training comprises of 9 modules, offering interactive online case-studies, summaries of best people management practices and Harvard Business Publishing articles. In 2010, the total number of middle managers who successfully completed the program grew to 36.

Staff Development Project

In 2010 Postbank successfully launched the Staff Development Project within Middle Corporate banking - Business Centers in Sofia. The project is aimed at evaluating the current knowledge and skills and the potential of each employee for further development within the organization, and at giving each employee clear vision on what and how they should achieve by following the agreed development plan. Aiming to further develop professional skills of Corporate Banking specialists, a series of training sessions (classroom and on-the-job) were organized on Writing Effective Credit Requests and Credit Analysis. A total of 74 people were trained.

EBRD Training

As part of our partnership with the European Bank for Reconstruction and Development (EBRD) and the signed credit line agreement in SBB Sector, with the cooperation with the EBRD Consultants, 100% of the bank's SBB Officers were trained on Financial and Credit Analysis in 2010. In addition, all SBB Sales Coordinators went through a specialized training, designed to develop their skills in targeting, motivating, managing and developing SBB Officers, providing feedback and coaching.

Personal Bankers

The Training and Development Department played an essential part in the launch of the Project for Personal Banking Officers. Together with the respective business units, a customized training program was developed in order to support the personal bankers in their new role. By the end of 2010, all 73 employees, appointed as Personal Banking Officers, successfully completed specialized one-week trainings building on their product knowledge, technical skills and customer service and sales competences.

VIII. OUR CONTRIBUTION TO SOCIETY

VIII. OUR CONTRIBUTION TO SOCIETY

Mission, Vision & Values

Our Mission

Our mission is to meet the constantly evolving expectations of our customers, to create value for them and our shareholders, and to promote an internal operating environment where individual skills are stimulated, knowledge is efficiently applied and the development of our personnel is systematically encouraged. Through this effort we strive to be the frontrunners in providing the most innovative and best quality products and services.

Our Vision

Postbank is a well established, dynamically growing, customer driven universal bank, which belongs to a strong international financial group, and aims to achieve a leading position within the Bulgarian market.

Our Values

Equal opportunities for distinction.

We aim at excellence in everything we do.

… to the colleague, to the customer, to our fellow citizen.

Success comes easier when we work as a team.

When it exists, we achieve the impossible.

We always strive to accomplish the goals we set.

Our social contribution goes hand in hand with our business activity.

We innovate continuously, in an effort to always improve our business and ourselves.

VIII. OUR CONTRIBUTION TO SOCIETY

Corporate Social Responsibility

Postbank firmly believes that long-term business growth and sustainability are strongly interrelated with the overall welfare and development of the community in which it operates and thus complements its primary banking activity with consistent socially responsible conduct in all spheres of its operations. The bank's CSR strategy reflects its mission, vision and values, supporting and launching its own initiatives in the area of education, environmental protection, culture, sports and corporate donorship.

Even though 2010 was a challenging year and many companies limited their CSR activities, Postbank remained active in the field and demonstrated its dedication to responsible corporate citizenship for the benefit of its clients, employees, partners and the community at large. The bank continued its long-term CSR projects and furthermore launched new community initiatives, investing in the well-being of society and the future of the country.

In 2010 Postbank carried out the High Start with Postbank program for a sixth consecutive year. The fully revamped program aimed to foster the dialogue between high school students, the Ministry of Education, Youth and Science and partnering NGOs. Postbank addressed a pivotal issue for the Bulgarian educational system – how to make classes more engaging and interesting for high schoolers. High Start with Postbank targeted high school students in all 1 134 high schools throughout the country and challenged them to compete for a total award fund of BGN 50,000. Over 2 000 pupils from 8th to 12th grade sent their creative suggestions and ideas how to improve high school education in the country. The essays were evaluated by a jury, comprising of representatives of four NGOs working in the field of education and youths, two journalists and a top-level Postbank representative. The best 50 essays were published in a special textbook, which was presented to the Minister of Education, Youth and Science.

Postbank sustained its efforts to improve its environmental performance in the framework of the Green Start with Postbank program, an internal campaign, whose purpose is to foster environment friendly conduct within the company. The program aims to encourage eco-responsible conduct among Postbank's employees and to highlight the importance of environmental protection as an integral part of corporate culture.

For a third consecutive year, Postbank remained committed to the purity and preservation of the Pancharevo Lake area with its long term project Crystal Purity of Pancharevo. This year Postbank's traditional initiative to clean the lake and its surroundings was coupled with a special celebration for children from several foster care homes in Sofia and was held under the slogan Crystal Purity of Pancharevo for Every Child.

In 2010 the bank started a new community-related project named Cross Safely with Postbank which aimed at raising awareness for a very important cause – the safety of pedestrians on the roads. Eight zebra crossings in Sofia and the cities of Varna, Stara Zagora and Vratsa were renewed as part of Postbank's national campaign for the restoration of crosswalks. The campaign was carried out in partnership with the Traffic Police Department.

Additionally Postbank partnered with socially vulnerable groups throughout the year, supported various others projects such as the traditional Volunteers' Days, organized by the American Chamber of Commerce in Bulgaria, and carried out its traditional voluntary blood donations.

IX. SELECTED REPORTING DATA 2010

The full Annual Financial Report is available on Postbank's website www.postbank.bg

Postbank

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Eurobank EFG Bulgaria AD

Report on the Financial Statements

We have audited the accompanying financial statements of Eurobank EFG Bulgaria AD (the "Bank") which comprise the balance sheet as of 31 December 2010 and the income statement, statement of comprehensive income, statement of changes in equity and statement of 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.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as of 31 December 2010, and of 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.

IX. SELECTED REPORTING DATA 2010

PRICEWATERHOUSECOOPERS

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 Bank.

In our opinion, the Annual Directors' Report set out on pages 1 to 6 is consistent with the accompanying financial statements of the Bank as of 31 December 2010.

Rositsa Boteva
Registered Auditor

Petko Dimitrov
PricewaterhouseCoopers Audit OOD

29 March 2011

All amounts are shown in BGN thousands unless otherwise stated.

IX. SELECTED REPORTING DATA 2010

DIRECTORS' REPORT

The management presents the annual Directors' report as of 31 December 2010.

BUSINESS DESCRIPTION

Eurobank EFG Bulgaria AD (the Bank) provides retail, corporate banking and investment banking services in Bulgaria. Its Head Office is located in Sofia. The address of its registered office is as follows: 14 Tsar Osvoboditel Blvd, 1048 Sofia, Bulgaria.

BUSINESS OVERVIEW

Development and results from the business activity

Eurobank EFG Bulgaria is a leading universal bank in Bulgaria, part of EFG Group international financial holding. The Bank provides a broad range of banking services to local and international customers through its nationwide branch network and customer service desks within post offices throughout the country. The Bank has 214 retail network locations and 2,023 customer service desks in post offices throughout the country and employs 2,998 people.

Developing innovative products and services and emphasizing on quality, the Bank constantly holds stable market position and builds long-term relations of cooperation and trust with its customers. The good image and the visibility of the offices all over the country allowed the Bank to attract new customers and to gain the confidence of the existing clients. The Bank continues to meet the challenges related to the increased competition in the banking sector and financial culture of the clients.

In 2010 there were many positive signs that the world economy was gradually emerging from the crisis. The real growth in the second and third quarters of 2010 was positive which officially confirmed that the country is out of the recession. The other macroeconomic indicators were also encouraging – inflation remained subdued, unemployment was slightly decreasing since the second quarter of the year onwards and the budget deficit was better than expected. The forecasts for 2011 are much more optimistic and it is expected that by the middle of 2011, the country will return to more normal levels of growth.

Despite the difficult environment, the Bank performed very well. Total assets of the Bank reached BGN 6,309 million as of 31 December 2010, increased by 5% compared to 2009. The Bank has followed its strategy with renewed emphasis on the segmentation of clients and strengthening the corporate and transactional Banking element of its operations. The solid brand image and the well-developed branch network contributed to the strong relationship between the Bank and its existing and new clients. The Bank plans to develop its product range further, in view of the evolving, dynamic and changing needs of its customers. Taking into consideration the current economic environment, the Bank will consider new opportunities for attracting new funding, in order to provide adequate financing to households and businesses.

During 2010, the operating income of the Bank reached BGN 326 million and the operating expenses excluding impairment charge for the year amounted to BGN 163 million. The net profit of the Bank for the year ended 2010 amounted to BGN 35 million.

As of 31 December 2010 the Bank's net loan portfolio amounts to BGN 4,156 million. The Bank's balance sheet provisions for impairment amount to BGN 186 million.

All amounts are shown in BGN thousands unless otherwise stated.

IX. SELECTED REPORTING DATA 2010

The Bank finances its operations mainly with funds attracted from its clients. The sound market position of the Bank, its substantial deposit market share as well as the good reputation, confirm that the deposit products offered by the Bank are competitive. As of 31 December 2010 attracted funds from clients amounting to BGN 4,642 million increased by 7% compared to 2009. With regards to preserving normal operating environment in the Bank, it is essential that optimal liquidity levels are to be maintained constantly. As of 31 December the Bank's ratio of liquid assets is 22.23%.
The share capital of the Bank is sufficient to maintain capital adequacy cover for its risk-weighted assets. The capital base of the Bank as of 31 December 2010 reached BGN 538 million (calculated in accordance to the Capital Adequacy Ordinance 8 of the Bulgarian National Bank). As of 31 December 2010 the Bank's Basel II compliant capital adequacy ratio is 13.35 %, higher than the 12% minimum set by the Bulgarian National Bank. The reinforcement of the capitalization increases the potential of the Bank for further growth and utilization of opportunities.

Important events that have occurred during the financial year

During 2010 Eurobank EFG Bulgaria has placed a renewed emphasis on the real economy, doing its best to support viable projects with sustainable growth prospects and characteristics that make sense in the current environment. This allowed it to preserve its positions among both the top 5 providers of corporate loans. At the same time, the Bank continued to work closely with its SME and SBB clients, supporting them during these difficult times either through extension of new credit or restructuring when and where appropriate.

The Bank managed to secure major deals by signing loan agreement with the European Bank for Reconstruction and Development (EBRD) for a credit limit of EUR 75 million with a tenor of 4 years. The granted funds are used for funding private enterprises, firms, businesses, sole proprietors or other legal entities.

In the last financial year the Bank actively promoted its trade related services where it has become a major player in the market. Together with the Capital Markets Division, Corporate Banking Division has developed a special product for its clients for hedging the interest rate risk. The Capital Market Division has also scored notable achievements in other areas holding top positions in the interbank market, custody and bond trading.

On the retail side, the Bank defended its leading positions as the second biggest mortgage lender in the country, third biggest Bank in consumer lending and in top three in the card business. It also launched several new products throughout the year such as the Flexi mortgage loan, the virtual credit card, the "Dynamica" packages for SBB clients and the new deposit "Renta" for our individual clients. All the product launches were supported by targeted advertising campaigns as this was the best of times to get its message heard on the market and enhance its image as an active and solid banking institution.

Even though 2010 was a challenging year and many companies limited their activities in order to overcome the crisis, Eurobank EFG Bulgaria remained responsible to its clients, employees and the community at large. As a responsible corporate citizen, the Bank continued its long-term CSR (Corporate Social Responsibilities) project and furthermore launched new community initiatives, investing in the wellbeing of the society and the future of the country.

In 2010 the Bank carried out the "High start with Postbank" program for a sixth consecutive year. The fully revamped program aimed to foster the dialogue between high school students, the Ministry of Education, Youth and Science and partnering NGOs. "High Start with Postbank" targeted high school students in all 1,134 high schools throughout the country and challenged them to compete for a total reward fund of BGN 50, 000.

Eurobank EFG Bulgaria sustained its efforts to improve its environmental performance in the framework of the "Green start with Postbank" programme, an internal campaign, which purpose is to foster environment friendly conduct within the company. For a third consecutive year, the Bank remained committed to the purity and preservation of the Pancharevo Lake area with its long term project Crystal Purity of Pancharevo.

In 2010 the Bank started a new community related project Cross safely with Postbank, aimed at raising awareness for a very important cause – the safety of pedestrians on the roads. Eight zebra crossings in Sofia and the cities of Varna, Stara Zagora and Vratsa were renewed as part of Postbank's national campaign for the restoration of crosswalks.

The Bank has been awarded numerous prizes and distinctions for its products and service excellence in 2010. Without a doubt, the most important of them were to be selected as "Bank of the year" and "Bank of the client" by "Pari daily" and Banking Association respectively.

SHARE CAPITAL STRUCTURE

As of 31 December 2010 the total authorized number of ordinary shares of EFG Eurobank, Bulgaria was 452,752,652 with a nominal value of BGN 1 per share. EFG Eurobank Ergasias owns directly 34.56%, another 54.27% of the share capital is owned by EFG New Europe Holding B.V, 11.16% by CEH Balkan Holdings Limited and 0.01% by minority shareholders.

On 9 August 2010 Eurobank EFG Bulgaria signed a subordinated debt agreement with EFG Eurobank Ergasias for attracting EUR 20 million with a tenor of 7 years which was used to increase the capital base.

BOARD OF DIRECTORS

As at 31 December 2010 the Board of Directors consisted of the following members:

- Emilia Milanova – Chairwoman of the BoD
- Theodoros Karakasis – Deputy Chairman of the BoD
- Anthony Hassiotis – CEO
- Asen Yagodin – Executive Director
- Petia Dimitrova – Executive Director
- Evangelos Kavvalos – Member
- Andreas Chasapis – Member
- Georgios Katsaros – Member
- Piergiorgio Pradelli – Member

IX. SELECTED REPORTING DATA 2010

1. The total annual remuneration of the members of the Board.

In 2010 the members of the Board of Directors did not receive remunerations from the Bank in their capacity of Board of Directors members.

2. Shares and bonds of the company that are acquired, owned and transferred by the members of the Board during the year.

No member of the Board of Directors has owned or transferred shares or bonds of the Bank.

3. The Board member's rights to acquire shares and bonds of the company.

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

4. The Board member's ownership in other commercial enterprises, as:

4.1 Partners with unlimited liability.

No member of the Board of Directors has been a partner with unlimited liability in other commercial enterprise.

4.2 Partners/shareholders holding more than 25 per cent of the capital of another company.

o Anthony Hassiotis

Investments AMK EOOD, Bulgaria – sole owner

4.3 Participants in the management of other companies or cooperatives as procurators, managers or board members

o Theodoros Karakasis

Bancpost S.A., Romania – Member of the Board
EFG Retail Services IFN S.A., Romania – Member of the Board
EFG Eurobank Leasing IFN S.A., Romania – Member of the Board
EFG Eurobank Property Sevices S.A., Romania – President of the Board
EFG Property Services d.o.o. Beograd, Serbia – President of the Board
Eurobank EFG a.d. Beograd, Serbia – President of the Board
EFG Leasing EAD, Bulgaria – Member of the Board
EFG Property Services Sofia AD, Bulgaria – President of the Board
Greek-Serbian Chamber of Commerce – Vice President of the Board
Hellenic-Romanian Chamber of Commerce and Industry – Secretary General

o Anthony Hassiotis

EFG Leasing EAD, Bulgaria – Member of the Board
AmCham Bulgaria (American Chamber of Commerce in Bulgaria), Bulgaria – President of the Board
HBCB (Hellenic Business Council in Bulgaria), Bulgaria – Deputy Chairman of the Board
CEIBG (Confederation of Employers & Industrialists in Bulgaria), Bulgaria – Member of the Managing Board

All amounts are shown in BGN thousands unless otherwise stated.

Investments AMK EOOD, Bulgaria – Manager
Club Manager, Bulgaria – Member of the Managing Board

- **Asen Yagodin**

EFG Securities Bulgaria EAD, Bulgaria – Member of the Board
Bulgarian Banks Association, Bulgaria – Deputy Chairperson of the Managing Board
Bulgarian Stock Exchange Sofia, Bulgaria – Chairman of the Board of Directors

- **Petia Dimitrova**

EFG Property Services Sofia AD, Bulgaria – Member of the Board
Bulgarian Retails Services AD, Bulgaria – Chairperson of the Board and Executive Director
IMO Property Investments Sofia EAD, Bulgaria – Member of the Board and Executive Director
Bulgarian Business Leaders Forum (BBLF), Bulgaria – Member of the Managing Board
Air Traffic Services Authority (State-owned enterprise), Bulgaria – Member of the Managing Board (resigned 10.03.2010)
Communicative construction and rehabilitation (State-owned enterprise), Bulgaria – Chairperson of the Managing Board
Audit Bureau of Circulations – Bulgaria – Chairperson of the Monitoring Board

- **Piergiorgio Pradelli**

Eurobank EFG Private Bank Luxembourg S.A. – Member of the Board
Bancpost S.A, Romania – Member of the Board
Eurobank EFG a.d. Beograd, Serbia – Member of the Board
EFG Internet Services S.A., Greece – Member of the Board
Eurobank Tekfen A.S., Turkey – Member of the Board
PJSC “Universal Bank”, Ukraine – Member of the Supervisory Board
Eurobank EFG Ergasias SA, Greece – General Manager

- **Georgios Katsaros**

EFG Telesis Finance, Greece – Member of the Board
SIDMA, Greece – Member of the Board
JUMBO SA, Greece – Member of the Board

- **Andreas Chasapis**

EFG Leasing SA, Greece – Member of the Board
EFG Factors, Greece – President of the Board

o **Evangelos Kavvalos**

EFG Eurobank Ergasias Leasing SA, Greece – Member of the Board
EFG Eurolife Life Insurance S.A., Greece – Member of the Board
Eurobank EFG Factors SA, Greece – Member of the Board
EFG Insurance Services SA, Greece – Member of the Board
Eurobank EFG Poland branch (Polbank EFG), Poland – Member of the Supervisory Board
Eurobank Tekfen AS, Turkey – Member of the Board
PJSC "Universal Bank", Ukraine – Member of the Supervisory Board
Eurobank EFG a.d. Beograd, Serbia – Member of the Board
EFG Eurobank Ergasias SA, Greece – General Manager
Unitfinance S.A., Greece – Member of the Board

5. The Contracts under Article 240b of the Commerce Act

The Bank has not entered into contracts specified in Article 240b, paragraph 1 of the Commerce Act during 2010.

GROUP STRUCTURE

Eurobank EFG Bulgaria does not have any subsidiaries as at 31 December 2010 and therefore no consolidated financial statements are prepared at this entity level.

OBJECTIVES FOR 2011

The Bank's strategic priorities for 2011 are focused on increasing the profitability and maintaining the market position of the Bank while closely monitoring the lending portfolio quality and strengthening the liquidity position.
In 2011 the Bank will place emphasis on deposit gathering and liquidity management as prerequisites for controlled expansion of the lending portfolio. The cost of funding will be under constant attention as being the most important factor for the pricing of the existing and the new loans.
The general strategy of the bank remains to be the bank of first choice, providing the most innovative and best quality products and services while meeting the constantly evolving expectations of the customers thus creating value for them and its shareholders.

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/the group as at the year end and its financial results. The management has prepared the enclosed financial statements in accordance with IFRS.

The Directors confirm that suitable accounting policies have been used.

The Directors also confirm that the legislation applicable for banks in Bulgaria has 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.

Anthony C. Hassiotis
Chief Executive Officer and
Member of the Board of Directors

Petia Dimitrova
Executive Director,
Member of the Board of Directors and
Chief Financial Officer

IX. SELECTED REPORTING DATA 2010

Income statement

	Notes	Year ended 31 December 2010	2009
Interest and similar income	1	528,211	543,167
Interest and similar charges	1	(259,417)	(308,452)
Net interest income		**268,794**	**234,715**
Fee and commission income	2	69,894	62,298
Fee and commission expense	2	(14,851)	(17,273)
Net fee and commission income		**55,043**	**45,025**
Dividend income		563	22
Other operating income	3	452	5,280
Net trading (loss)	4	(2,992)	(474)
Gains less (losses) from trading securities	12	(135)	944
Gains less (losses) and impairment of securities available for sale	14	4,223	(1,368)
Other operating expenses	5	(146,263)	(138,421)
Deposit Insurance Fund expense		(17,100)	(16,903)
Impairment charge for credit losses	7	(123,941)	(110,645)
Profit before income tax		**38,644**	**18,175**
Income tax expense	7	(3,702)	(2,068)
Profit for the year		**34,942**	**16,107**

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The Financial statements were authorized by the management on 24 March 2011.

Initialled for identification purposes in reference to the auditor's report

Rositsa Boteva
Registered Auditor

Petko Dimitrov
PricewaterhouseCoopers Audit OOD

29 March 2011

All amounts are shown in BGN thousands unless otherwise stated.

IX. SELECTED REPORTING DATA 2010

Statement of comprehensive income

	Notes		Year ended 31 December 2010		2009
Profit for the year			**34,942**		**16,107**
Other comprehensive income for the year, after tax:					
Available for sale securities					
-net changes in fair value, net of tax	9	8,338		45,495	
-transfer of loss to net profit	9	(5,825)	**2,513**	168	**45,663**
Gain on property revaluation, net of tax	9		**-**		**96**
Other comprehensive income for the year	**9**		**2,513**		**(45,663)**
Total comprehensive income for the year			**37,455**		**61,866**

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IX. SELECTED REPORTING DATA 2010

Statement of comprehensive income

Balance sheet	Notes	As at 31 December 2010	2009
Assets			
Cash and balances with the Central Bank	10	646,368	562,927
Loans and advances to banks	11	983,662	587,730
Financial assets held for trading	12	41,216	16,801
Loans and advances to customers	13	4, 156,004	4,276,043
Investment securities, available-for-sale	14	340,263	436,382
Investment securities, held-to-maturity	20	22,442	16,304
Derivative financial instruments	15	876	876
Current income tax recoverable	16	79,319	88,360
Other assets	17	23,903	18,270
Investment property		2,899	3,248
Property and equipment	18	12,304	13,005
Total assets		**6,309,256**	**6,019,946**
Liabilities			
Deposits from banks	19	438,369	372,042
Derivative financial instruments	20	76,513	54,758
Due to customers	21	4,641,511	4,332,669
Debt issued and other borrowed funds	22	335,111	476,331
Deferred income tax liabilities	23	3,332	2,669
Provisions for other liabilities and charges	24	1,637	473
Retirement benefit obligations	25	2,226	1,899
Other liabilities	26	28,134	34,137
Total liabilities		**5,526,833**	**5,274,978**
Shareholders' equity			
Share capital	27	452,753	452,753
Other reserves		329,670	292,215
Total shareholders' equity		**782,423**	**744,968**
Total shareholders' equity and liabilities		**6,309,256**	**6,019,946**

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IX. SELECTED REPORTING DATA 2010

Statement of changes in shareholders' equity

	Share capital	Property and equipment revaluation reserve	Available-for-sale investments revaluation reserve (deficit)	Retained earnings and other reserves	Total
Balance at 1 January 2009	**246,178**	**7,736**	**(55,280)**	**277,893**	**476,527**
Net income (expense) recognized directly in equity, net of tax	-	96	45,663	-	**45,759**
Profit for the year	-	-	-	16,107	**16,107**
Total comprehensive income for the year 2009	-	96	45,663	16,107	**61,866**
Issue of share capital	206,575	-	-	-	**206,575**
Transfer to retained earnings	-	(829)	-	829	**-**
Balance at 31 December 2009	**452,753**	**7,003**	**(9,617)**	**294,829**	**744,968**
Balance at 1 January 2010	**452,753**	**7,003**	**(9,617)**	**294,829**	**744,968**
Net income (expense) recognized directly in equity, net of tax	**-**	-	2,513	-	**2,513**
Profit for the year	-	-	-	34,942	**34,942**
Total comprehensive income for the year 2010	**-**	**-**	**2,513**	**34,942**	**37,455**
Transfer to retained earnings	-	(4,627)	-	4,627	**-**
Balance at 31 December 2010	**452,753**	**2,376**	**(7,104)**	**334,398**	**782,423**

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IX. SELECTED REPORTING DATA 2010

Statement of cash flows

	Year ended 31 December	
	2010	**2009**
Cash flow from operating activities		
Interest received	531,210	514,703
Interest paid	(274,962)	(277,094)
Dividends received	563	22
Fees and commission received	68,562	51,044
Fees and commission paid	(13,128)	(17,273)
Amounts paid to and on behalf of employees	(62,443)	(51,923)
Net trading and other income received	(213)	3,595
Other expenses paid	(85,717)	(79,055)
Tax paid	(2,967)	(10,594)
Cash from operating activities before changes in operating assets and liabilities	**160,905**	**133,425**
Changes in operating assets and liabilities		
Net (increase) in reserve with the Central Bank	(11,736)	(36,584)
Net (increase)/decrease in trading securities	(23,875)	3,897
Net decrease/(increase) in loans and advances to customers	31,919	(641,690)
Net decrease/(increase) in other assets	1,490	(186)
Net increase in due to other banks	66,561	94,796
Net increase in amounts due to customers	319,514	446,848
Net (decrease)/increase in other liabilities	(5,929)	8,342
Net cash flow from operating activities	**538,849**	**8,848**
Cash flow from investing activities		
Purchase of property, plant and equipment and intangible assets (Notes 16, 17)	(13,694)	(11,203)
Purchase of investment securities	(21,367)	(2,504)
Proceeds on disposal of property and equipment	7	4,858
Proceeds from sale of investment securities	108,316	34,966
Net cash flow from investing activities	**73,262**	**26,117**

(Continued on the next page)

All amounts are shown in BGN thousands unless otherwise stated.

IX. SELECTED REPORTING DATA 2010

Statement of cash flows (continued)

	Year ended 31 December	
	2010	**2009**
Cash flow from financing activities		
Issue of ordinary shares	-	206,575
Repayments of issued debt securities	-	(33,750)
Long-term financing received	156,326	22,270
Long-term debt repaid	(300,126)	(206,583)
Net cash used in financing activities	**(143,800)**	**(11,488)**
Effect of exchange rate changes on cash and cash equivalents	(264)	3,622
Net change in cash and cash equivalents	**468,047**	**27,099**
Cash and cash equivalents at beginning of year	950,985	923,886
Cash and cash equivalents at end of year (Note 28)	**1,419,032**	**950,985**

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