



POSTBANK FINANCIAL AND SUSTAINABILITY REPORT 2012



Postbank

Solutions for your tomorrow

THE ROAD TO A BETTER TOMORROW

We have trust in you and your endeavors. We share your goals and dreams because your success is ours, too. We are a reliable partner for the years to come. We have solutions for your personal finances and your business. We have solutions for a better tomorrow.

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**EMBRACING YOUR
OPPORTUNITIES TODAY CREATES
A BETTER TOMORROW**



Postbank

Solutions for your tomorrow

LETTER TO THE SHAREHOLDERS



Dear Shareholders,

In the past 2012 we have witnessed many important events for the Bank, the country and Europe as a whole. The crisis continued to be the main factor dominating the agenda in the countries of the European Union. Throughout the first half of the year the pressure on some of the members of the Eurozone was building up until the president of the ECB gave his firm commitment that the bank will do whatever it takes in order for the euro to be sustained. This was a bold move, but it served its purpose - it calmed the markets and facilitated a decrease in the yields on the government debts. Still, there is a lot more to be done, where a key issue for the EU leadership should be to review the effectiveness of austerity as a measure against the challenges of the current environment.

Bulgaria – macroeconomy and banking system

Unlike most EU countries, the Bulgarian economy recorded a positive growth in 2012. GDP grew by 0.8%, driven by consumption and investments. The inflation (4.2%) and unemployment rates (11.4%) continued to put a strain on the disposable income of the consumers and acted as a brake to a higher growth of consumption. The rise of exports slowed down from 30% 2011 to 2.6% in 2012, caused by a lower demand from the EU members. Positively, the latter was partially compensated by the increase of the exports to third countries which will open many opportunities to the Bulgarian exporters in the future.

The events in Europe had only a subtle impact on the local banking system. The Bulgarian banks retained their profit generating capabilities, while the capital adequacy and liquidity ratios are above the European average. On the other hand, the increase of the nonperforming loans together with the faster growth of deposits over loans were squeezing the income and the profits of the banks, which is a trend that is expected to continue also in 2013.

Liquidity & remedial management

Generally, Postbank's results were in line with those of the banking system. Despite all the difficulties, we had some considerable achievements. Without a doubt, one of the most important of them is maintaining sufficient liquidity and building up a stable deposit base. The deposits from individuals kept rising and we managed to replace the volatile corporate deposits with more stable retail ones. As a result, at the end of 2012 the credit portfolio of the bank was fully financed by client deposits. Still, we are interested in all sorts of financing opportunities from local and international financial and development institutions. This kind of funding comes with favorable terms, which we can further pass on to our lending clients.

What is more, we managed to defend our market share and reduce our interest expenses. Thus, we were able to maintain stable interest margins and gather resources for expansion once the demand for loans recovers.

The balance sheet was further strengthened with a series of measures. Remedial management efforts were aimed at restricting the growth of the NPL portfolio and its collection. The cooperation between the responsible units in the Bank and the affiliated companies brought positive results – the 90+ ratio fell and the provisions for impairment were less than the previous year. We finished the year with a capital adequacy ratio of over 17% and have enough room to develop the business in the future.

New business

GDP did grow in 2012, but the demand for loans by companies and individuals remained feeble. Moreover, as a result of the rising competition between the banks for the decreasing number of customers the interest rates reached an unseen since the beginning of the crisis. This is why our focus was not only on selling new loans, but also on other products with added value such as package offers and insurance.

The strategy was well applied in the segments of Small Businesses and Corporate Banking where our clients were offered a full set of services – loans, transactional banking, factoring and leasing (together with ERB Leasing). For the clients who wanted to manage their interest rate and currency risks, our Capital Markets Division developed the appropriate products for their needs. It also continued to be an important player in many other areas – bond trading, money

market and custody to name but a few.

The active cooperation between the segments dealing with Corporate and Retail Banking allowed us to take care not only of the companies, but also of their employees. Our specially designed programs give us a major competitive advantage and help us increase sales to clients with proven record.

In the last few months of 2012 the sales in the Retail segment started increasing which we hope is the beginning of an upward trend. With the adequate pricing policy we won new business and defended our existing customer base. We reduced the base interest rates on our mortgage loans and to the clients looking for consumer loans we offered new, lower, interest rates and loans with a fixed rate for the entire period. The cardholders benefitted from numerous promotions, expansion of the loyalty program and the new Visa Gold credit card. We didn't forget our senior clients - the Golden Time program is a golden opportunity for them to receive high interest rate on their current accounts and various discounts from the standard tariff.

We value the time and the convenience of our clients and strive to offer them the easiest way to bank with us. This is why we designed and launched a new e-banking platform, which combines a modern vision with the newest technologies.

Income and expenses

Reflecting the situation on the market, revenues were under pressure. Nevertheless, we have some notable achievements to report – interest expenses have been reduced, supporting the net interest income. In addition, the fee and commission income was higher than in 2011 – an important milestone in affirming our status of a transactional bank.

Even more was done on the costs side. Emphasizing on new technologies and applying more efficient processes allowed us to reach new heights in this respect, with costs decreasing further in 2012. Marketing was among the things we kept spending on. However, this is not to be seen as an expense, but as an investment in the future instead – products promotion and brand recognition are key for us.

In 2012 we made another significant investment for the future – relocating all Head Office employees in a new, modern building. With this step we expect to achieve not only financial savings, but also efficiency gains stemming from the improved communication between the employees in the various divisions.

HR

Precisely the employees are the ones to whom we owe these results. No matter whether in the branches, the Business Centers or the Head Office, their dedication and hard work are the base of our success. On behalf of the management team, I want to thank them for their efforts and to assure them what they have been doing is highly valued by us. I am convinced that our team is prepared to overcome all difficulties in this dynamic and challenging environment and will deliver even better results in 2013.

Awards & CSR

In our busy daily schedule, we didn't forget our responsibility to the society. The Corporate Social Responsibility is an integral part of our philosophy and in the past year we continued to support our traditional programs in the areas of education and environment as well as socially important projects such as the fight against human trafficking. We are pleased with the fact that we received numerous recognitions for our CSR activities and for our innovative products and initiatives.

Conclusion

In the meantime, we have to remember our goals for this year. Without a doubt, the most important of them is increasing income and liquidity. We are witnessing a slow, but steady economic recovery. Gradually, the people and the companies amass positive expectation for the future, which will certainly encourage higher spending and investing. This is an opportunity which cannot and will not be missed.

We are well prepared to take part in this process. We have built a strong foundation and an effective team. We know well our strengths and how to use them. We have set ourselves ambitious targets and we will work hard to achieve them. Because today, we create the solutions for our tomorrow.



Petia Dimitrova
Chief Executive Officer

BANK PROFILE

Postbank, legally known as Eurobank Bulgaria AD (former legal name Eurobank EFG Bulgaria AD, date of change 11/1/2013), is a leading universal bank in Bulgaria. The bank commands a market share of nearly 10%, a workforce of 2,700 employees and a branch network of over 180 locations countrywide. The bank is a member of Eurobank Group. Eurobank Group is a European banking organization with total assets of €71.3 bn, offering universal banking across eight countries. Eurobank has a dynamic presence in Greece and holds lead positions in Bulgaria, Romania and Serbia, offers discerning Wealth Management services in Cyprus, Luxembourg and London, and is also present in Ukraine.

Having a banking history of over 20 successful years, Postbank ranks among the leading universal banks in Bulgaria. Total assets of the bank reached BGN 5.63 billion as of 31 December 2012.

Developing innovative products and services, and emphasizing on quality, Postbank 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 financial institution to attract new customers and to gain the confidence of the existing ones.

Operations

Postbank provides retail, corporate banking and investment banking services in Bulgaria.

The bank offers best-quality services to its local and international customers:

- Individuals
- Entrepreneurs
- Small and medium-size enterprises
- Large corporate and institutional clients

Postbank offers a full range of banking services:

- Various types of accounts and deposits
- Consumer loans
- Mortgage loans
- Special products for financing small enterprises and entrepreneurs
- Corporate credits
- Mutual funds
- Investments and cash management
- Foreign exchange transactions
- Credit and debit cards
- Bank guarantees and letters of credit
- Securities trading
- Western Union transfers
- Trade finance activities

Products

In regards to the retail banking products, the bank traditionally holds strong positions in mortgage lending, consumer lending and cards, and deposit products.

In October 2012 the bank announced its decision to reduce the interest rate for its mortgage loans for new and existing customers, which respectively led to a decrease in the rate of the monthly installments of the clients. The bank made this favourable change as a responsible financial partner which helps its clients manage their finances throughout each stage of their life.

During the year the financial institution has accomplished numerous partnerships with retailers and has offered to its credit cardholders many discounts in shops, gas stations, travel agencies, hotels, etc. The credit cardholders' loyalty program has been extended to both American Express and Visa clients. In addition, in December Postbank and Visa extended their partnership on the Bulgarian market and started offering the prestigious Visa Gold to all current and new clients of the bank.

The financial institution reported excellent results of its online banking platform use (e-Postbank) since the launch of the all-new version in June. Over 60% of the online banking users have preferred the new platform for the first three months of its launch.

The results of the bank demonstrated an increased interest in the use of online banking compared to the traditional one – nearly 40% of all client transactions are made through internet banking. Customers prefer online services because of their convenience, speed, security and lower fees.

Important events

In 2012 Postbank traditionally occupied a leading market position in credit and debit cards business, mortgage lending and deposits, factoring services for corporate clients, investment banking, custody services for local and foreign institutional clients.

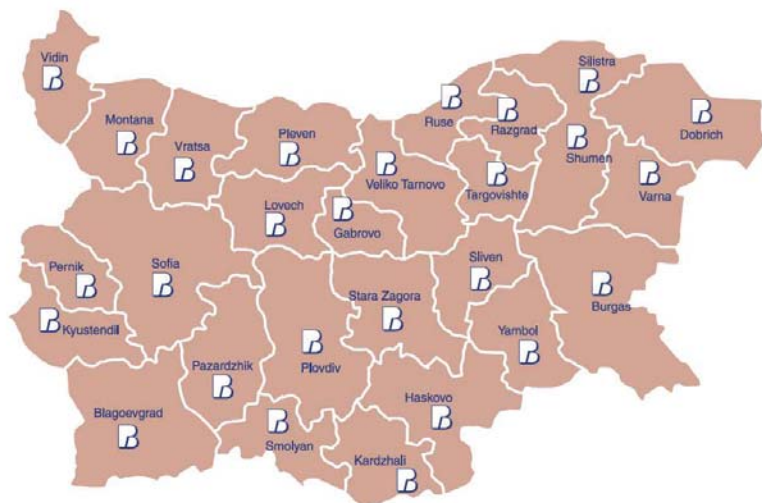
For the third consecutive year, in 2012, the financial institution has been acknowledged as the best bank in Bulgaria offering custody services to foreign and local institutional clients. This recognition was awarded by the annual ranking of Global Custodian, the most prestigious global magazine for custody services.

Throughout the year Postbank was among the leading institutions on the Bulgarian **money and capital market**, an active participant in the interbank currency market and in the fixed-income securities market as well as among the 10 investment intermediaries with highest turnover on the Bulgarian stock exchange. The bank has a specialized investment banking department and numerous large institutional clients.

In March Postbank and the International Finance Corporation (IFC), member of the World Bank Group, signed a **Guarantee Facility Agreement**, under the IFC's Global Trade Finance Program. Through this agreement, Postbank has secured a trade facility of USD 20 million to support the development and promotion of trade activities of the Bulgarian exporters and importers. The agreement with the IFC complements Postbank's wide range of trade finance products and services, designed to support its clients in effectively trading with their foreign business counterparts.

This period has also been extremely successful for the **factoring business** of the bank. The reported increase of the factoring business is 55% on annual base. Postbank traditionally keeps its leading position in export factoring and second place regarding the total factoring market for the year (including export and local deals). Postbank succeeded to attract new clients as well as new contractors of its current clients and to build up a stable and profitable portfolio.

In June 2012 the Bulgarian Credit Rating Agency (BCRA) renewed the assigned a year ago **long-term rating of BBB to Postbank and the bank's short-term rating of A-2**. This is the second rating assigned to the Bank by the rating agency. The rating helps Postbank to successfully continue raising funds, both locally and abroad, to finance the Bulgarian businesses and households, thus supporting the country's economy.



FINANCIAL HIGHLIGHTS

BALANCE SHEET

2012

2011

All figures are in '000 BGN

Net Loans and Advances to Customers	4 035 101	4 154 651
Core Client Deposits	4 342 748	4 331 434
Shareholders' Equity	795 353	787 103
Total Assets	5 637 184	5 990 887

PROFIT AND LOSS STATEMENT

Net Interest Income	210 035	243 724
Net Fee and Commissions Income	55 067	54 080
Net Trading Loss/Gain	-3 434	1 879
Other Operating Income	741	743
Total Operating Income	262 409	300 426
Total Operating Expense	132 415	142 085
Deposit Insurance Fund	-18 554	-17 251
Provisions for Impairment	-109 647	-132 797
Profit Before Tax	1 793	8 293
Income Tax	302	845
Profit After Tax	1 491	7 448

KEY FINANCIAL RATIOS

Total Capital Adequacy Ratio	17.06%	15.44%
Net Interest Margin	3.73%	4.07%
Fees & Commissions/OPEX	42%	38%
Provisions/Loans	2.7%	3.2%
Provisions/Operating Income	42%	44%
Cost/Income Ratio	50.5%	47.3%
Net Loans/Deposits Ratio	84	81

Economic situation in Europe

In 2012, the crisis continued to be the single most important factor affecting the business environment in Europe in general and Bulgaria in particular. In the first half of the year the pressure on the overdebted members of the Eurozone was building up until the firm statement of Mario Draghi that ECB is ready to do whatever it takes to preserve the euro. The ECB's commitment was an important step for calming the markets and helping decrease the yields on the government debts. However, this solved only part of the problems as Europe's economies remain in difficult condition and are still not able to get back on the road to recovery. GDP in the countries of the Eurozone fell by 0.5% and by 0.3% in the EU as a whole which will complicate the task of the main economies to reduce their budget deficits and government debts.

Economic situation in Bulgaria

The macroeconomic indicators of the country were positive, in contrast to the situation in the European Union. Real GDP growth was 0.8%, inflation eased slightly and the budget deficit was lower than forecasted. These positive trends, however, are overshadowed by some negative developments that will impede the future recovery. FDI's are well below expectations, although they increased by 12% YoY to €1.48 bn. The budget deficit was lower than forecast, because the government made less capital expenditures than planned, not least due to the lagging absorption of EU funds. Export

slowed down as a result of the recession in the main trading partners, and this was only partially offset by increase of the exports to other countries. Unemployment rate is increasing together with the share of the long-term unemployed. Intercompany indebtedness continues to increase and the consumers have low expectations about the future. The forecast for GDP growth in 2013 was already revised downwards from 1.9% to 1.0%.

The situation in the banking system reflected the condition of the economy. The system in general remained profitable, with solid capital adequacy and liquidity ratios. Deposits from clients increased by 8% YoY to BGN 57.3 billion with individual customers accounting for nine-tenth of the net delta. The search for the best return channeled most of the savings to the few banks offering the highest interest rates. On the other hand, total loans increased by 3% YoY to BGN 57.8 billion, driven solely by the increase in the lending to companies. Lending in the segment was dominated by a few banks with high risk appetite and/or very low cost of funds. In the same time, the demand for loans from individuals remained weak and the deleveraging continued. The restructured and nonperforming loans exceeded BGN 10 billion in September, but the trend was reversed in the last three months of the year. The latter, together with the increasing liquidity and the falling interest rates on the new production, had a negative impact on the income and the profits of the banks.

	2010	2011	2012
GDP growth (%)	0.4	1.8	0.8
Inflation	4.5	2.8	4.2
GDP per capita (leva)	9 359	10 248	10 632

	2010	2011	2012
Loans to GDP	76%	74%	75%
Deposits to GDP	67%	70%	74%
Loans to Deposits	115%	106%	101%

Liquidity

Ensuring ample liquidity and maintaining stable liquidity ratios continued to be with the highest priority in 2012. The difficult international situation affected the deposit gathering efforts in the first half of the year. With the markets calming down in H2 2012, Postbank was able to improve its positions. Showing a positive delta in client deposits, while in the same time reducing the cost of funds was a challenging task which was successfully achieved. Total deposits increased in 2012 to 4.343 million BGN. More importantly, the growth was concentrated in the retail segment, which helped improve the share of the core deposits in the total funding. The lending portfolio is fully funded by deposits and Postbank has the lowest loans-to-deposit ratio among peer banks.



Capital Adequacy

On the asset side, the focus in 2012 was on protecting the balance sheet and strengthening the capital adequacy of the bank. Many initiatives were undertaken in this respect, such as maintaining the prudent risk appetite, increase of the provision coverage and disposal of nonperforming loans to reduce risk and specific provisions. All measures helped improve the capital base and reduce the risk weighted assets by more than 300 million BGN. The CAD ratio was improved by 160 bps to 17.06%.

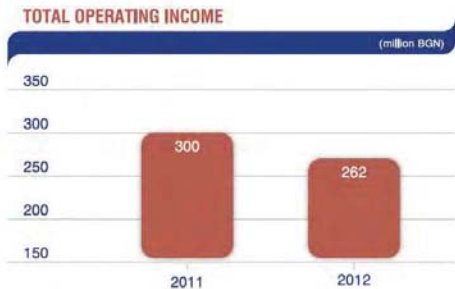


Operating Income

Net interest income decreased by 14% to 210 million BGN. Intense competition on the market pushed the interest rates on new lending to below pre-crisis levels which put a pressure on the interest income and the margins. The rate of decrease of the interest income was matched by a corresponding decrease in the cost of funds, as Postbank reduced its dependence on non-core funding. Deposits from individuals increased by 250 million BGN, with basically no impact on the interest expenses.

Notably, **net F&C income** increased by 2% to 55 million BGN, in line with the strategy of emphasizing on transactional banking and developing the fee related business. Account maintenance, loan related fees and sale of insurance products were the main contributors. Net F&C income already covers 42% of the operating expenses.

Total operating income was down 12.7% YoY to 262 million BGN.



Operating Expenses

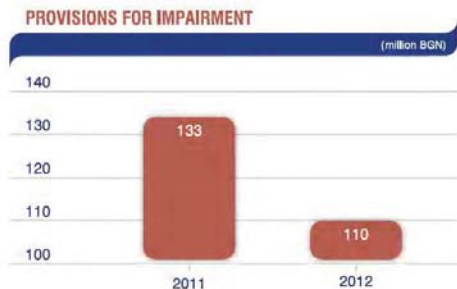
Optimization of processes and structure yielded further cost savings. In 2012 operating expenses were reduced by further 7% to 132.4 million BGN. As a result, Postbank is best in class among peers. Since the beginning of the crisis, Postbank managed to reduce its operating expenses by 20% - more than any other Bulgarian bank.



Provisions for Impairment and Portfolio Quality

In 2012, Postbank set aside an additional 110 million as provisions for impairment, further strengthening the balance sheet. Without a doubt, the main positive news in 2012 was that the provisions for impairment reversed direction and were 17% lower than in 2011. This shows that the bank's remedial management strategy is working and the efforts are paying off.

The share of loans overdue more than 90 days improved by 15 bps to 15.7%, while the NPL provisioning coverage remains comfortably above 50% (excluding collaterals).



MANAGEMENT AND SHAREHOLDERS

Share Capital Structure

Eurobank Bulgaria AD (Postbank) is a subsidiary of Eurobank Ergasias S.A. which is listed on the Athens Stock Exchange.

As of 31 December 2012, the total authorized number of ordinary shares of Eurobank Bulgaria AD (Postbank) was 452,752,652 with a nominal value of BGN 1 per share. Eurobank Ergasias S.A. owns directly 34.56%, another 54.27% through its 100% subsidiary ERB New Europe Holding B.V., and 11.16% through its 100% subsidiary CEH Balkan Holdings Limited. The other 0.01% of the share capital is owned by minority shareholders.

Until 23 July 2012, Eurobank was a member of the EFG Group, having as operating parent company the "European Financial Group EFG (Luxembourg) S.A." and ultimate parent company the "Private Financial Holdings Limited", the latter owned and controlled indirectly by members of the Latsis family. In particular, the EFG Group held 44.70% of the bank's ordinary shares and voting rights, through wholly owned subsidiaries of the ultimate parent company and the remaining ordinary shares and voting rights were held by institutional and retail investors, none of which, to the knowledge of Eurobank, held 5% or more.

On 23 July 2012, 43.55% of the ordinary shares and voting rights held by EFG Group were transferred to ten legal entities, each of which acquired approximately 4.4%, while the EFG Group retained the remaining 1.15%. These entities have formally stated they are independent from each other. As a result, from 23 July 2012, onwards, Eurobank ceased to be under EFG Group's control, and will no longer be consolidated in the financial statements of the EFG Group. In addition, Eurobank's corporate and trade name have already been amended in order to no longer include the "EFG" suffix. The Greek state owns 100% of Eurobank's non-voting preference shares which have been issued in accordance with L. 3723/2008.

On 5 October 2012, the National Bank of Greece (NBG) announced its intention to launch a voluntary exchange offer to acquire all Eurobank's shares offering 58 new shares of NBG for every 100 shares of Eurobank tendered. On 23 November 2012, the General Meeting of the shareholders of NBG, approved the increase of NBG's share capital, and the issue of new ordinary shares to be offered to Eurobank's ordinary shareholders who will accept NBG's voluntary tender offer at the said exchange ratio.

On 8 April 2013, the relevant regulatory authorities, with the consent of the management of both banks, have decided that NBG and Eurobank will be independently recapitalized in full. As a consequence, the merger process of the two Banks is being suspended.

Other subsidiaries of Eurobank Group in Bulgaria:

- ERB Leasing EAD (former name EFG Leasing EAD, date of change 01/2/2013)
- ERB Auto Leasing EOOD (former name EFG Auto Leasing, date of change 10/06/2013)
- Bulgarian Retail Services AD
- ERB Property Services Sofia AD (former name EFG Property Services Sofia AD, date of change 25/3/2013)
- IMO Property Investments Sofia EAD
- IMO Rila EAD
- IMO Central Office EAD
- IMO 03 EAD

Members of Supervisory and Management Boards (as of December 2012)

Supervisory Board

1. Theodoros Karakasis – Deputy Chairman
2. Evaggelos Kavvalos – Member
3. Christos Adam – Member
4. Nikolaos Allprantis – Member

Management Board

1. Petia Dimitrova – Chairperson and Chief Executive Officer
2. Dimitar Shumarov – Executive Director
3. Anthony Hassiotis – Executive Director
4. Iordan Souvandjiev – Member
5. Yiannis Vouyioukas – Member

BUSINESS OVERVIEW

Branch Network

During 2012 the bank continued optimizing its branch network, mainly by relocating branches in places offering better work conditions and foot traffic. Postbank currently possesses a very well developed, positioned and accessible Branch Network. The bank's 186 branches in 92 cities (52 locations in and 134 outside the capital) cover more than 75% of the population in the country.

During the year, the bank continued to emphasize on customer relationship building by improving the quality of customer service and the cross-sales ratio of the bank through various initiatives like conducting mystery shopping surveys, sustaining high level of insurance products penetration in the new lending production and providing adequate level of service to each individual client through customer segmentation.

Alternative Channels

In line with the current trends of increased usage of internet based solutions and online banking services, Postbank, launched its re-designed "best-in-class" e-banking platform, which made banking even more convenient by providing clients with a wide variety of products and services coupled with added security and intuitive drag-and-drop interface. Quick and easy access to all products used, side panels positioned and adjusted according to the client's personal preferences, option of signing and sending several transfers simultaneously, as well as enhanced customizable reports on previous transactions are among the main new functionalities that clients can benefit from.

Individual Deposits

Despite the economic turbulence in 2012, Postbank managed to remain among the leaders in the Bulgarian deposit market not only in terms of innovative and attractive deposit products, but also in providing best-in-class client service. Client segmentation, investment in software applications and dedicated work of the sales force were among the main factors for the success of the client-centric business model. As a result, Postbank managed to defend its deposit market share and achieved significant interest cost reduction. Several new products were launched to answer clients' changing needs, and even stronger emphasis was put on our packaged product solutions.

ДЕПОЗИТИ

Депозит 1x3
Свобода, сигурност, растеж

Плюсове на Депозит 1x3:
- Гибилитет
- Гибилитет
- Гибилитет

10000 BGN

ДЕПОЗИТИ

Депозит 2x3
Свобода, сигурност, растеж

Плюсове на Депозит 2x3:
- Гибилитет
- Гибилитет
- Гибилитет

10000 BGN

СИСТЕМНИ ПРОДУКТИ

Изберете своя начин за спестяване

Депозитни продукти, изберете своята Финансова стратегия

10000 BGN

Застраховка

Честна игра на максимално ниво

Изберете своя начин за спестяване

- Депозит 1x3
- Депозит 2x3
- Депозит 3x3
- Депозит 4x3
- Депозит 5x3

10000 BGN

Personal Banking

Personal Banking model entered into a more mature stage, as it managed to differentiate itself from competition with its distinctive branding and the wide range of financial products and services available exclusively to affluent clients. With the necessary infrastructure already in place (90 branches with Personal Banking Advisors), the focus this year shifted to improving client loyalty and cross-sell based on a detailed assessment of the financial needs of each client, individually. The significant resources dedicated to the popularization of the service paid off, as the number of affluent clients choosing Postbank as their main servicing bank increased continuously.



Group Sales

During the year, Postbank was successful in increasing significantly its Group Sales client base with respect to both the payroll clients and the pensioners, through "Golden Time", a package of services specifically oriented towards the retiree segment. The constant promotional activities, including "Postbank Days" in corporate clients' offices, and the proactive presentation of the attractive features of the different products aimed at providing our clients with suitable financial solutions for each stage of life, were the main drivers for this success.

Consumer Lending and Cards

Consumer Loans

During 2012, the main focus in this business area was building and growth of new business volumes as well as protection and increase of the market share by monitoring closely the customers' demand and financial needs. In the end of Q1, Postbank introduced a new pricing scheme for all annuity loans, by keeping the existing segments, aiming to achieve easy and user-friendly product mix for its branch personnel, in combination with more attractive conditions for the end customers. Following the new pricing strategy, designed for attracting more payroll customers, the bank managed to increase the portion of the newly disbursed consumer loans among such customers with 30%, namely 41.2% share in 2011 vs. 53.7% in 2012. Since June, the existing "Flexi" functionality for the mortgage loans was also implemented for all newly disbursed consumer loans, giving flexibility to the customers in paying their monthly installments. Another innovation, which has enriched the product offerings in Q3, was the introduction of Consumer loan with fixed interest rate for the whole period of the loan. In order to increase the attractiveness of its products in terms of service and easy access, in the beginning of Q4 Postbank introduced an online application process for consumer loans, which till the end of the year has contributed with close to 6% of all incoming applications for consumer loans. Combining all newly implemented functionalities, products and commercial campaigns, the bank managed to achieve 22% increase in the newly disbursed consumer loans, which has led to maintaining its market share position compared to 2011.

Cards

In 2012, Postbank successfully carried out numerous initiatives aiming to increase both credit cards' spend and acquisition. Spending amounts were boosted through two VISA national promo campaigns, two IKEA campaigns (10% discount and interest free installments) and "Buy or withdraw and re-schedule" campaign for dormant customers.

During the summer, Postbank accomplished a spend stimulation campaign for all credit cards, offering the cardholders cash back on purchases at tourist agencies, petrol stations, household appliances and furniture stores, thus boosting significantly the spending volumes.

The promotional campaign with Metro increased almost 10 times the American Express volumes in Metro stores nationwide, activated a significant number of dormant customers, and brought new ones.

Consumer Lending Division managed to activate close to 1,000 Euroline and Euroline American Express cardholders, without valid plastics to renew their cards through the efforts of Telemarketing unit. New cards' acquisition was triggered by "Member Get Member" and "Bring a friend and go to 2012 London Olympics" campaigns, "Add-on cards with no annual fee" and "Pay only if you don't use" campaigns.

КРЕДИТ

Потребителски кредит, създаден специално за Вас

Добавяйки, че си заслужава да живеете по-добре!

- Отпускане на кредитните средства директно във Вас
- Гъвкаво изплащане на месечните вноски – само изплащане размера на 8 съответстващи на Вашата наличност
- Препоръчано от регулатор от 31.03.2012 г.*

Postbank

* ЕВРО 18 000

-10%

отстъпка в МЕТРО

при покупки с кредитна карта

AMERICAN EXPRESS

Плати картата си и ти си ползвател на всички покупки в American Express

METRO

Further developing its credit cards' portfolio, the bank launched a new product – the prestigious VISA Gold card. In order to offer the best loyalty program on the Bulgarian market, Postbank extended MyRewards program to all credit cards' customers.

Acquiring

In 2012, Postbank managed to sustain growth in POS acquiring that was higher than the 10% growth of the market. It has 37.0% growth in terms of number of transactions, 27.4% increase in acquiring turnover volumes and 18.5% increase of the commissions revenues compared to 2011. That led to improvement with 27.3% over the P&L budget. Consumer Lending Division continued the good cooperation with other divisions of the bank, such as Corporate and Small Banking Business (SBB), established to secure more focused approach and joint efforts in attracting and retaining key merchants as bank clients. The key merchant acquisitions through the year were Vivacom, BDZ and Cellum. The bank successfully explored the POS share deal with DSK Bank which allowed increasing the coverage of merchants accepting American Express cards in a cost-efficient manner.

Auto Business

In 2012, commercial activities were focused on the developing of already established business relationships between ERB Leasing (another subsidiary of Eurobank Group in Bulgaria, previously named EFG Leasing) and the official car vendors in the country. Meanwhile, the leasing company proceeded to develop its cooperation with Branch Network of Postbank for presenting auto leasing products to the customers of the bank. Good business results were achieved as a result of the mutual cooperation between Auto Business and Branch Network. In 2012 was created an entirely new business channel, namely the use of leasing brokers. Two cooperation agreements were signed with the two official insurance brokers of ERB Leasing. The results were more than promising as through the sales channel (acting formally since April 2012) were implemented 8% of the new business for the whole 2012. At the end of September 2012, Auto Business in cooperation with Postbank's SBB division, participated in the International Plovdiv Fair, which is the largest exhibition of cars in Bulgaria. During the exhibition several sales were made and contacts with suppliers and car dealers established. In 2012, an entirely new leasing product for financing of used vehicles was developed and launched. In cooperation with the bank's Branch Network, and in particular one of the bank branches in Blagoevgrad, was actually signed and implemented a new business cooperation agreement with a car dealer in South-western Bulgaria (Auto Luks – supplier of Skoda and Great Wall for the region). As a result, new tactics and approach were developed to represent the leasing product and the leasing company in cities where there is a registered branch of the leasing company, but no physical presence of Auto Business. In Veliko Tarnovo, Stara Zagora, Pleven (existing registrations), Blagoevgrad, Sliven and Haskovo (new branches of the leasing company which were proposed for registration in 2013) relationships with the car suppliers will be established through the bank's branches and the service of the dealers and clients will be provided by a pre-determined branch of the bank. This new approach will lead to generation of new business in these cities and real intervention in the leasing market of these regions.

Remedial Management

In 2012, the main focus continued to be the remedial management of the portfolio and further improvement of the portfolio quality, despite the stressed economic environment that Consumer Lending was operating in. The strategy and the processes were constantly reviewed and modified, new tools were developed and implemented with the focus remaining in following areas: helping customers who were facing difficulties in repaying their obligations, controlling the delinquencies by strengthening the collection and recovery efforts towards overdue customers and minimizing expenses. These strategies and tactics led to the improvement in portfolio quality, decreasing in remedial expenses with 18% YoY (from 3.8 mln to 3.1 mln) and the total provisions charge was reduced by 21% YoY (From 19.6 mln to 15.5 mln) and by 50% versus 2010 (from 30.6 mln to 15.5 mln).

Real estate market

In 2012, the dynamic of the real estate prices showed that they have reached their lowest levels and the market has stabilized. The market witnessed a return of property buyers in the big cities luxury segment with good location and infrastructure. First home were dominated the market for residential property. These were mostly young people, aged 25-35, motivated to have their own home, and this helped them to take this long-term decision.

Sales initiatives and multichannel sales approach

During 2012, Postbank has been applying multichannel approach in order to increase new sales. Together with the Branch Network which remained the strongest distribution channels, ML staff focused on reinvigorating and further development of alternative sales channels, such as financial consultants, real estate brokers, etc. and CRM activities. In addition, the bank introduced an online channel, greatly expanding the ways potential clients could hear about and apply for mortgage offers. Thus, Postbank was allowed to reach substantially more non-Postbank clients. The main source for loans generation remained the existing customer base and the bank emphasized on its systemic and pro-active targeted approaching and CRM activities. A combined sales initiative was launched in the first two quarters, together with the Group Sales team, which provided superior solutions to payroll clients, and improved outreach. A set of internal marketing campaigns, with pre-selected customers were conducted, aiming to promote mortgage loans and to increase cross sales to existing customers. Different sales initiatives were launched in the field of third parties business, aiming to increase sales through various sales channels and to improve the service and expertise, which customers receive.

Better Solutions

Postbank's goal is to provide products that reflect the market needs in the current economic environment and offer more advantage than the competitors. In this respect, the bank develops innovative solutions, that cannot be found anywhere else, like the mortgage loan with gift offer through credit card, IKEA and "Flexi" option.

The "Flexi" option gives opportunity for the customers to adopt the monthly installements according to their income – during six months of their choice every year, they can decrease the amount of their installements to 50% of the initial amount or increase them up to 200%. Once a year, they can skip a whole monthly payment. This is a very practical feature that allows better flexibility of family budget planning.

The decision to borrow money for a new home is a very important step in every person's life, and Postbank provided its customers with additional flexibility, certainty and the feeling of control they need at the moment. This functionality is still one of a kind on the Bulgarian market, and it proved so popular, that it can now be applied to all mortgage and home loans the bank offers.

Enhanced Products and Services

In addition to innovation, the bank also invested in alternative ways to provide clients with value-added products, as well as the best and the most modern customer service. Such an alternative channel is the online loan applications. Postbank always advises its future customers to visit a branch of the bank in order to obtain the entire information on all products and the possible options. It was the first bank to offer its clients insurance against unemployment for their home loan, together with the standard Life Insurance, all the way back in 2009, when many people started to feel worried about their jobs. Another example is the "Easy Life" package, that helps customers in their everyday life through automatic payments of utilities bills, insurance coverage and internet banking. "Easy Life" package gives the customers some discounts on standard home loan conditions.

Postbank also gives its borrowers options to negotiate some of the loan conditions, like tenor, interest rates etc., providing them not only with financing, but also with professional and guidance expertise.



ИМАМО ВИ КРЕДИТ

Ној год за моето семејство
Имајте мојте кредити за максимално време
и минимално кредитно ниво

Промоционарна кампања: Најмногу кредити
за максимално време до 30 години

- Секвенцијално кредитирање
- Без пенал при неплатежи (интересен кредит)

Postbank

КРЕДИТНОСТАВАЊЕ 7 8000 18 000

Corporate Banking

Postbank's Corporate Banking Division (CBD) is dedicated to servicing large and medium corporate enterprises by providing high quality tailor-made products and services through a network of 7 Business Centers, and one Large Corporate Unit, in addition to the bank's significant branch network.

In 2012 the Bulgarian economy continued to be adversely influenced by the international financial crisis, but started showing signals of recovery. CBD acted in a prudent and responsible manner by proactively supporting the Bulgarian corporates, while undertaking prompt and efficient measures, in order to diminish the consequences of the crisis upon its clients and business.

The Division's main focus in 2012, was placed on new business development by establishing and expanding its collaboration with existing and new clients, increasing cross selling and re-examining corporate relationships, based on their return on risk assets. During the year, CBD granted new loans to new and existing clients from various industries, mainly to export-oriented companies, and capitalized on Eurobank's extensive presence in the Balkan region and knowledge of the market. Strong emphasis was paid to Corporate Transactional Banking, as main contributor of non-interest related income for the division. Several projects were conducted in relation to optimization of cash collection and enhancement of customers' transactions. Accordingly, the level of current accounts balances and corporate deposits was increased, as well.

In 2012, the business of Eurobank EFG Factors, the factoring company of Eurobank Group, was merged within Postbank under the umbrella of Corporate Transaction Banking. Postbank continued to be the company with the fastest growing factoring business in the market. It managed to become the largest export factor in Bulgaria, and one of the leaders overall with more than 37% market share. The bank retained its leading position in offering corporate clients a full range of innovative and standard factoring services, such as: recourse and non-recourse domestic and international factoring, collection services, reverse factoring, back-to-back factoring, invoice discounting forfeiting and a new product for receivables management.

In order to further assist the growth of export oriented businesses, the Division established the Association of Bulgarian Exporters, legally registered in December 2011, with a main goal - to promote the Bulgarian exports in the international markets and to improve the exporting skills and market entry success of local companies. The mission of the new organization is to identify and develop opportunities for Bulgarian exports, monitor international demand for local products, and establish new agreements with trading partners in various parts of the world. The Association started to grow in 2012, providing various services to its members.

In 2012, the portfolio quality continued to be one of the Division's main focuses. In this respect, CBD continued to take 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 for a consecutive year at levels below the market average.

Major role in Corporate Banking Division is dedicated to Corporate Loan Administration. Currently, the Department, fully centralized and based in Sofia, supports successfully the operations of one Large Corporate Unit and seven Business Centers. The Department ensures timely and proper management of all credit deals of the Division, including collaterals management, uniformity in the processes, and better control of operations.

CBD's main priority for 2013, is to further enhance new business development, mainly through export-oriented companies, in order to support the export-economic policy of Bulgaria, a critical pillar in creating sustainable economic recovery and growth. In addition, the close monitoring of the portfolio quality and the solid effort to increase the operational efficiency will continue to be part of the Division priorities in 2013.



2012 was another year of challenges for the bank. Despite the difficult environment, Capital Markets/Treasury consolidated its leading role, contributing substantially to Postbank's performance.

The key strategic targets were successfully followed - securing stable liquidity, fortifying the balance sheet and strengthening market shares in treasury products and services to clients.

Asset-Liability Management (ALM)

The key priorities were successfully followed – market risks management, consolidation of liquidity, cost of funds optimization, exploration of wholesale funding opportunities, enrichment of relationships with foreign names.

Balance sheet market risk exposures were prudently managed through pro-active interest rate, gapping and hedging of FX exposures. The prudent liquidity management provided for accumulation of stable liquidity reserves during 2012. All liquidity ratios (following Eurobank Group requirements and Bulgarian National Bank regulations), were at safety distance above thresholds. ALM/Treasury had a key role in diversifying and rebalancing deposit mix and cost of funds optimization. Throughout 2012, ALM proactively pursued new funding lines with international and local financial institutions. A new Trade Finance Facility was signed with IFC (part of World Bank Group), and a new credit line for SMEs was negotiated with Bulgarian Development Bank. The main challenge for the Bank, as well as for the whole banking sector, was the utilization of accumulated liquidity for extending new lending to customers.

Treasury Sales

Treasury Sales made solid contribution to the bank's fees and commission revenues – both from basic products (FX, bond sales, institutional deposits) and from value-adding products (derivatives). Flow business in terms of bond sales outperformed by 80% in 2012, both volume and profit wise, mainly due to sales of international corporate bonds to institutional clients. Capabilities to provide tailor-made treasury solutions to businesses were effectively capitalized - 79 FX derivatives deals for a total amount of € 11.5 mln and long term interest rate hedging deals for around € 20 mln, as the latter contributed for a 33% increase in the unit's profitability from interest rate hedging products, compared to 2011. On the Institutional deposit market, Postbank defended its market share at 5.2% as of December 2012.

Trading, Brokerage & Investment Banking Department

In 2012 Postbank remained among the most active players on the local money, debt and equity markets.

The unit actively managed the size and the risk of the Bank's fixed income portfolio, seizing substantial trading gains and capitalizing interest income. During the year, the Trading desk managed to increase the flows from foreign government and corporate bonds, leveraging on its trading lines and contacts with leading international banks and brokers. The bank was one of the most active players on the interbank money market (both in deposits and repo deals) with 7% market share.

Postbank is one of the most recognizable names on the Bulgarian Stock Exchange, with its 15-year history as an active investment intermediary in the country. With around 2.0% share in the market transactions and over € 3.5 mln turnover in 2012, Postbank was the second most active banking institutions on BSE-Sofia last year. The bank preserved its leading position in market making activities on the stock exchange, which was introduced in Bulgaria five years ago.

The Investment Banking unit accomplished 2 large projects throughout 2012 - a tender offer with stock exchange delisting for a public company, and a successful placement of the first Corporate bond issue since 2010.

Custody

Throughout 2012 Postbank remained among the leading banks in terms of custody services offered to local and foreign institutional investors, including safe-keeping, processing and servicing clients' securities portfolios. The bank succeeded to increase its clients' assets under custody by more than 20% and preserved a leading position as the preferred custodian bank on the market for local mutual funds and investment companies.

Postbank was recognized as the best bank offering custodian service in Bulgaria by the Global Custodian magazine for a third consecutive year. In the publication's ranking for developing markets for 2012, the bank received the highest numerical score for the services it offers in both categories "Foreign Clients" and "Local Clients". For the latter category the financial institution is the only "Top Rated" participant from Bulgaria for 2012.

Mutual Funds

During 2012, the Luxembourg Mutual Funds, distributed through Postbank's branch network, realized substantial gains and rewarded its investors with two-digit returns. The efforts of the portfolio managers have been accredited by Citywire Global and Morning Star rating agency with top distinctions during the year.

ERB Leasing and ERB Auto Leasing

ERB Leasing (former name EFG Leasing EAD, date of change 01/2/2013) and ERB Auto Leasing provide a full range of leasing products for purchase of passenger and commercial vehicles, equipment, machinery and real estate to corporate and retail clients. The products are designed to match the demands of the competitive market, but also customized to meet the needs of clients. The share of Real estate in ERB's Leasing Portfolio increased over the past few years to 50%, followed by the traditional commercial and passenger vehicles - 26%, and industrial equipment - 24%.

During 2012, the leasing market decline was smaller, compared to the previous years. Leasing companies started to increase the new business volumes steadily, and at the same time, continued their efforts to preserve the portfolio's quality and profitability, while increasing the efficiency of their operations. In a stagnated leasing market, ERB Leasing managed to preserve its solid position, based on the strong cooperation and support from Postbank and Eurobank Ergasias Leasing, as well as the efficiency and competency of its personnel.

Looking at challenges as an opportunity, ERB Leasing will enter 2013, 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.

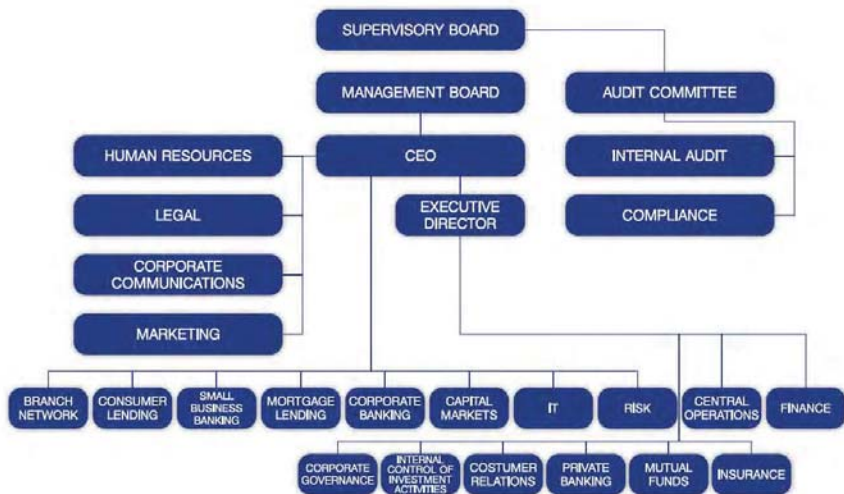
GOVERNANCE STRUCTURE AND RISK MANAGEMENT

GOVERNANCE STRUCTURE AND RISK MANAGEMENT

Postbank attaches great importance to good corporate governance, acknowledging its contribution both to business and to accountability. Performing its business activities in an environment of continuously changing economic, industry, regulatory and operating conditions, the Bank is committed to adhere to the best corporate governance practices, legal and ethical principles.

Postbank acknowledges that corporate governance is essential to achieving and maintaining public trust and confidence, and therefore implements an appropriate organizational structure that includes an adequate system of "checks and balances" and clear lines of responsibility and authority of the management, which creates mutual confidence among the shareholders, customers and employees, and ensures that their interests are always met.

Organizational Structure



Management and Representative Bodies

The bank has three management and representative bodies: the General Shareholders' Meeting, the Supervisory Board and the Management Board. Their duties and authorities derive from the Commerce Act, the bank's Statute and each respective board Terms of Reference. Shareholders, as the owners of the bank's business and assets, exercise their rights at the General Shareholder's Meeting. The General Shareholder's Meeting decides in particular on the changes to the Statutes of the bank, capital increase and decrease, appointment of the members of the Supervisory Board, appointment of the external auditors, approval of the Annual Financial Statements, resolves on payment of dividends, releases from liability the members of the boards, etc. According to their legitimate rights the shareholders are perma-

nently in possession of adequate flow of information on the bank's operations through various means and channels - annual and extraordinary shareholders' meetings, reports being submitted to them by the boards and their committees, statutory publications with the Commercial Register etc.

According to the applicable legislation, the members of the boards are elected upon preliminary approval procedure before the Bulgarian National Bank, which thoroughly examines their sufficient qualifications, professional experience, reliability and suitability for occupying the position.

Management Board and Supervisory Board

MANAGEMENT BOARD

The bank is managed and represented by Management Board, a permanent collective body, exercising its powers under the control of the General Meeting of Shareholders and the Supervisory Board. The Management Board holds regular meetings and its foremost duty and responsibility is to deliver sustainable growth in shareholder value and to safeguard the bank's interest, to report and keep the Supervisory Board informed on all significant matters regularly, promptly and comprehensively, to prepare the annual activity report and the annual financial statement and to submit them to the registered auditors and the Supervisory Board, as well as other functions and responsibilities provided by the law and the statutes.

The Management Board consists of 3 to 9 members, elected by the Supervisory Board. The Management Board, with the approval of the Supervisory Board, assigns the management and representation of the bank jointly to two or more of the Management Board members - executive directors.

As of December 31, 2012, the Management Board consisted of the following members appointed for a three-year term of office (commencing as of May 5, 2011):

Petia Dimitrova – Chairperson and Chief Executive Director
Dimitar Shumarov – Executive Director
Anthony Hassiotis – Executive Director
Iordan Souvandjiev – Member
Yiannis Vouyioukas – Member

Mr. Ilian Raychev was a member of the Management Board until September 11, 2012.

In carrying out its activities, the Management Board is assisted by specialized committees. The main committees are:

Executive Committee

The Executive Committee has the responsibility for the day-to-day management of the bank. It considers all issues pertaining to the current activities of the bank and adopts decisions on them, as to manage the implementation of the bank's strategy.

Asset and Liability Committee

The Asset and Liability Committee is established in compliance with the requirements of Art. 4 of Ordinance №11 of Bulgarian National Bank on Bank Liquidity Management and Supervision. The Asset and Liability Committee has primary responsibility for advising the Management Board on strategy for management of the bank's assets and liabilities.

Credit Committee

The Credit Committee of the bank is set up in compliance with Art. 4 of Ordinance № 9 of Bulgarian National Bank on the Evaluation and Classification of Risk Exposures of Banks and Allocation of Specific Provisions for Credit Risk. It has the responsibility to monitor, evaluate, classify and determine specific provisions for credit risk.

SUPERVISORY BOARD

The Supervisory Board performs overall control over business and financial activities of the bank and also controls the conformity of the bank's activity with the applicable law, the Statute and the resolutions of the General Meeting in the best interest of the bank's shareholders, customers and employees. The Supervisory Board controls the organization and the management of the implementation of the resolutions of the General Meeting of Shareholders, appoints and revokes appointment of the members of the Management Board, approves certain major transactions and resolutions of the Management Board, verifies and approves the Annual Financial Statement, the annual report and the draft on distribution of profit and resolves to call the annual regular general shareholders' meeting, as well as other functions and responsibilities provided by the law and statutes. The Supervisory Board consists of 3 to 7 members, elected by the General Meeting.

As of December 31, 2012, the Supervisory Board consisted of the following members appointed for a three-year term of office (commencing as of May 5, 2011):

Theodoros Karakasis – Deputy Chairman

Evangelos Kavvalos - Member

Christos Adam – Member

Nikolaos Aliprantis - Member

Mr. Piergiorgio Pradelli was a member and chairperson of the Supervisory Board until August 30, 2012.

In terms of its representation, the bank has established the position of a Procurator in addition to those of the Executive Directors. Ms. Milena Vaneva, Head of the Legal Division at the bank, has been appointed as Procurator and as such she represents the bank always acting jointly with any of the Executive Directors of the bank and by that condition she has the rights to perform all and any acts or transactions related to the carrying on of the business activities of the bank, to represent the bank, to authorize third parties to perform specific acts, as well as to dispose of and encumber real estate property of the bank.

The Supervisory Board controls the organization and the management of the implementation of the resolutions of the General Meeting of Shareholders and it has established specialized committees to facilitate its own work:

Risk Committee

The Supervisory Board 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 committee develops risk policies and procedures, and monitors their implementation.

Audit Committee

The Audit Committee assists the Supervisory Board 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 Statements;
- The External Auditors' selection, performance and independence;
- The effectiveness and performance of the Internal Audit and Compliance functions.

Through its internal control system, based on international best practices, the bank provides reasonable assurance of achieving efficient and effective operations, adequate control of risks, prudent conduct of business, reliability and completeness of financial and management information, and compliance with laws, regulations, supervisory requirements and the bank's internal rules and decisions.

As part of its overall system of internal controls, the bank has established a number of dedicated control functions whose main responsibility is to act as independent control mechanisms, thus reinforcing the control structure of the bank.

Risk Division

Postbank acknowledges that taking risks is an integral part of its business. It therefore sets mechanisms providing adequate, timely and continuous identification, assessment, monitoring, mitigation and reporting of the risks posed by its activities.

Internal Audit Division

The Internal Audit Division assists the Supervisory Board and the Audit Committee by providing an independent appraisal of the adequacy and effectiveness of the internal control and risk mitigation systems. The Internal Audit Division provides proactive support to the management in the promotion of internal controls and management of risk through recommending leading control practices and assists the management in prevention of fraud and defalcation.

Compliance Division

Postbank sets policies and controls designed to ensure that the requirements of the relevant regulatory authorities, laws and regulations are complied with at all times. The bank actively promotes compliance as part of the culture of the organization and continues successfully to manage and minimize the compliance risk and to prevent from infringement of ethical and legal norms.

The Compliance Division is focused on establishing and maintaining an appropriate system of internal controls and addressing the compliance risk. Its main responsibilities include:

- To control and prevent against using the bank for money laundering and terrorism financing;

- To monitor staff adherence to internal rules, including Code of Conduct and Professional Ethics;
- To carry out investigations in response to requests by regulatory and other authorities, to provide information and co-operate with them in order to facilitate their work;
- To assist and advise management on the prevention of fraud, illegal and unethical practices;
- To address other compliance issues (e.g. data protection issues).

Corporate Governance

The Corporate Governance Department facilitates the management through ensuring the implementation of the Eurobank Group's governance policies and procedures, the requirements of the regulatory authorities, laws and the best corporate governance practices and providing advisory support to the other Eurobank Group companies in Bulgaria.

Risk Division and Risk Management

Postbank acknowledges that taking risks is an integral part of its business. It therefore sets mechanisms providing adequate, timely and continuous identification, assessment, monitoring, mitigation and reporting of the risks posed by its activities.

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 responsibilities between the business origination and credit risk management functions, with the business origination function performing preliminary selection to filter out bad 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 – responsible for strategic decisions and country risk management;
- Country Credit Committee and Regional Credit Committee – responsible for Credit Approval Process decisions;
- Credit Committee – responsible for provisioning management and deteriorated loans management decisions, as well as approval of loan restructurings;
- Loans and Product Committee – responsible for approval of products' risk parameters;
- NPL Committee – responsible for Non-performing loans' management;
- Operational Risk Committee - responsible to provide oversight of actual operational risk exposure and management and the processes implemented to assess, monitor and mitigate operational risk.

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

Market Risk

Market Risk Department is responsible for the independent identification, assessment, monitoring and control 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 generate market risk. In 2012, the process of measuring, monitoring, analyzing, reporting and managing the bank's exposure to market risks continued to be in line with Eurobank Group's standards and best practices. The analysis of the bank's risk exposure is supported by stress tests for market risk, carried out on a regular monthly basis and simulating adverse interest rate, foreign exchange and equity portfolio scenarios, which have proven to be a valuable forward-looking risk-management tool. At present, Postbank 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 low, largely due to the floating rate nature of the majority of its assets and liabilities, the short re-pricing periods and the active management of the interest rate gaps. The interest rate risk of a significant part of the bond portfolio, consisting mainly of Bulgarian sovereign bonds, is hedged through asset swaps. The bank's proprietary equity portfolio consists of equities, listed on the Bulgarian Stock Exchange, with equity price risk monitoring and management performed on a daily basis, enhanced by daily calculations of portfolio VaR. Counterparty risk monitoring and management is also performed daily, together with the monitoring of PFE limits for derivative exposures with corporate customers.

Liquidity Risk

Liquidity risk is the risk that the bank would not be able to fund increases in assets or 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 financial institution aims to effectively manage its liquidity risks and maintain sufficient liquidity buffers to withstand potential stress events. The ultimate responsibility for liquidity management lies with the Assets and Liabilities Committee (ALCO). In 2012, despite the continuing difficult economic situation and unfavorable market conditions, Postbank maintained its very strong and stable liquidity position. The regularly monitored liquidity ratios and liquidity buffers remained well above the internal minimum target levels set by the management. The regulatory "liquid assets ratio" as per Bulgarian National Bank Ordinance No 11, stood at 28.41% at the end of the year, well above the minimum levels required by the Central Bank. The positive outlook of the bank's liquidity position has also been emphasized by the results from the number of regular monthly performed stress test scenarios for liquidity risk, showing that Postbank has built a capacity to withstand extremely adverse liquidity risk scenarios.

Operational Risk

Operational risk management is implemented through a combination of policies, methodologies and processes, that are designed to identify, assess/evaluate/measure, manage controls, mitigate, monitor performance, consolidate and report operational risk manifested as: internal and external fraud, execution, delivery and process management failures, business disruption and system failures, damage to physical assets, improper use of products or business practices.

Operational risk management in the Bank is based upon the following distinct, even though interrelated and integrated, programmes: Operational Risk Events database maintenance; Key Operational Risk Indicators (KRIs); Risk and Control Self-Assessment (RCSA); Fraud Risk Management and, Operational Risk Scenario Analysis.

In 2012, the main operational risk activities were focused firstly, on the effective anti-fraud management through various counter fraud initiatives including trainings. Furthermore, a culture of ethical behaviour among staff was fostered. The focus was also put specifically on promoting operational risk awareness within the Bank. The implementation of the most appropriate processes to assess, monitor and mitigate operational risk during the year was ensured by the Operational Risk Committee.

No operational losses that could expose the bank to significant risk, considering its size occurred in 2012.

Basel II

In accordance with the Eurobank Group's roll-out plan, and in view of the commitment of the Bank for continuous enhancement of Risk Management, Basel II Programme activities' continued in 2012 in alignment with the Group's standards and best practices.

APPENDIX 1



To Shareholders of the Eurobank Bulgaria AD

Report on the Financial Statements

We have audited the accompanying financial statements of Eurobank Bulgaria AD (the "Bank") which comprise the balance sheet as of 31 December, 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Eurobank Bulgaria AD as of 31 December 2012, and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

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

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

In our opinion, the Annual Report set out on pages 1 to 9, is consistent with the accompanying financial statements of the Bank as of 31 December 2012.

Rositsa Boteva
Registered Auditor

Tsvetana Tsankova
PricewaterhouseCoopers Audit OOD

3 April 2013
Sofia, Bulgaria

DIRECTORS' REPORT

The management presents the annual Directors' report as of 31 December 2012.

BUSINESS DESCRIPTION

Eurobank Bulgaria AD (the Bank or Postbank) 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: 260 Okolovrasten pat Str, 1766 Sofia, Bulgaria.

The Bank's corporate name was amended on 11 January 2013 from "Eurobank EFG Bulgaria AD" to "Eurobank Bulgaria AD", following Extraordinary General Meeting's resolution on 6 November 2012.

BUSINESS OVERVIEW

Development and results from the business activity

Eurobank Bulgaria is a leading universal bank in Bulgaria, part of Eurobank Group. The Bank provides a broad range of banking services to local and international customers through its nationwide branch network. The Bank operates 188 branches and 7 business centres and employs 2,700 people.

Developing innovative products and services and emphasizing on quality, the Bank maintained its leading position and continued to build 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.

The crisis was still around in 2012, but there were some positive signs that the Bulgarian economy was gradually emerging from it. The real growth was positive throughout the whole year, which shows the early signs that the country is recovering from the recession. All other macroeconomic indicators were also encouraging – inflation remained subdued, the structure of foreign direct investments was improving, unemployment seemed to be under control and the budget deficit was much better than expected. The forecasts for 2013 estimate some acceleration of the GDP growth to about 1% - 1.5% for the year, which in turn indicates that hard times of the crisis are behind us.

The Bank will follow its strategy to remain 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. The reduction of external funding dependency and the increase of local deposit market share will remain top priorities. The Bank will continue to put strong emphasis on cost containment, including cost of funds. In terms of the lending portfolio, Postbank will focus on a controlled expansion in the target segments, adhering to strict lending criteria and improving the overall quality of the portfolio.

Despite the difficult environment, the Bank maintained its market share, net worth and assets. The total assets of the Bank reached BGN 5,637 million as of 31 December 2012. Operating income of the Bank reached BGN 262 million and the operating expenses for the year amounted to BGN 151 million. The Bank reports a net profit of BGN 1,5 million.

As of 31 December, 2012, the Bank's net loan portfolio amounts to BGN 4,035 million. During the year the Bank further fortified its Balance sheet and impairment of loans and receivables reached BGN 319 million.

The Bank finances its operations mainly through funds attracted from its clients. The sound market position of the Bank, its deposit market share as well as the good reputation, confirm that the deposit products offered by the Bank are competitive. As of 31 December 2012 attracted funds from clients amounted to BGN 4,413 million. 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, 2012, the Bank's ratio of liquid assets is 26.75%.

The capital of the Bank is sufficient to maintain capital adequacy cover for its risk-weighted assets. The Bank has a strong capital position which as of 31 December, 2012, reached BGN 645 million (calculated in accordance to the Capital Adequacy Ordinance 8 of the Bulgarian National Bank) representing Basel II capital adequacy ratio of 17.06%, significantly 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

In 2012, Postbank traditionally occupied a leading market position in credit and debit cards business, mortgage lending

and deposits, factoring services for corporate clients, investment banking, custody services to local and foreign institutional clients.

Postbank was among the leading institutions on the Bulgarian money and capital market, an active participant in the interbank currency market and in the fixed-income securities market as well as among the 10 investment intermediaries, with highest turnover on the Bulgarian stock exchange. The Bank has a specialized investment banking department and numerous large institutional clients.

In June, 2012, the Bulgarian Credit Rating Agency (BCRA) renewed the assigned a year ago long-term rating of BBB to Postbank and the bank's short-term rating of A-2. This is the second rating assigned to the Bank by the rating agency. The rating helps Postbank to successfully continue raising funds, both locally and abroad, to finance the Bulgarian businesses and households, thus supporting the country's economy.

In March, 2012, Postbank and the International Finance Corporation (IFC), member of the World Bank Group, signed a Guarantee Facility Agreement under the IFC's Global Trade Finance Program. Through this agreement, Postbank has secured a trade facility of USD 20 million to support the development and promotion of trade activities of Bulgarian exporters and importers. The agreement with the IFC complements Postbank's wide range of trade finance products and services, designed to support its clients in effectively trading with their foreign business counterparts.

In 2012, the factoring business of the Group in Bulgaria was transferred from Eurobank Factors - Bulgaria Branch to Postbank. The year 2012 has been extremely successful for the factoring business of the Bank. The reported increase of the factoring business is 55% on annual base, compared to the volumes of the Eurobank Factors – Bulgaria Branch. Postbank has leading position in export factoring and second place regarding the total factoring market for the year (including export and local deals). Postbank succeeded to attract new clients, as well as new contractors of its current clients and to build up stable and profitable portfolio.

In regards to the retail banking products, the Bank traditionally holds strong positions in mortgage lending, consumer lending and cards, and deposit products.

In October, 2012, the Bank announced its decision to reduce the interest rate for its mortgage loans for new and existing customers, which respectively led to a decrease in the rate of the monthly instalments of the clients. The Bank made this favourable change as a responsible financial partner, which helps its clients manage their finances throughout each stage of their life.

During the year, the financial institution has accomplished numerous partnerships with retailers and has offered to its credit cardholders, many discounts in shops, gas stations, travel agencies, hotels, etc. The credit cardholders' loyalty program has been extended to both American Express and Visa clients.

In addition, in December, Postbank and Visa extended their partnership on the Bulgarian market and started offering the prestigious Visa Gold to all current and new clients of the bank.

The financial institution reported excellent results of its online banking platform use (e-Postbank), since the launch of the all-new version in June 2012. Over 60% of the online banking users have preferred the new platform for the first three months of its launch. The results of the Bank demonstrated an increased interest in the use of online banking compared to the traditional one – nearly 40% of all client transactions are made through internet banking. Customers prefer online services, because of their convenience, speed, security and lower fees.

Traditionally, the financial institution's efforts to improve the economic development, to demonstrate responsible and ethical market behaviour, to offer high quality and innovative products, and to support social and environmental causes, were recognized by numerous awards in 2012:

- For the third consecutive year, in 2012, the financial institution has been acknowledged as the best bank in Bulgaria offering custody services to foreign and local institutional clients. This recognition was awarded by the annual ranking of "Global Custodian", the most prestigious global magazine for custody services;
- At the annual awards of the Bulgarian PR Association, the Confederation of Industrialists and Employers in Bulgaria awarded Postbank for its CSR and sustainable development policy;
- The Bulgarian PR Association acknowledged the 20-anniversary campaign of the Bank as the "Best PR campaign";
- B2b Media awarded Postbank for being "The greenest financial institution for 2012";
- Bulgarian Business Leaders Forum recognized the educational program "High Start with Postbank" at its annual responsible business awards.

Also numerous, awards were given to Ms. Petia Dimitrova, Executive Director of Postbank, namely:

- Chosen as one the 192 Young Global Leaders honourees for 2012 by the Young Global Leader Forum. The prestigious

nomination is bestowed by the World Economic Forum and it serves as recognition for Ms. Dimitrova's exceptional achievements in the field of management on both the professional, and the social level;

- Received the award "Mrs. Economy" by Economy magazine for her contribution to the development of the banking sector in Bulgaria. Received the recognition "Banker of the Year 2012" by Banker weekly newspaper;

Finally, Mr. Atanas Karagyozov, Deputy Head of Branch Network Division, was awarded "Employee of the Year" by Forbes Bulgaria magazine.

Postbank continued the development of its program in favour of the Bulgarian education "High Start". The seventh edition of the initiative invited students to participate in the important social debate for the future of Bulgaria and express their opinion on pressing problems with an essay on the topic "My High Start for Bulgaria Starts With...". The aim of the initiative was to single out the twenty most important steps which will make Bulgaria look more attractive for the young generation. The initiative resulted in the creation of the first Youth Road Map for Development of Bulgaria, which compiled the solutions offered by the youths. The Map was presented to representatives of the Government.

Postbank constantly mitigates the adverse environmental impact of its operations and makes use of every opportunity to induce positive ecological changes. This was possible within the program "Green Start with Postbank" – an internal campaign that aims to foster environmentally friendly behaviour of the company. In 2012, for the fifth consecutive year, Pancharevo lake became a better place for relaxation thanks to the volunteers from Postbank, their friends and families. The initiative for cleaning the area around the lake is part of the long-term project of the financial institution entitled "Crystal Purity of Pancharevo".

An environmental office began operating within the financial institution in 2012. It introduced a systematic approach for measuring the cost of energy, water, paper and other supplies in the bank premises. The total consumption of electricity is calculated through a tailored methodology and transformed into carbon dioxide. A procedure for monitoring and management of the environmental risk of business loans is being developed, which aims at reducing the polluting operations of the Bank's credit receivers.

Additionally, in 2012, the Bank supported the fight against human trafficking, through the realization of the international initiative The No Project in Bulgaria. A series of training seminars were organized in Sofia, as well as three exhibitions in only a few months. The No Project is an independent initiative, that aims at raising awareness and critical thinking on the issue of human trafficking. The project is specifically targeted at young people and uses popular means of expression such as music, arts, education and social media.

Eurobank merger with the National Bank of Greece S.A.

The planned merger of Eurobank with National Bank of Greece, the two largest banking groups in Greece, is an important development in the overall restructuring of the Greek banking system.

The new entity, with its enhanced size in a European context, will exploit the competitive advantages of both organizations, and will thus be able to play a leading role in the financing of Greek companies, the gradual restoration of confidence, the rebuilding of the Greek economy and its return to growth on new, sounder foundations.

The combined group will have a firm footprint in the region of Central and Eastern Europe, and it will hold lead positions in most of the markets where it is present.

In particular, the combined group will have, on the basis of the consolidated financial statements of NBG and Eurobank as at 31 March 2012, total assets of €177.7 billion, total loans of €109.7 billion and deposits of €87.9 billion. It is estimated, that the combined group will achieve annual pre-tax synergies, in the order of €570–€630 million by end 2015.

These figures make the new entity one of the strongest Banking groups in the CEE region with a solid commitment to support the economies of the region and offer its corporate and retail clients unique opportunities in a wide portfolio of products and services.

SHARE CAPITAL STRUCTURE

As of 31 December, 2012, the total authorized number of ordinary shares of Eurobank Bulgaria AD was 452,752,652, with a nominal value of BGN 1 per share. Eurobank Ergasias S.A. owns directly 34.56%, another 54.27% of the share capital is owned by ERB New Europe Holding BV., 11.16% by CEH Balkan Holdings Limited and 0.01% by minority shareholders.

MANAGEMENT BOARD

As of 31 December, 2012, the Management Board consisted of the following members:

- Petia Dimitrova – Chairperson and Chief Executive Officer
- Dimitar Shoumarov – Executive Director
- Anthony Hassiotis – Executive Director
- Jordan Souvandjiev - Member

- Ioannis Vouyioukas – Member
Mr. Dimitar Shoumarov became a member of the Management Board on 9 August 2012 after due registration with the Commercial Register.

Mr. Ilian Raychev was a member of the Management Board until 11 September 2012.

Mr. Anthony Hassiotis and Mr. Ioannis Vouyioukas were members of the Management Board until 25 February 2013.

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

In 2012 the members of the Management Board did not receive remunerations from the Bank in their capacity of Management Board members.

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

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

3. The Management Board members' rights to acquire shares and bonds of the company

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

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

4.1. Partners with unlimited liability

No member of the Management Board 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

- 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

- Petia Dimitrova

- Bulgarian Retail Services AD, Bulgaria – Chairperson of the Board of Directors and Executive Director
- ERB Property Services Sofia AD, Bulgaria (former name EFG Property Services Sofia AD, date of change 25/3/2013) – Member of the Board of Directors
- IMO Property Investments Sofia EAD, Bulgaria – Member of the Board of Directors and Executive Director
- IMO Rila EAD, Bulgaria – Deputy Chairperson of the Board of Directors and Executive Director
- IMO Central Office EAD, Bulgaria – Deputy Chairperson of the Board of Directors and Executive Director
- IMO 03 EAD, Bulgaria - Member of the Board of Directors and Executive Director
- ERB Leasing EAD, Bulgaria (former name EFG Leasing EAD date of change 01.02.2013) – Member of the Board of Directors (effective as of 14.03.2012)
- Bulgarian Business Leaders Forum (BBLF), Bulgaria – Member of the Board of Directors
- American Chamber of Commerce in Bulgaria, Bulgaria – Member of the Board of Directors
- State-owned enterprise Communicative construction and rehabilitation, Bulgaria – Member of the Board of Directors
- Municipal Bank AD, Bulgaria – Member of the Supervisory Board (until 13.08.2012)
- Confederation of Employers & Industrialists in Bulgaria, Bulgaria – Member of the Management Board (From 29.06.2012 to 22.11.2012)

- Anthony Hassiotis

- Bancpost S.A., Romania – Chief Executive Officer (effective as of July 2012)
- ERB Leasing EAD, Bulgaria (former name EFG Leasing EAD date of change 01.02.2013) – Member of the Board of Directors
- Investments AMK EOOD, Bulgaria – Manager
- Confederation of Employers & Industrialists in Bulgaria, Bulgaria – Member of the Management Board (until 29.06.2012)

- Iordan Souvandjiev

- IMO Property Investments Sofia EAD, Bulgaria – Member of the Board of Directors
- IMO Central Office EAD, Bulgaria – Member of the Board of Directors and Executive Director
- IMO Rila EAD, Bulgaria – Member of the Board of Directors and Executive Director
- ERB Property Services Sofia AD, Bulgaria (former name EFG Property Services Sofia AD, date of change 25.03.2013) – Member of the Board of Directors

- Vinimpex 21 AD, Bulgaria – Member of the Board of Directors
- **Ioannis Vouyioukas**
 - ERB Leasing EAD, Bulgaria (former name EFG Leasing EAD date of change 01.02.2013) – Chairman of the Board of Directors and Executive Director
 - EFG Auto Leasing EOOD, Bulgaria – Manager

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 2012.

SUPERVISORY BOARD

As at 31 December 2012 the Supervisory Board consisted of the following members:

- Theodoros Karakasis – Deputy Chairman of the Supervisory Board
- Evangelos Kavvalos - Member
- Christos Adam – Member
- Nikolaos Aliprantis – Member

Mr Piergiorgio Pradelli was a member and chairperson of the Supervisory Board until 30 August 2012.

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

In 2012 the members of the Supervisory Board did not receive remunerations from the Bank in their capacity of Supervisory Board members.

2. Shares and bonds of the company that are acquired, owned and transferred by the members of the Supervisory Board during 2012

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

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

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

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

4.1. Partners with unlimited liability

No member of the Supervisory Board 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

No member of the Supervisory Board holds more than 25 per cent of the capital of another company.

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

• Piergiorgio Pradelli

- Eurobank Private Bank Luxembourg S.A., Luxembourg – Member of the Board of Directors (resignation date 31.05.2012)
- Bancpost S.A., Romania – Member of the Board of Directors (resignation date 24.05.2012)
- Eurobank A.D. Beograd, Serbia – Member of the Board of Directors (resignation date 24.05.2012)
- Eurobank Tekfen A.S., Turkey – Member of the Board of Directors (resignation date 31.05.2012)
- PJSC "Universal Bank", Ukraine – Member of the Supervisory Board (resignation date 31.05.2012)
- Eurobank Ergasias S.A., Greece – General Manager, Member of the Executive Committee (resignation date 31.05.2012)
- Eurobank Asset Management M.F.M.C. S.A., Greece – Member of the Board of Directors (resignation date 01.06.2012)
- ERB New Europe Funding B.V., The Netherlands – Managing Director A (resignation date 25.05.2012)
- ERB New Europe Funding II B.V., The Netherlands – Managing Director A (resignation date 25.05.2012)

• Theodoros Karakasis

- Bancpost S.A., Romania – Deputy Chairman of the Board of Directors
- ERB Retail Services IFN S.A., Romania – Member of the Board of Directors
- ERB Leasing IFN S.A., Romania – Member of the Board of Directors
- Eurobank Property Services S.A., Romania – Chairman of the Board of Directors
- ERB Property Services d.o.o. Beograd, Serbia – Chairman of the Supervisory Board
- Eurobank A.D. Beograd, Serbia – Chairman of the Management Board
- ERB Leasing EAD, Bulgaria (former name EFG Leasing EAD date of change 01.02.2013) – Member of the Board of Directors
- ERB Property Services Sofia AD, Bulgaria (former name EFG Property Services Sofia AD, date of change 25.3.2013) – Chairman of the Board of Directors

- CEH Balkan Holdings Limited – Member of the Board of Directors (effective as of 12.12.2012)
 - Eurobank Ergasias S.A., Greece – Deputy General Manager
 - Greek-Serbian Chamber of Commerce – Deputy Chairman of the Board of Directors
 - Hellenic-Romanian Chamber of Commerce and Industry – Member and Secretary General of the Board of Directors
- **Evangelos Kavvalos**
 - Eurobank Ergasias Leasing S.A., Greece – Member of the Board of Directors
 - Eurolife ERB Life Insurance S.A., Greece – Member of the Board of Directors
 - Eurobank Factors S.A., Greece – Member of the Board of Directors
 - ERB Insurance Services S.A., Greece – Member of the Board of Directors
 - Eurobank Tekfen A.S., Turkey – Member of the Board of Directors (resignation date 20.12.2012)
 - PJSC "Universal Bank", Ukraine – Member of the Supervisory Board
 - Eurobank A.D. Beograd, Serbia – Member of the Management Board
 - Eurobank Ergasias S.A., Greece – General Manager, Member of the Executive Committee
 - Unitfinance S.A., Greece – Member of the Board of Directors
 - **Christos Adam**
 - Eurobank Ergasias S.A., Greece – Deputy General Manager
 - Eurobank Factors S.A., Greece – Member of the Board of Directors
 - Eurobank Remedial Services S.A., Greece – Member of the Board of Directors
 - Eurobank Property Services S.A., Greece – Member of the Board of Directors
 - Eurobank Financial Planning Services S.A., Greece – Member of the Board of Directors (effective as of 14.12.2012)
 - **Nikolaos Aliprantis**
 - Eurobank Ergasias S.A., Greece – Assistant General Manager
 - Eurobank Ergasias Leasing S.A., Greece – Member of the Board of Directors
 - Eurobank Factors S.A., Greece – Member of the Board of Directors
 - Eurobank A.D. Beograd, Serbia – Member of the Management 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 2012

GROUP STRUCTURE

Eurobank Bulgaria does not have any subsidiaries as of 31 December, 2012, and therefore no consolidated financial statements are prepared at this entity level.

OBJECTIVES FOR 2013

In 2013, the Bank will concentrate on maintaining strong capital adequacy and liquidity ratios. Concurrently, due to the improving but still difficult business environment, it will also focus on new business and fee revenue generation. Growth in business complemented, with strong control of expenses will support Bank's revenues.

Focusing on the domestic deposit gathering will continue to be a top priority. Properly managing the cost of funds will be a prerequisite to ensure the Bank will be able to price its lending products at attractive rates. The Bank will also seek to explore alternative sources of external funding that might be available.

Postbank will target selective growth of its loan portfolio, adhering to appropriate credit extension criteria while ensuring that the overall quality of the portfolio remains at acceptable levels.

The Management acknowledges that properly motivating and remunerating its employees is a must, while it will ensure they are adequately trained and given all resources needed to meet the clients' demands for high quality products and services.

The general strategy of the Bank remains to be the bank of first choice, providing the most innovative and suitable products and quality services while meeting the constantly evolving expectations of our customers thus creating value for them and the 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 as at the year end and its financial results. The management has prepared the enclosed financial statements in accordance with IFRS.

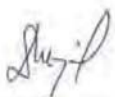
The Directors confirm that suitable accounting policies have been used.

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.



Petia Dimitrova
Chairperson of the Management
Board and Chief Executive Officer



Dimitar Shoumarov
Member of the Management Board,
Executive Director and Chief Finan-
cial Officer

3 April 2013
Sofia, Bulgaria

SELECTED REPORTING DATA

SELECTED REPORTING DATA

EUROBANK BULGARIA FINANCIAL STATEMENTS 31 DECEMBER 2012

INCOME STATEMENT	NOTES	YEAR ENDED 31 DECEMBER	
		2012	2011
All amounts are shown in BGN thousands unless otherwise stated			
Interest and Similar Income	1	417,207	480,193
Interest and Similar Charges	1	(207,172)	(236,469)
Net Interest Income		210,035	243,724
Fee and Commission Income	2	68,922	68,605
Fee and Commission Expense	2	(13,855)	(14,525)
Net Fee and Commission Income		55,067	54,080
Dividend Income		572	581
Other Operating Income	3	169	162
Net Trading Income	4	142	451
Gains Less (losses) From Trading Securities	12	(84)	276
Gains Less (losses) and Impairment of Securities Available for Sale	14	(3,492)	1,152
Other Operating Expenses	5	(132,415)	(142,085)
Deposit Insurance Fund Expense		(18,554)	(17,251)
Impairment Charge for Credit Losses		(109,647)	(132,797)
Profit Before Income Tax		1,793	8,293
Income Tax Expense	8	(302)	(845)
Profit for The Year		1,491	7,448

The Financial statements were authorized by the management on 3 April 2013.


 Petia Dimitrova
 Chairperson of the Management
 Board and Chief Executive Officer

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


 Rositsa Boteva
 Registered Auditor


 Dimitar Shoumarov
 Member of the Management Board,
 Executive Director and Chief Financial Officer



 Tsvetana Tsankova
 PricewaterhouseCoopers Audit OOD

3 April 2013

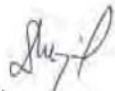
Statement of comprehensive income

	NOTES	YEAR ENDED 31 DECEMBER	
		2012	2011
Profit for The Year		1,491	7,448
Other Comprehensive Income for The Year, After Tax:			
Available for Sale Securities			
-net changes in fair value, net of tax	9	8,944	1,954
-transfer of (profit)/loss to net profit on sale	9	(2,185)	(4,724)
Other Comprehensive Income/(loss) for the Year	9	6,759	(2,770)
Total Comprehensive Income for the Year		8,250	4,678

The Financial statements were authorized by the management on 3 April 2013.


 Petia Dimitrova
 Chairperson of the Management
 Board and Chief Executive Officer

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


 Dimitar Shoumarov
 Member of the Management Board,
 Executive Director and Chief Finan-
 cial Officer


 Rositsa Boteva
 Registered Auditor


 Tsvetana Tsankova
 PricewaterhouseCoopers Audit OOD

3 April 2013

Balance sheet

NOTES AS AT 31 DECEMBER
2012 2011

Assets			
Cash and Balances With the Central Bank	10	618,214	698,943
Loans and Advances to Banks	11	667,614	848,003
Financial Assets Held for Trading	12	6,607	1,450
Loans and Advances to Customers	13	4,035,101	4,154,851
Investment Securities Available-for-sale	14	174,899	155,733
Derivative Financial Instruments	20	7,049	16,087
Investment Property	15	876	876
Property, Plant and Equipment	16	59,442	67,868
Intangible Assets	17	31,826	30,730
Current Income Tax Recoverable		2,709	3,647
Other Assets	18	32,847	12,899
Total Assets		5,637,184	5,990,887
Liabilities			
Deposits From Banks	19	105,686	92,005
Derivative Financial Instruments	20	14,274	23,152
Due to Customers	21	4,413,218	4,717,748
Debt Issued and Other Borrowed Funds	22	268,922	339,265
Deferred Income Tax Liabilities	23	3,985	3,870
Provisions for Other Liabilities and Charges	24	2,185	1,669
Retirement Benefit Obligations	25	2,644	2,642
Other Liabilities	26	30,917	23,433
Total Liabilities		4,841,831	5,203,784
Shareholders' Equity			
Share Capital	27	452,753	452,753
Other Reserves, Net		342,600	334,350
Total Shareholders' Equity		795,353	787,103
Total Shareholders' Equity and Liabilities		5,637,184	5,990,887

The Financial statements were authorized by the management on 3 April 2013.

Petia Dimitrova
Chairperson of the Management
Board and Chief Executive Officer

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

Rositsa Boteva
Registered Auditor

3 April 2013

Dimitar Shoumarov
Member of the Management Board,
Executive Director and Chief Financial
Officer

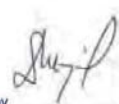
Tsvetana Tsankova
PricewaterhouseCoopers Audit OOD

Statement of changes in shareholders' equity

	Share capital	Property revaluation reserve	Available-for-sale investments revaluation reserve (deficit)	Retained earnings and other reserves	Total
Balance at 1 January 2011	452,753	2,376	(7,104)	334,400	782,425
Other Comprehensive Income for the Year			(2,770)		(2,770)
Profit for the Year				7,448	7,448
Total Comprehensive Income for the Year 2011			(2,770)	7,448	4,678
Balance at 31 December 2011	452,753	2,376	(9,874)	341,848	787,103
Balance at 1 January 2012	452,753	2,376	(9,874)	341,848	787,103
Other Comprehensive Income for the Year			6,759		6,759
Profit for the Year				1,491	1,491
Total Comprehensive Income for the Year 2012			6,759	1,491	8,250
Transfer to Retained Earnings		(2)		2	
Balance at 31 December 2012	452,753	2,374	(3,115)	343,341	795,353

The Financial statements were authorized by the management on 3 April 2013.


 Petia Dimitrova
 Chairperson of the Management Board and Chief Executive Officer


 Dimitar Shoumarov
 Member of the Management Board, Executive Director and Chief Financial Officer

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


 Rositsa Boteva
 Registered Auditor


 Tsvetana Tsankova
 PricewaterhouseCoopers Audit OOD

3 April 2013

Statement of cash flows

YEAR ENDED 31 DECEMBER
2012 2011

Cash Flow From Operating Activities

Interest Received	434,430	506,872
Interest Paid	(217,230)	(264,040)
Dividends Received	572	581
Fees and Commission Received	67,605	68,746
Fees and Commission Paid	(13,267)	(13,419)
Amounts Paid to and on Behalf of Employees	(60,204)	(66,072)
Net Trading and Other Income Received	(37)	2,323
Other Expenses Paid	(77,510)	(81,632)
Tax Paid		(748)

Cash From Operating Activities Before Changes in Operating Assets and Liabilities

134,359 152,611

Changes in Operating Assets and Liabilities

Net Decrease in Reserve With the Central Bank	14,268	1,600
Net (increase)/decrease in Trading Securities	(5,056)	39,025
Net (increase) in Loans and Advances to Customers	(585)	(137,891)
Net (increase) in Other Assets	(10,642)	(1,033)
Net increase/(decrease) in Derivatives Liabilities	66	(34,209)
Net increase/(decrease) in Due to Other Banks	13,657	(345,046)
Net (decrease)/increase in Amounts Due to Customers	(300,588)	79,934
Net (decrease) in Other Liabilities	(210)	(2,529)
Net Cash Flow From Operating Activities	(154,731)	(247,538)

Cash Flow From Investing Activities

Purchase of Property, Plant and Equipment and Intangible Assets	(8,299)	(12,283)
Purchase of Investment Securities	(56,969)	(35)
Proceeds From Disposal of Property and Equipment		8
Proceeds From Disposal of Investment Securities	42,690	163,016
Net Cash Flow From Investing Activities	(22,578)	150,706

(Continued on the next page)

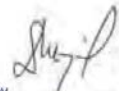
Statement of cash flows (continued)

YEAR ENDED 31 DECEMBER
2012 2011

Cash Flow From Financing Activities		
Repayments of Issued Debt Securities	(40,000)	
Long-term Financing Received	14,780	29,827
Long-term Debt Repaid	(44,677)	(14,925)
Net Cash Used in Financing Activities	(69,897)	14,902
Effect of Exchange Rate Changes on Cash and Cash Equivalents	356	446
Net Change in Cash and Cash Equivalents	(246,850)	(81,484)
Cash and Cash Equivalents at Beginning of Year	1,337,548	1,419,032
Cash and Cash Equivalents at end of Year	1,090,698	1,337,548

The Financial statements were authorized by the management on 3 April 2013.


Petia Dimitrova
Chairperson of the Management
Board and Chief Executive Officer

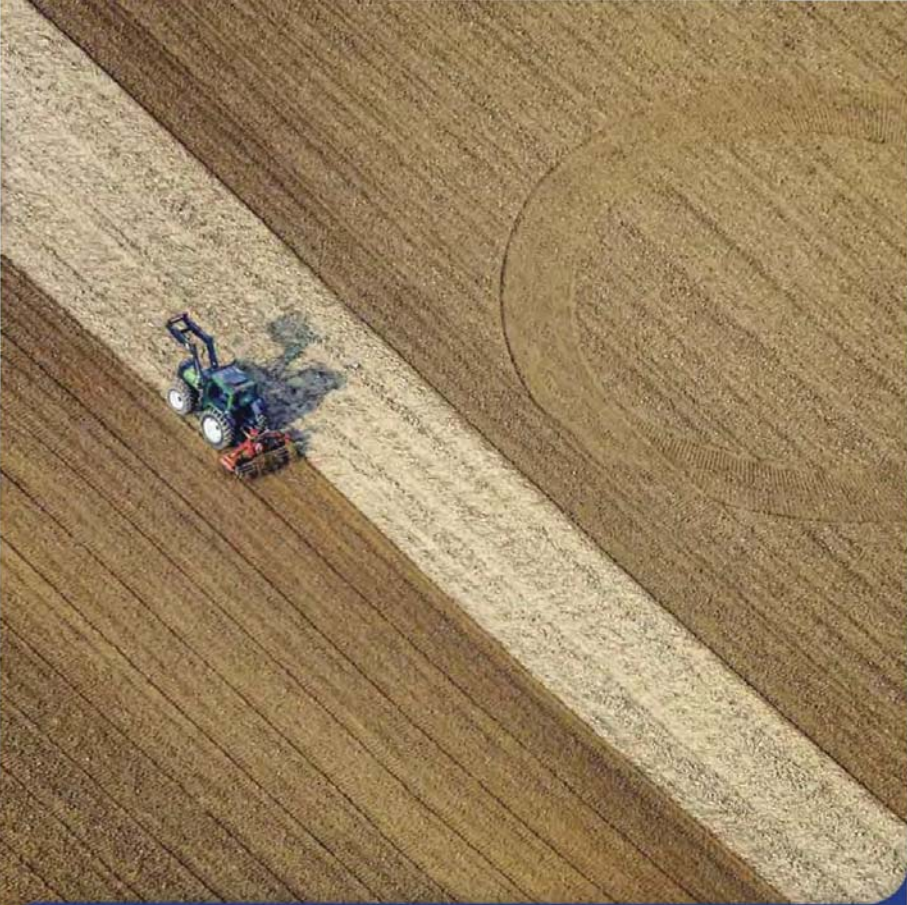

Dimitar Shoumarov
Member of the Management Board,
Executive Director and Chief Financial
Officer

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


Rositsa Boteva
Registered Auditor


Tsvetana Tsankova
PricewaterhouseCoopers Audit OOD

CONTRIBUTION TO SUSTAINABILITY



**ON THE PATH TO SUCCESS YOU
HAVE A PARTNER WHO LEADS
AND FOLLOWS**



Postbank

Solutions for your tomorrow

LETTER TO THE STAKEHOLDERS



Dear Stakeholders,

I am pleased to address you from the pages of Postbank's second integrated Annual Report where we have once again aligned the information about our financial performance with the broader economic, environmental and social impacts of our activities, thus reconfirming that sustainability and transparency are an integral part of our corporate philosophy and guide us in every aspect of our work.

Since our first sustainability report came out, we have continued relying on the most widely accepted framework – the internationally recognized standard for sustainability reporting G3 of GRI – to communicate in a measurable, clear and balanced way our approaches to sustainability and the progress we have made as a result. The reports are also intended to serve as a channel for dialogue and as an invitation to our stakeholders to participate in an open and constructive exchange of views about the key topics discussed here.

In the 2012 Report we seek to provide transparency and accountability on the actions we take to live up to our commitments, with regard to sustainability. It also reflects our understanding that the ethical and responsible approach to business is a crucial factor in determining our

long-term success. For us this means putting customers' needs first; creating a diverse, inclusive and engaging workplace; and showing our deep concern for environment, but, at the same time, ensuring our activities add value to the economy, and keeping a prudent management of our balance sheet.

In 2012, in the midst of a wavering economy and increasingly tougher sales conditions, Postbank remained committed to support the Bulgarian companies and individuals to achieve their goals, having responsible market behaviour, offering high quality products and managing its impacts responsibly. We are proud we remained one of the leading universal banks on the market, appreciated employer of 2,700 highly talented professionals, innovator in the offered banking services and responsible corporate citizen. We have successfully completed our significant investment in a new, modern head office building – a great contribution to efficient process management, that will lead to remarkable decrease in our environmental impact and, at the same time, improvement in safety and working environment for our staff members.

In line with the firm desire to reach our primary goal – being a trusted and preferred financial partner of our customers, throughout their lives – in 2012, we earned their satisfaction with constant efforts and investments to improve the service and to adapt our products to the unstable economic situation. We launched a new state-of-the-art online banking platform for our individual customers, to provide them with fast, convenient and secure banking, directly from their home or working place. We are fortunate and thankful for the continued loyalty of our customers. They entrust us with their savings, expecting Postbank to carefully manage their money, and invest it in a sensible way.

Our team believes that a company should always strive to create value for society, and this idea serves as a foundation of our corporate social responsibility activities. In 2012 we continued working on our main objectives in the social and environmental fields – the programs High Start with Postbank, Green Start, many other sponsorships and volunteer initiatives, and we launched The NO Project, an initiative for combating human trafficking.

With its deep-rooted belief in sustainability, our bank will proceed with creating forward-looking solutions and long-lasting values for all of our stakeholders. In 2013, in concert with your expectations, we will continue to deliver not only innovative products and service, but sound business practices, as well. On the following pages you can read about the fundamental components of our sustainability efforts, such as the effective corporate governance, compliance and product liability, developing human capital and reducing the negative impact on the environment.

Sincerely,
Dimitar Shoumarov
Executive Director and Chief Financial Officer

GUIDING PRINCIPLES AND BELIEFS

The constant efforts for improvement of the economic environment by holding an open dialogue with stakeholders and the bank's active contribution in society are the essence of Postbank's corporate responsibility. The bank's corporate responsibility is implemented through four pillars of action:

- Dialogue with stakeholders, through actions and initiatives, that identify issues and promote appropriate solutions;
- Improving corporate governance, to ensure the organization's transparency;
- Social contribution in key activities of the local community;
- Care for the environment to cope with climate changes and contribution to sustainable growth.

Mission, Vision and 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 constantly encouraged. Through this effort, we strive to be the front-runners, 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 on the Bulgarian market.

Our Values

- Meritocracy
Equal opportunities for distinction
- Respect
... to the colleague, to the customer, to our fellow citizen
- Quality
We aim at excellence in everything we do
- Teamwork
Success comes easier when we work as a team
- Trust
When it exists, we achieve the impossible
- Social Contribution
Our social contribution goes hand in hand with our business activity
- Effectiveness
We always strive to accomplish the goals we set
- Creativity
We innovate continuously, in an effort to always improve our business and ourselves

Open and Transparent Relations

For Postbank, knowing the expectations of the people and bodies that it relates to is fundamental to continue to make progress in its policy of Sustainable Development and Corporate Responsibility. With this aim, it has established channels of dialogue with them. These channels are designed to facilitate fluid and constant communication with the company, with all stakeholders always having one at their disposal to ensure their opinions reach the bank and its related entities.

Stakeholders may use the following channels to receive or to provide information to, or from the bank:

Customers

- Network of more than 180 branches in 92 cities and 2,500 employees
- Client Relations Department in the Head Office
- Toll-free telephone 0700 18 555
- The corporate website of the bank at: www.postbank.bg
- The Head Office at 260 Okolovrusten Pat Blvd., Sofia
- Meetings with bank's representatives
- Press Centre: CorporateCommunications@postbank.bg

Shareholders and Investors

- Annual Meeting of Shareholders
- Organized meetings
- System for disclosure of regulated information
- Press Centre: CorporateCommunications@postbank.bg

Employees

- HR Department
- Regular meetings
- Meetings of the Branch Network Division
- Annual performance attestations
- Internal project for environment-friendly conduct entitled Green Start with Postbank
- Internal electronic and printed newsletter Our Bank
- Messages to all employees
- Intranet (Help Desk)

Suppliers

- Contacts with contract managers
- Supplier selection committees

Society and Environment

- Environmental and Sustainability Development Department
- Social and environmental projects
- Participation in forums, seminars, conferences and round tables on such issues
- Contacts with specialised bodies and institutions
- Cooperation with social agents
- Media coverage of the subjects

ECONOMIC CONTRIBUTION

Contribution to Growth

Postbank sees contributing to Bulgaria's economic development as a key priority in achieving sustainability. The extent of the Bank's corporate responsibility is determined by the extent of its operations and the proper and fair distribution of capital among its different stakeholders, but at the same time ensuring its stable economic position and opportunities for investments, development of human capital and technological innovations.

In addition to the fair distribution of capital, Postbank tries to support the Bulgarian economy by adhering strictly to the centralized procedures of Eurobank for managing procurements and ensuring the top quality of supplies, containing costs and promoting best social practice.

Eurobank Group, to which Postbank belongs, aims at a uniform policy for selection of suppliers, based on strategic synergies and mutually beneficial relations. The procedures for selection and evaluation of suppliers are regulated by complete transparency at all stages, and by objective criteria such as good price, regular deliveries and successful cooperation in the past.

Moreover, in its selection of suppliers, the Group attempts to ensure the complete respect of human rights in those companies, as well as the consistent application of environment-friendly practices, aimed at constant reduction of the energy effect. Recognizing the need for support to local economies, in 2012, Eurobank preferred to work with local suppliers in selected categories of goods and services

Postbank strictly abides by the Group policies. The Bank supports Bulgarian business by using local suppliers of products and services, necessary for the organization's business. The Bank works with an expansive network of local partners, comprising around 90% of all its suppliers.

SOCIAL PRODUCT	RESULTS 2012	RESULTS 2011	RESULTS 2010
<small>All amounts are shown in BGN million</small>			
The Contribution of the Bank to the "Social Product"	BGN	BGN	BGN
Turnover	483	551	600
Interest Expense and Fees & Commissions expense	-221	-251	-274
VAT on Added Value of the Bank	-4	-3	-4
Impairment Losses	-110	-133	-124
Social Product	149	164	198
The "Social Product" and its Distribution			
I. Personnel	56	59	53
Gross Pay	69	73	66
Employer Contribution to Social Security Institutions	3	3	3
Medical, Retirement and Other Benefits	1	1	1
Contribution to Social Security Institutions (Employer and Employees)	-12	-14	-12
Employees Tax	-4	-5	-5
II. Suppliers of Goods & Services	53	58	69
III. Donations and Sponsorships	0	0	0
IV. State	39	40	42
Income Tax and Various Taxes	0	1	4
Value Added Taxes	4	3	4
Deposit Guarantee and Investors Compensation Schemes	19	17	17
Contribution to Social Security Institutions (Employer and Employees)	12	14	12
Employees Tax	4	5	5
V. Company	1	7	35
Retained Earnings / Reserve	1	7	35
Social Product	149	164	198

IMPROVING PRODUCT AND SERVICE QUALITY

IMPROVING PRODUCT AND SERVICE QUALITY

Postbank team focuses on the excellent service of its clients, based on their individual needs. The bank has adopted a client-oriented approach in the organization and development of its network of commercial channels, both traditional and alternative, in all regions in which it operates.

The bank, is continually looking to extend the range of services offered, anticipate the customers' needs and raise the levels of customer satisfaction. It is improving the way it deals with complaints, and making banking simpler, by introducing new technologies and ensuring the products and services offered are easy to understand.

Customer Satisfaction and Management of Complaints

In 2012, the Client Relations Department (CRD) continued successfully targeting and achieving results towards client satisfaction. CRD has launched and completed various initiatives in the same client satisfaction line:

- A Mystery Shopper survey for the bank was completed;
- Active participation in the Branch Network roadshows by training the employees in the branches to utilize complaints for improving the service level;
- A dedicated section for customers was launched on the bank's web site, aiming to provide them with yet another communication channel to give feedback and express their opinion or make recommendations;

In 2012, CRD reached a substantial improvement in the process of handling complaints:

- The number of complaints received during 2012 dropped down with 18%;
- The average time for answer was between 5-6 days.

The results from the Mystery Shopper survey showed continuous improvement of the measured level of customer satisfaction. In 2013, Postbank will target even better results during the on-going process for further improvement of the service quality.

In 2012, Postbank launched a **state-of-the-art platform for electronic banking**, adding value to its consistent policy for ensuring the maximum convenience to the clients by providing them with innovative, quality, flexible and secure products and services.

The innovative e-banking platform offered an entirely new home page functionality with quick and easy access to all products used, side panels positioned and adjusted as per the client's personal choice, easier and more intuitive navigation through "drag & drop" function, signing and sending several transfers simultaneously. The clients have access to extensive information for deposits (types, date and maturity), and information about the fees visible at the time of the transfer.

Postbank has reported excellent results for 2012 from the use of the new internet banking platform, e-Postbank. For a period of three months, over 60% of internet banking registered users preferred using the new platform. Usage data, released by the bank, showed a growing interest in the use of internet banking, compared to traditional banking - nearly 40% of all banking transfers are ordered online. Customers prefer internet banking services because of their convenience, expedition and lower fees.

The bank has registered 59% increase in the financial transactions of individuals on annual basis, suggesting a higher number of e-Postbank users making transactions, rather than only a passive track-down of the funds' movement. The annual growth of registered e-banking users is 34%, and new customers with enabled e-banking services have grown by 27%. Moreover, Postbank reported 50% growth in the use of internet banking for utility payments.

In 2013, Postbank will aim to activate a new login portal for internet banking, specially designed for corporate customers. The decision is prompted by the different needs of individuals and corporate customers, and in this respect the bank has been actively optimising interfaces for both customer groups.

IT and Innovations are central to the strategy of Postbank. Enormous, constant efforts are directed towards the provision of cutting-edge banking systems and solutions, which are highly secure, reliable and at the same time, user-friendly. This has secured Postbank's top position among the most technologically advanced market players in the financial segment. In 2012, Postbank Information Technology Unit established a new mid to long-term Strategy and operational model towards efficiency and effectiveness optimization. This pioneer model for the Bulgarian Financial Institutions Information Technology arena is derived from the industry best practices, enhanced and refined by Eurobank Group IT respective principles, and built around the concept of IT Service Management (ITSM).

Postbank IT Organization is driven by the following Strategy Dimensions:

- Consolidate and simplify
- Cost efficiency/optimization: Pooling of resources per competence center – skills consolidation; continue cost controlling through Vendor Management process; Infrastructure rationalization
- Manage entropy and complexity to maintain agility ("Architect what we build") – introduce IT Architecture function; reduce maintenance cost with Standards and Rules
- Embrace the outside world
- Be extrovert – leverage bank's unique strengths with market capabilities
- Be open to adopting end-to-end market solutions (bring value through integration/realization, not always through technical expertise)
- Manage vendor relationship (not just vendor prices)
- Lead with the Business
- Proactively identify ways to turn technological advantage to strategic business advantage
- "Co-innovate" by being a partner to the business rather than a supplier
- Emphasis on business value (during selection and execution of projects)

These dimensions were the foundation for addressing the needs of bank's Business Units, which were based on the following, endorsed from the Group Management, pillars:

- Holistic relationship with clients and improved customer services;
- Fraud detection and prevention;
- Protection of personal data and information.



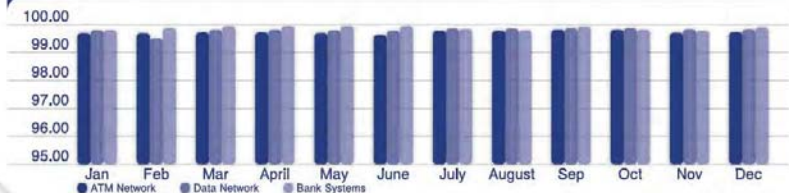
Chief Information Officer of Postbank presents the bank's best practices at a round table entitled "The Role of Innovation in Today's Business"

Information Technology Systems Availability Overview

Along with the strategic and tactical initiatives, IT continued to support and maintain bank's operations, offering the highest level of availability (99,9%) and further enhancing the infrastructure through "Run the Bank" and IT-for-IT initiatives.

Overall systems availability in 2012:

AVERAGE SYSTEMS AVAILABILITY IN 2012



Delivered Initiatives Overview

During 2012, the IT efforts were focused on several high-priority initiatives, as well as on a substantial number of smaller projects, aiming to provide innovative customer products and services, but also to improve customer relationship and reduce risks.

Throughout the year, a total of 145 projects/initiatives were delivered, while another 37 were started within 2012 and span over into 2013. This challenging and aggressive portfolio was delivered through an effective management of a total capacity, consisting of over 8,000 man-days of internal effort and more than 7,000 man-days of effort of our strategic vendors.

PROJECTS COMPLETED IN 2012

- Projects completed during 2012
- Projects started in 2012 and spining over to 2013
- Projects on hold



Strategic and Group Initiatives Highlights

Strategic and Group Initiatives for the bank were several projects, connected with the New Core banking Front End and E-banking new interface redevelopment.

Our aim towards service excellence, through innovative products continued during 2012, with the implementation of:

New Leasing system implementation

During 2012, a new Core Leasing System was implemented in ERB Leasing company. The new solution is based on innovative technology and provides a set of standardized functionalities, suitable for the operation and management of the Leasing Company. It is the leading proposal from a technological and operational standpoint for integrated and complete coverage of leasing companies. The solution's modular design is expandable, customizable and addresses all market needs, and ranges of business processes. The system offers solutions in the areas of financial and operating leasing. It is customer-oriented and manages contracts and repayment schedules for financial, real estate and operating leasing practices. The system is multi-currency, customer oriented and provides automated modules for maintenance of vendor and supplier data. The management of the contracts (including rescheduling and restructuring), fixed assets, repossessed assets and collaterals is fully automated. The system is fully compliant with International Accounting Standards.

Implementation of common version Qualco collections system

Eurobank Group Project aiming to standardize, simplify and unify collection system Qualco BREAKTHROUGH through:

- Single software code version (starting from version 5.8) across all installations;
- Provisioning of single common UAT environment across the Group (Common test data on a single instance);
- Reduced software management and implementation effort by the vendor;
- Reduction of associated costs by benefitting from common and simultaneous upgrades of the application and centralized infrastructure.

Full scale deployment of the new Internet Banking (e-banking interface)

The new functionality offers inventive approach for accessing the banking services. The redesign of user interface with icon based main navigation and a user customizable side panels (widgets), ensure simplification of e-banking transactions by minimizing the inputs. It is faster, simpler and entirely with "drag and drop" functionality, different types sms/text message notifications for customers convenience, customer data security improvements.

Grow the Bank Initiatives Highlights

MIS Redesign and Reporting Platform Implementation Stage I

The initiative aimed at enhancing existing MIS platform, by including additional data sources, increasing capacity, improving system performance, as well as refreshing underlying system infrastructure. A new set of tools and more advanced usage (as well as new versions) of existing ones were utilized, including reporting tool Business Objects, where outstanding expert-level options for report design and generation exist.

Re-design of the MIS also complies with the Financial reporting (Reporting Platform) and with the requirement to include, where necessary and possible, loading of daily transactions in preparation of the reporting. One major requirement was towards possibility to drill-down starting from any ERP Account, and reaching to the respective origination account/deal transactional information from core sources, at the lowest possible level. Captured data includes:

- Counter parties (latest and historical pictures of their dimensions);
- Deal master data (latest and historical pictures of their dimensions);
- Deal level account balances.

Credit cards and merchants' promotions

A total number of seven campaigns were initiated in regards to credit cards and merchants, aiming to increase the customer satisfaction, since a card holder can get benefits while using card products of the bank. Moreover, Postbank strengthened its position against competitors on the market.

American Express Cards acceptance through BORICA POS Network

The objective was to build a technical interface between the bank and BORICA, to broaden American Express cards acceptance by other Bulgarian banks, which operate through BORICA POS network in the country. The technical solution was designed and implemented to allow seamless switchover of operations, in case of hardware, software or communication channel failure.

Visa Gold

A new credit card product was launched, aiming to enrich Postbank's credit cards portfolio with an alternative product, designed for the most profitable affluent segment. The project scope included performing necessary system and operational changes like:

- Setup and certification of bank's internal card management and authorization systems for Issuing and Acquiring of the product
- Work together with the Payment System Association, in order to be sure that the VISA systems are properly setup to process the authorizations, clearing and settlement of the transactions with the new product
- Assist card personalization bureau in setup of the new product.

Run the Bank Initiatives Highlights

Replacement of Security Monitoring and Response System and Host Intrusion Detection

Following the sunset of Cisco Security Monitoring and Response System (CS-MARS) and Cisco Security Agents Solutions from Cisco, a replacement solution for network log collection and correlation engine, with host intrusion detection capabilities was to be selected and implemented. Consecutively, thorough analysis and Proof-of-concept was performed. The selected system – Logrhythm, was purchased and installed. The new system is also PCI DSS compliant and enables collection, secure storage and analysis of events from all kind of sources, e.g. authentication systems, system logs, databases, firewalls, etc.

RESPONSIBLE CONDUCT AND PRODUCT LIABILITY

The Bank carefully ensures that its structure and processes meet both external, and internal requirements for responsible, accountable and sustainable activities.

Compliance with regulations and laws, as well as transparent reporting to shareholders and other stakeholders form the basis of its responsibility. Postbank is committed to fighting financial crime and ensuring that they are not used for illegal purposes, including organised crime and the financing of terrorism.

Compliance

Anti-money Laundering

Money laundering means process, or scheme, of financial transactions, designed to conceal the proceeds or the funding of criminal activities, or the criminal origin of the funds.

To protect the bank from any money laundering actions, Postbank team aims to ensure that every operation observes relevant policy, the requirements of the relevant national and international institutions and the Internal Rules for Control and Prevention of Money Laundering and Terrorism Financing. The policy includes the requirement to identify and closely monitor the accounts of what are known as "politically exposed" customers.

The knowledge of the customers and their activities, the collection and possession of adequate information about them, as well as the detection and reporting to the Compliance Division of unusual/suspicious transactions, constitutes a basic mission for the bank employees. It is of utmost importance that all staff members, with no exception, apply proper Anti Money Laundering/Know Your Customer measures, as this serves the following main objectives:

- Ensures the bank's safety, integrity and good reputation by minimizing the risk of being involved in money laundering and terrorism financing activities;
- Facilitates the effective implementation and compliance with the legal and regulatory requirements that govern the bank's operations, as well as the compliance of the bank with internationally prevailing banking practices;
- Provides the possibility to develop the business relationship with the customers through more complete, and better knowledge of their activities and business needs;
- Further supports the bank's relationship with its customers.

Sanctions

Sanctions are official restrictions on the activities of specific countries, individuals, organisations and industries, which are designed to prevent weapons proliferation and tackle organised crime and terrorism. The bank maintains systems and controls to comply with all financial sanctions and export controls imposed by law, as well as detailed policy covering its approach, both to individuals and organisations. Employees at any level who fail to comply with this policy may be subject to disciplinary action, up to and including dismissal.

Bribery and corruption prevention

Postbank does not tolerate bribery and corruption. It has implemented an updated ANTI-BRIBERY WORKING INSTRUCTION in 2012. Failure to comply with it can have severe consequences, ranging from internal disciplinary action, to fines for both the bank and the individual. Personal criminal liability intends even imprisonment.

Data protection and security

Personal data shall refer to any information, relating to an individual who is identified or identifiable, directly or indirectly, by reference to an identification number, or to one or more specific features. The fair and lawful treatment of the customers' personal information is a key priority for Postbank, and a prerequisite for the achievement of its strategic aims.

Postbank data protection policy sets out general rules for dealing with customer's personal data. The rules and regulation connected with data protection issues are freely accessible to all employees via the Intranet.

The bank ensures that personal and customer data is protected by technical and organizational measures, in accordance with the applicable Bulgarian legislation and internationally accepted information security standards. In addition to controls on physical access to computing centers, the protection measures include wide range of requirements

aimed at ensuring information security, such as access controlled by passwords and by authorised systems, restrictions on forwarding of data, checks on data entry by the logging of access to data, separation of controls achieved via separate storage of databases used for different purposes, maintenance of antivirus software, registration of illegitimate access, data encryption.

No fines were imposed on Postbank in 2012 by the Personal Data Protection Commission in relation to violation of the requirements of the Law on Protection of Personal Data.

Fraud

The careful prevention of fraud, including corruption, ensures that Postbank is seen as a reliable, trustworthy partner in all its business activities. Compliance Division and Operational Risk Department work in close relation with the IT professionals at the bank to ensure effective and efficient ways for fraud prevention and early detection.

Special procedures are effective for notifying the authorities in cases of detected fraud, fraud attempt or other illegal acts by clients, business partners and bank employees.

In order to achieve better management of the fraud risks, as well as its accurate prevention, the HR Department continues the strategic training project, aiming at fraud control and prevention as well as to detection of potential red alerts early on.

With regard to the above mentioned information, the following internal regulatory documents were developed and put into effect at Postbank:

- **Code of Conduct**

Compliance Division implemented a completely new Code of Conduct in 2012. The Code of Conduct rules apply in addition to, and are complementary to the requirements of the legal framework, and aim at setting minimum common internal rules and principles of professional conduct and ethical behaviour to be followed by the staff of the bank, during the performance of their duties.

Its purpose is to develop and establish the standards of conduct and professional ethics. The document reflects the adopted principles of loyalty, integrity and diligence as leading ideas and basic concepts, as well as highest requirements in relation to the staff's personal and professional ethics. The Code also deals with the issue, regarding the prohibition of accepting and offering illegal payments and benefits.

- **Policy for managing risk of fraud** – the purpose of the policy is to define the responsibilities and management, regarding prevention and detection of fraud, which may be performed by the staff, consultants, suppliers, contractors, business partners or clients. The bank supports the high ethical and moral standards and requires that the entire staff act honestly and decently at all times.
- **Fraud Response Policy** – the purpose is to emphasise the management's explicit position regarding abuse by providing direction and assistance, information of the methods to handle abuse.
- **Rules on treating conflicts of interest**
- **IT security policies**
- **Procedure: Registration, Review and Settlement of Complaints Filed with Postbank**
- **Procedure: Reporting Incidents by Financial Centres to the Head Office**

Postbank has developed and trained all its employees in the policy for combating abuse. The bank maintains a high ethical and moral standard, and takes measures for prevention of abuse, whether external or internal, and of any other violations of rules, standards or authorities. The bank's management bodies are committed to ensure the relevant means against abuse. The bank requires from its staff to work diligently at all times and to protect the assets and resources they are responsible for. The bank requires from its employees to report each case of abuse or reasonable suspicion of abuse.

The bank's policy defines as abuse any illegal or deliberate misrepresentation or concealment of facts or actions, or gross negligence, which creates real or potential conditions for damage. The scope of the policy determines the bank's actions for combating illegal embezzlement, abuse of trust, corruption, blackmail, money laundering and crimes related to IT systems.

Postbank has also developed a policy for managing the risk of fraud, as a part of its overall approach to corporate risk management. The scope of the procedure is applicable to the bank, all subsidiaries throughout the world and all other parties, that have access to the bank's information and offices. It includes the entire staff: employees, freelancers, occasional or temporary staff of representative offices and contractors.

All employees at Postbank are trained in the anticorruption policies of the organization. Throughout the year, all staff trainings included a presentation of the Compliance Division dealing with the issues described above. The introductory programmes for new recruits include sessions reviewing the Code of Conduct and the Fraud response policy. The basic documents are provided to the recruits at the beginning of their employment and they state that they are familiar with them by completing and signing statements. All documents of the Compliance Division are recorded in the Help Desk application, the intranet portal of the bank accessible to all employees.

The bank's responsible conduct is also guaranteed to the maximum by the fact that it is subject to audits by the Bulgarian National Bank, the Financial Supervision Commission, the Personal Data Protection Commission, the Consumer Protection Commission, the Competition Protection Commission, the Financial Intelligence Directorate with the State National Security Agency, etc.

In the past year audits were carried out by the institutions listed above, and no penalties were imposed on the bank. The financial institution received recommendations by the supervisory authorities, which were implemented within reasonable periods.

Advertising and promotion

The transparent, responsible and open conduct of Postbank is a key element in respect of all marketing and advertising activities. Being a universal commercial bank working with citizens, companies and institutions, Postbank adheres to clear and honest communication with all stakeholders regarding its product offers and promotions.

The Bank is a member of the Managing Board of the National Council for Self-regulation. The Council includes members of all three parties in the communication process: advertisers, communication agencies and mass media. The Council members have developed and adopted National Ethical Standards for Advertising and Commercial Communication in Bulgaria, a voluntary code of ethics for fair business practices in advertising communications for protection of the interest of the public and consumers. Postbank adheres to the National Ethical Standards for Advertising. In 2012 there were no claims at NCSR for a Postbank commercial.

Postbank is also a member of the Managing Board of the Bulgarian Association of Advertisers. The main goals of the Association are self-regulation of messages of advertisers to consumers, active involvement in all processes and projects related to the implementation of European and global practices in advertising, maintaining a more efficient and beneficial dialogue with the media for conducting a responsible, fair and transparent advertising policy by corporate advertisers.

In its marketing communications the bank complies with the Law on Protection of Consumers, the Law on Protection of Competition, the Law on Credit Institutions, the Law on Banking and the Law on Consumer Loans, which regulate the communication of bank products. A distinctive mark of Postbank's advertisements is that they contain very explanatory information for consumers. According to the bank's internal procedures any advertising communication of any product is coordinated with the Legal Department. Postbank also observes the regulation of the Bulgarian National Bank regarding the use of banknotes in its advertisements. The bank refrains from organising advertising promotions connected to lotteries and gambling. Postbank had no fines imposed for breach of regulations and voluntary codes of marketing communications in 2012.

In 2012, Postbank launched its new corporate web site at www.postbank.bg. It contains detailed information about the product offerings and promotions for all types of clients: individuals, companies, institutions. As the digital communication channels and e-banking services become increasingly important for our customers, the bank strives to provide cutting-edge solutions and explicit service descriptions for informed customers' decisions.

DEVELOPING HUMAN CAPITAL

DEVELOPING HUMAN CAPITAL

The constant aspiration for excellence of the Human Resources Division made it an integral part in the achievement of the company's goals in 2012. In order to contribute to the bank's business development, HR stayed committed to creating and sustaining an open environment of skills improvement and rewarding performance.

The results of the company in 2012 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.

TOTAL NUMBER OF EMPLOYEES AS OF 31 DECEMBER 2012



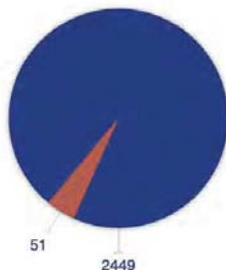
The data stated excludes employees on maternity leave, or long-term sick leave.

Actual number of the staff as of 31 December 2012	2500
Postbank with legal name Eurobank Bulgaria AD	2449
Other subsidiaries of Eurobank Group	51

ACTUAL NUMBER OF THE STAFF

as of 31 December 2012

- Postbank with Legal name Eurobank Bulgaria AD
- Other subsidiaries of Eurobank Group



Recruitment

The recruitment process in Postbank has always been based on principles of high value, such as accuracy, transparency and objectivity in the selection. 2012 was not an exception from following high standards in recruitment. According to the changed situation on the labour market there were 249 newcomers numbered at the end of the year and 331 internal transfers within the bank structure.

At the same time, in the context of the economic crisis, Postbank strived to keep its existing employees by proposing different job opportunities and career development initiatives within the bank.

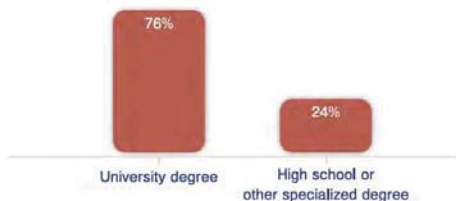
As the bank relied on the high professional preparation and skills of its employees in 2012, 77% of the newcomers had Master's degree.

PERCENTAGE (%) OF EXTERNAL HIRING VS INTERNAL TRANSFERS

- External hiring
- Internal transfers



EDUCATIONAL LEVEL



Gender Ratio

In 2012, according to the gender distribution, the percentage of women to all staff is 76%. Thus men presence comprises 24%. The prevalence of female banking employees does not merely reflect their often more suitable qualifications for service sector job, but also the excellent work-and-life balance that they enjoy in the organization.

Postbank provides professional opportunities to highly qualified and educated Bulgarian specialists, and in 2012, the

workforce at the bank and the other companies within Eurobank Group in Bulgaria is 2,500 people. Only 8 of them are foreigners.

GENDER RATIO

■ Women

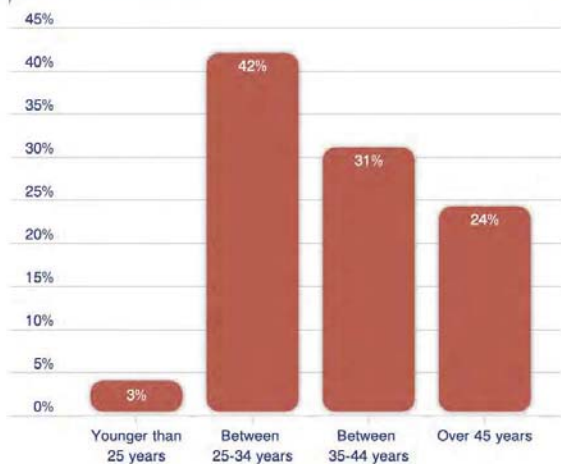
■ Men



Age Structure

In 2012, young people, younger than 45 years, presented 76% of all employees in the bank, as the average age of the staff members is 38 years. In the same time, bank employees over 45 years comprise 24% of all employees.

AGE STRUCTURE 2012



Professional Training

The bank supports an environment, where employees can continuously learn and gain professional growth through its training programs and initiatives. Training and Development Department is committed to the continuous development of people through providing systematic training, recognition of performance and equal career advancement opportunities, thus optimizing the employees' 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 2012 is 25,329, while the total number of participation of all conducts of training programs amount up to 2,898.

Current year training programs are developed and implemented in order to answer individual training needs as launching different in class activities, on-the job trainings, as well as e-learning programs.



Postbank supports an environment where employees can continuously learn and gain professional growth through various training programs

Induction training programs

Training activities are oriented to the smooth and timely introduction of the newcomers in the working environment processes through the implementation of specialized induction programs. The specific training initiatives are based on the business needs, as well as the different knowledge on the bank products, services, procedures and market features. In 2012 92% of the new hires participated in Inductions or Orientation course, as 97% of all training programs are conducted by internal trainers. Thus the total number of conducts of training programs is 258.

In addition to the different induction programs, organized according to position responsibility, in 2012, a series of individual training programs happened for the new, reappointed and transferred staff within the bank.

Counter Fraud Training

In order to understand the risks that the bank faces nowadays and as fraud has been a prevalent and costly issue globally across the financial sector, in 2012, Postbank started a strategic initiative, in compliance with Eurobank Group requirements, aiming to control and prevent fraud from happening, as well as to detect, early on, the potential red alerts. The program's scope is to initiate a change towards a group-wide counter fraud culture, that will enable all employees to be knowledgeable and vigilant, in relation to fraud. After a 2-hour Workshop for ExCo members and senior managers, in 2012, all managers in the bank participated in a 1-day workshop, delivered by local certified trainers.

Long-term Qualifications

In 2012, Postbank continued its policy to offer to its outstanding performers enrollment in internationally acclaimed qualification programs, such as ACCA, CFA, CIA, CISA, CIM and Master's Degrees.

System Optimization Projects

The strive of the bank for optimization and improvement of the internal processes is realized into the continuous implementation of the system for customers contact management CRM (Customer Relations Management). In order to achieve smooth and creative connection between the bank and the customers, HR trainers had organized a series of specialized trainings on the system for the employees at all positions in the branches. In the area of customer service, a lot of efforts have been made for the successful implementation of a modern design of the main working system, for better customer data administration, as well as for the faster, and the more effective customer service. Front-end Banking system presents a customized approach and in 2011, all tellers passed through training on the technical and specific features of the new system. In 2012 the Front-end system continued to be successfully implemented, and all employees operating on it were trained.

Corporate Banking Training Initiatives

In line with the objective to further develop the professional skills of Corporate Banking specialists, training sessions (classroom and on-the-job) were organized on "Preparing and presenting comprehensive credit proposals" and "Credit Risk Analysis" Training. In 2013, Corporate Banking staff will participate in specialized trainings on "Cross Selling Techniques".

HR Award for Innovative Management of the Human Capital

In 2012, Postbank received a special award for innovative management of the human resources and improvement of the staff management with the software program "Hermes". With the help of the program, Human Resources Division can follow the connections and make analysis of the data in the employees' profiles, aiming to undertake management decision and convenient reporting.

For the last 10 years, the bank has been improving the application of the program and adapting it to the specific management model.

Performance Management

A company's overall performance inevitably depends on the individual performance and achievements of its workforce. Therefore, Postbank insists on the objective assessment of each employee's contribution through Performance and Development Evaluation, which is carried out each year and is designed to reward employees proportionately to their performance, and to contribute to the continuous enhancement of their skills.

The procedure for annual evaluation ensures transparency and objectivity. It allows evaluation of employees on the basis of their hierarchical position within the organization and takes into account the different nature of their responsibilities and tasks. Moreover, the system does not only assess the extent of target achievement, but also emphasizes on the manner of achieving these targets, improves communication between appraised and appraiser and fosters the professional and personal development of staff members.

In 2012, all bank employees have received overall assessment of their performance and career development opportunities. The Revised Performance Management System, which was introduced in 2011, helps greatly to improve the efficiency and effectiveness of the whole process and more precisely, to direct our people towards business fields, that are the most suitable for the full development of their potential and to motivate them to achieve their professional goals.

Compensation and Social Benefits

Postbank is aware of the social impact of its position of a major employer, and consequently is determined to provide its personnel with various benefits that go far beyond the requirements, stipulated in the labour legislation of the country. In this context, the bank has implemented and has strived to extend a consistent policy of providing additional benefits to its workforce and of applying strict health and safety standards at the workplace. The bank provides various forms of support upon ad hoc situations. All employees of the bank have additional health insurance in a private fund the price of which is fully covered by the employer. The additional insurance covers also the cost of medical treatment, if necessary. If the employees want, they may also conclude agreements for additional insurance of family members at preferential terms. The bank provides to its staff members additional Life insurance to cover expenses upon occurrence of an insurance event. Moreover, a significant benefit for Postbank's employees is the opportunity to use the banks products and services at preferential terms. This includes home and consumer loans, credit cards, overdrafts, online banking. Staff members pay no fees for most banking operations, such as cash transfers, withdrawals, etc.

Freedom of Association and Collective Bargaining

Postbank attaches great importance to proper consideration of interests of its employees, when making all key corporate decisions. The close cooperation with employee representatives ensures and guarantees their basic rights, including the freedom of association and collective bargaining.

All employees of Postbank are included in a collective bargaining agreement. The collective bargaining is a part of the general structure contributing to the responsible management of the bank.

Health and Safety

The success and productivity of a business stands or falls on the efficiency of the employees. Occupational health and safety, therefore form the basis for health management at the bank. Postbank not only strictly adheres to all safety standards prescribed by the labour legislation, but also undertakes additional actions to protect the health of its employees.

Postbank works in close cooperation with a work medicine service to ensure the safety and health of its staff during work. A joint assessment is made of the risk for health and safety of the staff, including assessment upon changes of labour conditions at the workplace and upon introduction of new technologies. All Postbank employees are represented on the health and safety committee – a central health and safety committee, covering all Bulgarian entities of Eurobank Group is based in Sofia, and is responsible for the head office, branches and subsidiaries.

Consistent and direct internal communication is considered crucial for Postbank. Therefore, it seeks continuous and interactive communication, which creates a relationship of trust and contributes to the establishment of a unified corporate culture, that recognizes personal competence, efforts and input, while at the same fostering team spirit and work. The timely and effective information flow within the organization is vital for its success. Internal communications help improve the bank's working environment, interpersonal connections between employees and are, as a whole, an instrument for promoting better cooperation and thereby, greater efficiency. In order to attain these objectives, in 2012, Postbank carried out the following internal communications initiatives:

Working environment

In 2012, the main objective of Postbank management was to create and maintain a working environment suitable for continuous improvement of employees' skills and for stimulating their good performance, which contributes to the development and improvement of the quality of the bank's products and services for better customer satisfaction.

"New Home of Postbank" was a comprehensive project for the relocation of the 900 employees working in the head office of the bank into a new, modern building, meeting the international standards for energy efficiency, safe and comfortable working environment. The project also included additional initiatives for facilitating the employees.

The new head office with total area of 12,500 m² was inaugurated in June 2012. It accommodated nearly 900 employees. Another part of the project was the organization of company transportation for the employees to the nearest subway station. Additionally, a carpooling project entitled "Travel with Me" allowed the employees to register through a web site and join as drivers or companions on a given route.

The new head office embodies the values, which Postbank team seeks to apply in its work – transparency, openness, accessibility and innovation. The institution's investment in its own modern office building amounts to more than EUR 40 million, which proves for yet another time that Postbank is a strategic investor in the banking sector of Bulgaria.

Internal events

Motivational event for Postbank managers

In June, in regards to the appointment of the new CEO of the bank and the new head office inauguration, a specialized leadership coaching company organized a tailor-made motivational event for 300 managers of Postbank. The main idea of the event was to boost managers' strengths and overcome weaknesses, so they can fully empower and utilize their potential. The coaching session included tools, metaphors and practical musical exercise, to support the managers facing challenges in the fields of leadership and achieve the desired results.

Annual Meeting of Postbank

The traditional conference and awarding ceremony of the best performing branches was held in November. The meeting brought together all managers of Postbank's branches, business units and the bank's management. The main strategic priorities for the following months were outlined and discussed at this meeting. The meeting also enabled the branch managers to share with the top management problems, which they face in their daily work.



Postbank CEO and the managers of the best performing branches for 2012

At the Annual Meeting 2012, Postbank branches were recognized in the following categories – deposit gathering, lending, insurance, customer service, profitability, remedial management, cooperation with Corporate Banking Division, best business center, best branch – complex evaluation and best region.

Internal communication channels

Newsletter Our Bank

The newsletter, Our Bank, is an important channel of internal communication, as it provides staff members with information about the novelties, products, initiatives and performance of the bank, as well as of its overall social contribution. In 2009, in an attempt to reduce its negative environmental impact and to allow the immediate transmission of up-to-

date information concerning the bank, the bank's Corporate Communications Department created an electronic newsletter, which is sent via e-mail to all staff members. Thus, the print newsletter Our Bank was issued on a quarterly basis only. The print magazine of the bank was fully revamped to include more in-depth, analytical articles and materials, with a more personal content that enables employees to get to know their colleagues.

E-mails to All Employees

Whenever there is important new information, that is otherwise relevant to staff members, it is instantly communicated to all employees by e-mail. This is also a way to acknowledge publicly the achievement of particular staff members or initiatives for support of employees or members of their families, who have health problems.

Intranet

Help Desk internal online platform incorporates all internal procedures, documents, working instructions, internal job announcements, division materials, frequently asked questions, bank tariff, reports, training materials, etc. The platform is additionally designed for registration of all kind of IT and software issues that need immediate resolving from the respective specialists within the organization. All employees have access rights for using and uploading documents related to their specific work.

REDUCING THE ENVIRONMENTAL FOOTPRINT


Environmental Policy Statement

Postbank values sustainable business development much higher than short-term profitability and other commercial gains. We believe that our duty towards our shared natural environment is a crucial ingredient of our commitment to the wellbeing of our stakeholders, and the society we operate in. Therefore, we strive to mitigate the adverse environmental impact of our activities and to make use of every opportunity to induce possible ecological changes.

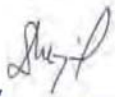
As a major Bulgarian bank, and a part of a powerful international financial Group, we recognize our numerous opportunities to influence public agenda. At the same time, we understand that this unique position we enjoy makes it all the more imperative for us to abide by the principles of good corporate citizenship and to set a positive example for all our colleagues, partners, fellow citizens and clients to follow.

Our parent Eurobank Group boasts remarkable achievements in the field of environmental protection, and we are determined to transfer and enrich its best practices on Bulgarian soil. In this respect, we are committed to set appropriate objectives and targets, to continuously monitor, assess and improve our own environmental performance and to comply with all relevant local, national and international legislation.

As a socially responsible institution, we have pledged to employ all leverage that we have to work for the preservation of the planet, that our children will inherit. To this end, we are not only determined to pursue a policy of environmental responsibility in our everyday operation, through our dedicated employees, but also to gradually extend it to our suppliers, clients and society, in order to promote beneficial environmental practices and sustainable economic growth.



Petia Dimitrova
Chairperson of the Management
Board and Chief Executive Officer



Dimitar Shoumarov
Member of the Management Board,
Executive Director and Chief Financial
Officer

Environmental protection, as well as sparing use of natural resources has always been one of the key core concerns of Eurobank Group. That is why the senior management of Postbank has formed a special unit entrusted with the power to properly manage and control the implementation and execution of the environmental policy - the Environmental Office, positioned as a direct reporting line to the COO, head of Central Operation Division.

Central Operation Division is one of the largest in the bank and deals with a wide variety of activities. The following units comprise the division:

- Environmental Office
- Premises
- Banking Operations
- Facilities and Procurement
- Security
- Organization
- Business Continuity Planning

One of the most important roles of the Division is to manage the budget of the capital and operative costs, related to the bank activities, apart from IT and HR. In 2012, significant reduction of 13% in the costs controlled by the Division, was achieved. This was supported primarily by the decrease of the biggest budget item – "Rent" by 16% in 2012 compared to 2011. This was a result of the efforts in two directions:

- Head Office consolidation and relocation in a new building, and
- Branch Network optimization.

Environmental Policy Department

Please refer to section Environment and Sustainability of this report

Premises Department

The most significant achievement of the Premises Department in 2012, was the Head Office (HO) consolidation project, which included the reconstruction of almost 16,000 sq.m. and the relocation of more than 900 employees. The HO consolidation was a large project, which led to many synergies and positive impacts beyond cost reduction. This was a massive project which was completed within less than 6 months. The current location at 260, Okolovrusten Put Blvd. in Sofia is a state-of-the-art building, which, apart from providing convenience from the synergies between the units of the bank, is a high energy class office that allows significant reduction in the energy consumption and provides to all the employees a modern and comfortable working environment.

Facilities Department

A number of tenders for key materials and services were run in 2012. They lead to important comparisons vs the market and ensured that the bank is using highly competitive prices for its supplies.

Two of the tenders were related to the HO relocation and consolidation project. It was necessary to ensure that the bank is using the best quality and environmentally friendly products and services at reasonable prices, when it came to choosing a construction company for the new HO premises, and a transportation company for moving all the belongings and the archive of the 900 employees from the HO.

Banking Operations Department

The most significant achievement in the area of banking operations in 2012 was that Postbank successfully became direct member of TARGET II in August, 2012. TARGET II is one of the largest payment systems, known for its safety, reliability and large scale of operations.

Organization Department

Organization Department has strong contribution to increasing the efficiency in the various processes in the bank. Organization staff is strongly cooperating with the business units and IT to deliver optimization projects, either through process improvement, or automation of products, services and processes.

Business Continuity Planning (BCP)

Postbank is the only commercial bank in Bulgaria, and in Eurobank Group, which performs end-to-end BCP process tests, including full utilization of all DRP sites and systems. This results to a HOT recovery ability to restore operations (near to zero downtime).

Security Department

A fully centralized monitoring and control system expanded in total, network and HO premises is operating in the bank since its integration with DZI Bank in 2007. The system is based on unified standards and follows the best security international practices. Furthermore, the bank has accepted the Group and International Standard, based on which it develops its whole security framework. Efficient security measures have been implemented in the new HO in order to fully monitor and control 24 hours a day buildings, operations, and access. Postbank is cooperating with leading security provisioning companies in the equipment, reaction and guarding areas.

ENVIRONMENT AND SUSTAINABILITY

Eurobank remains, since 2004, the only Greek banking group, and one of few in Europe, to have established an externally certified ISO 14001 compliant Environmental Management System. The procedures for the official listing of Eurobank in the Register of European Organizations that adhere to the EMAS (Eco-Management & Audit Scheme) regulation (Regulation EC/761/2001) on environmental management were completed in 2009. Since then, Eurobank has been distinguished for three years in a row at the European EMAS Awards, each year for a different subject category. In 2009, Eurobank captured the National Award on the theme "Supply Chain, including Green Procurement", while it also received the National Award for the year 2010 on the theme "Resource Efficiency". In 2011, Eurobank received the European EMAS Award on the theme "Stakeholder involvement, including employee involvement, leading to continuous improvement", thus achieving the outmost distinction amongst all private sector large organizations participating in the contest. Since 2010, Eurobank is a member of the Global Steering Committee, and presides over the Eu-

ropean Task Force and the Global Banking Commission of the United Nations Environment Program Finance Initiative (UNEP FI).

As part of Eurobank Group, Postbank follows its policies towards environment and sustainability.

In 2012, Postbank was distinguished as the most green company in the financial services industry in Bulgaria in a prestigious competition organized by b2b media. The prize was awarded for the achievements in terms of improvement of internal processes that leads to higher resource efficiency, and the start of application of environmental risk management procedure in corporate lending.

The Environmental Office follows its strategy targeting both direct (those related to internal consumption of resources) and indirect (those related to core banking activities and customers) environmental impacts. These two wings of the strategy are supported by a number of projects dealing with the specificity of the subject.

Thus as regards direct environmental impacts the unit has the following activities:

- Energy consumption monitoring and analysis in terms of costs and kwh;
- Water consumption monitoring in terms of costs and cubic meters per financial center;
- Paper consumption monitoring in terms of costs and N of sheets used per financial center;
- Toners consumption monitoring in terms of costs and types and N of toners per financial center;
- Coordination of projects related to improvement of efficiencies within the organization that have impact on consumption of resources such as paper, toner, electricity, etc.

As far as indirect environmental impacts are concerned, the Environment Office pursues the implementation of Environmental and Social Risk Management Procedure in the evaluation on loans, currently applicable for the loans, extended from the EBRD lines. This is being done through annual reports that the unit collects from the business units, regarding the exposure to environmental risk of small, medium and large corporate loans. This type of activity the Environmental Office does in agreement with the Environmental Steering Committee and the respective Working Group, in which all the business units are presented, together with Risk, Corporate Communications, Legal and HR.

Energy consumption monitoring and analysis in terms of costs and kwh

Following its strategy, Environmental and Sustainability unit kept track of the consumption of electricity, gas, diesel and heating for all the outlets of the Bank. CO2 footprint was derived for the organization as a whole and for each of its offices. This helped the identification of problematic areas with extensive consumption. Based on the collected information, top spenders were identified which were visited by a dedicated technical team with the task to identify the reason for increased consumption. After the visits, the information was discussed centrally in Premises Department which undertook the task of taking improvement measures. The specific measures are planned for 2013. One of the measures that was envisaged for 2012, was the change of air conditioners with higher class ones. This action has started with a tender, for the air conditioners, which was concluded in 2012. Massive change of devices is scheduled for the first half of 2013.

Water consumption monitoring in terms of costs and cubic meters

Water consumption is tracked monthly, in terms of costs and semi-annually, in terms of cubic meters. Bank outlets are being ranked in terms of water consumption per employee. This exercise facilitates the identification of problems related to leakages and excessive water use.

Paper consumption monitoring in terms of costs and N^o of sheets used

Paper consumption is monitored monthly in terms of costs and semi-annually in terms of sheets per employee. Ranking of outlets depending on use per employee is performed as part of this analysis.

Apart from monitoring, special efforts are done towards establishing paper preservation habits of the staff and towards collection of paper separately so that it can be recycled and reused in the future.

Upon relocating the headquarters to the new state of art building, special containers for paper were placed in the premises, so that separate collection of paper for the purpose of recycling is ensured.

Toners consumption monitoring in terms of costs and types and N^o of toners

In 2012, gradually the bank started moving towards the direction of using compatible toners for its operations. The toners are disposed for recycling after use. Collection of information regarding the N of toners used by the bank was one of the targets the Environmental Office had put for 2012. This was successfully done, and the N of toners used in 2012 is known to be 3381 units. From 2012, the Environmental Office will keep on collecting this information and monitoring the use of toners.

Garbage collection

Since Postbank acknowledges the need to strive for preservation of nature, care is taken for the garbage. One of the imminent measures in this direction is the installation of bins for the separate collection of garbage in the new HO premises of the Bank.

This and the rest of the measures described above, had the important effect of raising further the awareness of employees about the necessity of paying attention on issues ignored in the past and creating important habits with the ultimate goal – care for the environment. In 2013 the Bank commits to continuing the efforts pursued until present caring both for its direct and indirect

environmental impacts.

Indicators

As an important part of the efforts to manage internal resources, since the start of 2012, the Environmental Office has set up the collection of data on energy consumption in kwh with the aim of understanding better consumption patterns by isolating consumption trends from energy price fluctuations. This project was very important, and it materialized, due to the cooperation with the electricity providers in Bulgaria who acknowledged the need of electronic reports on consumption for big clients and started providing the relevant data. Based on these data, semiannual analysis is prepared showing consumption per financial center in terms of kwh in total for the respective center, kwh per sq.m., kwh per employee and CO2 footprint. This analysis allows for comparison among the almost 200 financial centers of the Bank not only in terms of costs, but also in terms of kwh consumption. Thus the following main key performance indicators are prepared:

- Average kwh/employee consumption
- Average kwh/sq.m. consumption
- Top and bottom energy spenders in terms of kwh/employee and kwh/sq.m.

Using the information from them, deviations from standard energy consumption can be identified and this facilitates the root cause analysis of the reasons for excessive energy consumption. The analysis helps the corrective, but also the preventive measures across the premises the Bank is using, so that unnecessary consumption is contained.

Since information on kwh is available only for one year at present – for 2012, for comparison to previous years the indicators regarding key resource consumption, are presented in units of euro, discounted for each year to achieve comparability to the base 2008, the first year after the merger between Postbank and DZI bank. The figures show reduction in the amounts consumed in the years 2008-2012 and a relatively steady trend of decrease.

ITEM*, EUR	2008	2009	2010	2011	2012	CHANGE 2012 TO 2008	CHANGE 2012 TO 2011
Electricity	1,050,955	1,122,034	1,147,476	1,137,891	1,013,179	-4%	-11%
Gas	17,974	12,990	9,023	11,870	34,324	91%	189%
Heating	75,338	74,812	61,000	71,799	65,413	-13%	-9%
Water	87,579	70,961	71,109	73,296	71,977	-18%	-2%
Toners	404,206	411,910	470,439	425,153	289,820	-28%	-32%
Printing Paper	411,675	341,155	333,804	260,612	201,612	-51%	-23%
Envelopes	159,410	100,714	52,546	37,822	18,711	-88%	-51%
Forms	291,385	144,612	32,412	29,659	27,405	-91%	-8%
Desk Stationary Materials	195,308	114,060	108,018	115,199	110,602	-43%	-4%
Total	2,693,830	2,393,247	2,285,828	2,163,301	1,833,043	-32%	-15%
Paper and Writing Materials	1,057,779	700,541	526,781	443,292	358,330	-66%	-19%
Paper, Envelopes and Forms	862,470	586,480	418,763	328,093	247,728	-71%	-24%
						Δ 2011/	Δ 2012/
Item*	2008	2009	2010	2011	2012	2008	2011
Electricity	1,050,955	1,122,034	1,147,476	1,137,891	1,013,179	-4%	-11%
Gas	17,974	12,990	9,023	11,870	34,324	91%	189%
Heating	75,338	74,812	61,000	71,799	65,413	-13%	-9%
Total energy	1,144,267	1,209,836	1,217,499	1,221,559	1,112,916	-3%	-9%
						Δ 2011/	Δ 2012/
CO2 emissions from electricity, tns					7,421	2008	2011
m3 of water consumed	118,951	79,263	81,334	87,357	48,822	-59%	-44%
N of paper sheets used	54,550,581	46,471,776	46,561,779	48,617,042	37,610,615	-31%	-23%

Note: The data is discounted for comparability purposes. The used discount factors are: the price changes per type of service, or where unavailable, the average annual inflation rate as provided by the National Statistical Institute

Significant decrease is evident in paper and water consumption, both in the comparison of 2012 to 2011, and 2012 to 2008. The decrease in paper consumption is due to the achieved internal processes and resource efficiencies. The decrease in water consumption is related to the already well maintained premises of the Bank where in the past few years after the centralization of maintenance a lot of leakages and other problems were eliminated. Improved efficiency in resource management is evident from the decrease in all items presented in the table above, with the exception of natural gas. Natural gas consumption has dramatically increased during 2012. This is a result of the relocation of the HO to the new building which is being heated by gas.

In 2012, no fines related to environmental issues were received by Postbank.

The Environmental Office has put the following targets for its activities for 2013:

Regarding management of direct environmental impacts:

- Enhancing the analysis of internal use of paper, toners and water with data showing monthly consumption per employee

Regarding management of indirect environmental impacts:

- Production of a semi automated solution for environmental risk screening to facilitate the work of the loan officers;
- Training of all loan officers in environmental risk management.

INVESTING IN SOCIETY

Postbank firmly believes, that growth and long-term sustainability of business are closely related to the overall welfare and development of community in which it operates.

The bank is very active in the area of corporate social responsibility and traditionally implements a number of socially important projects in education, youth care, care for the environment, art, sports and corporate donations. Some of them are High Start with Postbank, The NO Project, Crystal Purity of Pancharevo and the internal program Green Start.

High Start with Postbank

"High Start with Postbank" program was launched in 2005, under the auspices of the Ministry of Education, Youth and Science. With the cooperation among the business, governmental and non-governmental institutions and media, High Start aims to give students an opportunity to share their opinion on various social topics such as the educational system and the problems of modern society. The project aims to distinguish the future Bulgarian leaders, and to communicate their ideas to all parties concerned. Since the beginning of the program, Postbank has granted 816 students scholarships worth a total of BGN 426,250.

The seventh edition of the initiative invited students to participate in the important social debate for the future of Bulgaria, and express their opinion on pressing problems with an essay on the topic "My High Start for Bulgaria Starts With...". The aim of the initiative was to single out the twenty most important steps, which will make Bulgaria look more attractive for the young generation. The initiative resulted in the creation of the first Youth Road Map for Development of Bulgaria, which compiled the solutions offered by the youths. The Map was presented to representatives of the Government.

The High Start with Postbank program is held in partnership with the Bulgarian Donors Forum, Paideia Foundation, the National Network for Children and the Parents Association and is under the auspices of Ministry of Education, Youth and Science.



Winners in High Start with Postbank

Green Start with Postbank

Postbank is focused on preservation of nature and reducing of resources consumption, such as electricity, water and paper. As part of Eurobank Group, Postbank considers environment preservation as one of its main priorities and strives for integrated implementation of best ecological practices. In this regard the financial institution undertakes the obliga-

tion to constantly observe, evaluate and optimize its ecological performance, and to strictly follow all requirements of local, national and international legislation in the respective fields.

Postbank strives to mitigate the adverse environmental impact of its operations and to make use of every opportunity to induce possible ecological changes. This is possible within the program Green Start with Postbank – an internal campaign that aims to foster environmentally friendly behaviour of the company. The program elements are presented in the following projects:

Crystal Pure Pancharevo

In 2012, for the fifth consecutive year, Pancharevo lake became a better place for relaxation, thanks to the volunteers from Postbank, their friends and families. The initiative for cleaning the area around the lake is part of the long-term project of the financial institution, entitled "Crystal Purity of Pancharevo".



Green Board

In order to coordinate and manage environment protection activities better, Postbank created a special unit – a Green Board. The Green Board of the bank consists of volunteers, who are determined to promote the cause of environmental protection within the organization. Some of the Board members are representatives of the structural units within the bank that are indispensable for the implementation of the bank's environmental policy, such as Operations, Premises, HR, Corporate Communications and IT. The rest of the Board members are volunteers, that take up various positions in the bank, but are united by their devotion to environmental protection.

In 2008, Postbank made the first steps to foster the environmental friendly behavior of its employees by introducing internal practices, such as the exclusive use of FSC paper and energy-saving lightening in its premises.

New Head Office

"New Home of Postbank" is a comprehensive project for the relocation of the 900 employees working in the head office of the Bank into a new modern building, meeting the international standards for energy efficiency, safe and comfortable working environment.

The new head office with total area of 12,500 m², was inaugurated in June 2012. It accommodates nearly 900 employees and meets the world standards for energy efficiency, reducing water and energy consumption by 50%.



B2b Media awarded Postbank for being "The greenest financial institution for 2012"



The new modern office of the bank at 260 Okolovrusten Pt

Moreover, the Bank has started the implementation of a project for separate collection and recycling of materials in the building.

Environmental Office

An environmental office began operating within the financial institution in 2012. It introduced a systematic approach for measuring the cost of energy, water, paper and other supplies in the bank premises. The total consumption of electricity is calculated through a tailored methodology and transformed into carbon dioxide. A procedure for monitoring and management of the environmental risk of business loans is being developed aiming at reducing the polluting operations of the bank's credit receivers.

The NO Project

Additionally, in 2012, Postbank supported the fight against human trafficking through the realization of the international initiative The No Project in Bulgaria. A series of training seminars were organized in Sofia, as well as three exhibitions in only a few months.

The No Project is an independent initiative, that aims at raising of awareness and critical thinking on the issue of human trafficking. The project is specifically targeted at young people and uses popular means of expression such as music, arts, education and social media.

The first stage of the project in Bulgaria included the organization of three interactive seminars at New Bulgarian University, National School of Fine Arts "Iliia Petrov" and American College of Sofia.

In addition, the students from the Fine Art Department of New Bulgarian University participated in a workshop, expressing their views on the human trafficking issue through the visual arts. The idea was based on the main concept of The NO Project to use the art in all its forms as a universal language for communication with young people worldwide. The works of the Bulgarian students were part of a special exhibition at the New Bulgarian University's Arts Centre in June 2012. They were incorporated in the original art installation FREE ME.

In October, the Chief Executive Officer of Postbank and Deputy Prime Minister and Chairman of the National Commission for Combating Trafficking in Human Beings inaugurated a special exhibition entitled STEP 2 FREEDOM to support the prevention of human trafficking. A special guest at the opening ceremony was the Mayor of Sofia. The exhibition was open for visitors from 26 October to 11 November 2012, at the Lovers Bridge, next to the National Palace of Culture in Sofia.

Postbank is one of few business organisations acting proactively as a partner in national campaigns to combat human trafficking. Partners in the implementation of The NO project in Bulgaria are the National Commission for Combating Trafficking in Human Beings and New Bulgarian University.



Postbank supported the fight against human trafficking through the realization of the international initiative The No Project in Bulgaria



STEP 2 FREEDOM exhibition organized by Postbank against the human trafficking near National Palace of Culture

Antoaneta Vassileva

Secretary of the National Commission for Combating Trafficking in Human Beings

"National Commission for Combating Trafficking in Human Beings recommends the Program for corporate social responsibility of Postbank, which during the past year supported in a significant way the fight against human trafficking through initiatives aimed at prevention of this crime. The Commission appreciates its partnership with Postbank, one of the few business organizations engaged with this serious problem. That is a good example of the benefits of the cooperation of public and private institutions, along with NGOs. It is also indicative of the desire of the State, represented by the Commission, for a long-term partnership with Postbank, New Bulgarian University and The NO Project.



In the context of the fight against human trafficking on international level, the partnership between Postbank and the National Commission for Combating Trafficking in Human Beings reinforces the desire for sustainable interaction between institutions and the private sector, that is in line with the recommendations of the European Commission regarding the fight against this crime."

Dr. Kalina Hristova

Program Director of Bachelor Program "Plastic Arts" and Graduate Programs "Illustration and Graphic Technologies" and "Painting" at Fine Arts Department of New Bulgarian University

"Thanks to the initiative of Postbank and National Commission for Combating Trafficking in Human Beings we were able to realize the workshop "Say NO to the Human Trafficking" and two exhibitions with students from Fine Arts Department - "FREE ME" and "STEP2FREEDOM". The first exhibition was realized in New Bulgarian University (NBU) and was accepted with great interest by the academic community. As a natural continuation of this exhibition the second one "STEP2FREEDOM" was located on the bridge next to the National Palace of Culture. 20 students participated in the project and the exhibitions. They were able to present over 25 original posters with appealing social and communicative vision.



The impact and the key benefit from the realization of the whole project is the very positive effect on the image of the New Bulgarian University and its students who proved that they are socially responsible persons and have a critical stance and attitude to current social problems. Additionally, the students had the opportunity to present their work and to reveal their potential for creative ideas and that demonstrated the quality of the education they receive at the New Bulgarian University.

All this would not be possible without the initiative and the financial support of Postbank, which showed that the successful cooperation between financial, government and academic institutions is indeed possible. Thanks to that support our students had the opportunity to promote the awareness and means for prevention of human trafficking. As a representative of the academic community of the New Bulgarian University, I would like to thank Postbank for choosing us as a partner in this project and I hope that we have justified their trust and have supported a really good cause.

We sincerely believe that the implementation of this project is just the beginning of our cooperation."

Sponsorships and volunteer initiatives

Cooperation with disadvantaged social groups and the stimulation of their active role in society is part of Postbank's corporate social responsibility strategy. The bank's initiatives aim not only to support these social groups, but also to stimulate their creativity and contribute to their integration as valuable members of society.

Every year the bank's employees take part in the Volunteer Days organized by the American Chamber of Commerce and the Charities Aids Foundation in Bulgaria. They provide volunteer work for a number of social projects throughout the country.

Every year the bank takes part in the initiative titled Manager for a Day of Junior Achievement Bulgaria.

In 2012 Postbank gave over 10,000 hand-made martenitzas as a special present to customers, partners and employees to mark the 1st of March according to the Bulgarian tradition. The red-white ornaments were produced by people from disadvantaged social groups, who the bank traditionally supports on for the "Baba Marta" holiday. The bank's partners were the "Future for Children with Disabilities" association in Kazanlak and the "Third Age" Foundation in Ruse.

Recognition 2012

Traditionally, Postbank's efforts to improve the economic development, to demonstrate responsible and ethical market behavior, to offer high quality and innovative products, and to support social and environmental causes, were recognized by numerous awards in 2012:

- Mrs. Petia Dimitrova, CEO and Chairperson of MB of Postbank, was chosen as one of the 192 Young Global Leaders honourees for 2012 by the Young Global Leader Forum. The prestigious nomination was bestowed by the World Economic Forum and it served as recognition for Mrs. Dimitrova's exceptional achievements in the field of management on both professional and social level.
- Mrs. Petia Dimitrova received the award "Mrs. Economy" by Economy magazine for her contribution to the development of the banking sector in Bulgaria.
- Mrs. Dimitrova received the recognition "Banker of the Year 2012" by Banker weekly newspaper.
- Mr. Atanas Karagyozev, Deputy Head of Branch Network Division, was awarded "Employee of the Year" by Forbes Bulgaria magazine.
- Postbank is the Best Bank in Bulgaria offering custody services, according to the prestigious global magazine Global Custodian.
- At the Annual awards of the Bulgarian PR Association, the Confederation of Industrialists and Employers in Bulgaria awarded Postbank for its CSR and sustainable development policy.
- The Bulgarian PR Association acknowledged the 20th-anniversary campaign of the Bank as the "Best PR campaign".
- B2b Media awarded Postbank for being "The greenest financial institution for 2012".
- Bulgarian Business Leaders Forum recognized the educational program "High Start with Postbank" at its Annual responsible business awards.



Mrs. Petia Dimitrova, CEO of Postbank, received the recognition "Banker of the Year 2012" by Banker weekly newspaper



Mr. Atanas Karagyozev, Deputy Head of Branch Network Division, was awarded "Employee of the Year" by Forbes Bulgaria magazine

APPENDIX 2

STATEMENT OF THIRD-PARTY ASSURANCE

To the Management of Eurobank Bulgaria AD

The Management of Eurobank Bulgaria AD has engaged Kreston BulMar to provide an independent assurance on the GRI – based disclosures published in the Eurobank Bulgaria's AD "Financial and Sustainability Report 2012" ("the Report"). This assurance engagement is based on Kreston BulMar's Sustainability Assurance Methodology and the requirements of Global Reporting Initiative 2006 Sustainability Reporting Guidelines Version 3.0 (GRI G3). The verification was conducted during February – April 2013 for the year of activities covered in the Report, 1 January 2012 to 31 December 2012.

Respective Responsibilities and Independence

Kreston BulMar assurance team has the required competencies and experience to conduct the engagement. Kreston BulMar confirms that that is not aware of any other issue that would impair its objectivity in relation to this assurance engagement. Kreston BulMar has not had any part in collecting and calculating the data, supporting the sustainability indicators or in drafting the Report content. The work that Kreston BulMar conducts for clients is solely related to independent assurance activities. The designed processes ensure that the work Kreston BulMar undertakes with clients is free from bias and conflict of interests.

The Management of Eurobank Bulgaria AD is responsible for the preparation and the fair presentation of the socio-economic and environmental information as published in the Report, and also for maintaining adequate records and internal controls that are designed to support the reporting process. Kreston BulMar is responsible to issue a Statement of Third-Party Assurance based on the procedures applied in the performed review. This Assurance Statement has been prepared for the Eurobank Bulgaria's AD Management in accordance with the terms and conditions in the Engagement Letter. Kreston BulMar does not accept any liability to any third party other than Eurobank Bulgaria AD Management. The assurance engagement is based on the assumption that the data and information provided are complete and true complete and true.

Engagement and Criteria Applied

The objective of the verification was to establish that information presented is a reliable representation of Eurobank Bulgaria's performance and programs, and that the data presented conform to the Global Reporting Initiative (GRI) G3 Reporting framework guidelines.

Kreston BulMar has performed the assurance engagement, as agreed upon with Eurobank Bulgaria AD with the aim to:

- Provide limited assurance of the non-financial data prepared using the GRI G3 guidelines, covering socio-economic and environmental indicators for the period 01 January 2012 to 31 December 2012, except EC-1 and other financial data, which is as reported by the company and independently audited by a specialized auditing enterprise;
- Confirm Company's assertion that it has aligned its policies and adhere to the Principles for defining the report content and the Principles for ensuring the report quality;
- Verify the reported alignment to the GRI Indicators Protocols and the self-declared application level (C+).

The reporting boundary is as set out in the Report and covers the strategic business units of Eurobank Bulgaria AD, including company's branch network.

Key Assurance Procedures

In order to form our conclusions, we have performed the procedures deemed necessary to provide a basis for our conclusions and reduced the risk of errors to an acceptably low level. Our main procedures include:

- Interviewing managers at Postbank's Head office, including those in charge with the operational responsibility for selecting, measuring and reporting the issues covered in the Report;
- Reviewing and analysing publicly available information related to Postbank CSR practices and performance;
- Reviewing selected headquarters documents relating to social, ethical, environmental and health and safety issues;
- Sample testing on the Company's processes related to measurement, gathering, validation and reporting of sustainability performance data;
- Reviewing the method used by Eurobank in its reporting process to address the reporting principles in the G3 Sustainability Reporting Framework of GRI;
- Evaluating the acceptability and consistency application of the reporting principles used in preparing the socio-economic and environmental information published in "Financial and Sustainability Report 2012";
- Evaluating the reliability of the socio-economic and environmental indicators and the reported progress by obtaining an understanding of the design and operation of systems and methods used to collect and process the necessary information;

- Reviewing the content of the report against the findings of our work and making recommendations for improvement where necessary.

Inherent Limitations of the Engagement

There are limitations of any assurance engagement, due to the fact that the evidence on which the assurance practitioners draw conclusions upon, is persuasive, as we rely on the selected data to be representative, rather than conclusive. There are additional risks related to the assurance of non-financial information, because in most cases it contains forward-looking information in the form of ambition, strategy, plans, forecasts and estimates. The fulfilment of such information is inherently uncertain. For that reason Kreston BulMar do not provide any assurance relating to that forward-looking information.

Next to that Kreston BulMar have not examine and do not express any conclusion with respect to the financial information and the preparation of the Annual Financial Statements of Eurobank Bulgaria AD.

Additionally, environmental and energy-use data are subject to inherent limitations given the nature and methods used for determining such data. The selection of different but acceptable measurement techniques result in materially different measurements. The precision of different measurement techniques also vary.

Conclusion

Based on the scope of our work and the assurance procedures we have performed, nothing has come to our attention that causes us to believe that the sustainability performance indicators as described in Eurobank Bulgaria's AD Financial and Sustainability Report 2012 are materially misstated or have not been compiled on the basis stated. It includes, that we are not aware of any facts and circumstances that would lead us to conclude that Eurobank Bulgaria AD has not applied the principles, as described in GRI Reporting Framework in developing its approach to sustainability reporting.

No other matters were disclosed that indicate Eurobank Bulgaria's AD Financial and Sustainability Report 2012 does not provide a balanced representation of material issues, concerning its sustainability performance as required by GRI Sustainability Reporting Guidelines version 3.0 (G3), and the requirements of the GRI Application Level C.

Opportunities for improvement

In addition, Kreston BulMar presented to the management of Eurobank Bulgaria AD our recommendations relating to sustainability reporting issues. However, these do not affect our conclusions on the Report and are provided to encourage continual improvement.

- Eurobank Bulgaria continues to engage with stakeholders to help shape sustainability plans and initiatives. In order to enhance the knowledge of their expectations and concerns, we recommend enforcing a process specifically designed to provide information with regard to sustainability issues, to be covered in future reports.
- Eurobank Bulgaria should extend implemented processes and controls, including the effective sign-off procedures, to allow full and detailed presentation of the identified material issues as described in the GRI Reporting Framework – indicators protocols.
- Although Eurobank Bulgaria has defined specific lines of action in terms of corporate responsibility, we recommend conducting a more in-depth review of the objectives and material indicators, that will enable the Group's performance in corporate responsibility to improve further and to be assessed objectively.



Emil Popov
Managing Partner and Lead Auditor

07 May 2013
Sofia, Bulgaria

GRI CONTENT INDEX

General Report Information

Postbank's Financial and Sustainability Report 2012 highlights our financial performance and illustrates how we fulfil our corporate responsibility within the overall social and environmental context, in which we operate. Pursuant to the best international practices in relation to annual reports, for a second consecutive year we combine information on our financial and non-financial performance, thus providing a more comprehensive view on the progress we have made and the results we have achieved during 2012. The financial information and statements are prepared in accordance with the IFRS, and the broader economic, social and environmental information is presented in compliance with GRI guidelines – G3, Application level C+.

This report is dedicated primarily to service the information needs of our shareholders, customers, employees, partners, non-governmental organisations (NGOs) and anyone with an interest in Postbank's financial and sustainability performance.

Priority Topics in the Report

The topics described in the report represent a detailed response to the relevant issues raised by Postbank's governance bodies and various stakeholder groups, through the different channels for communication and engagement, namely

- Issues that are currently most important to our shareholders and other stakeholders, business operations and for financial outcomes;
- Consultations with bank's business lines middle and senior management to identify which social, environmental and ethical topics are most relevant to them;
- Expectations made explicit through international standards.

In order to obtain the relevant data, Postbank gathered information at different levels within the organisation: Finance Division, Compliance, Corporate Governance, Legal Division, Clients Relations, Central Operations, Human Resources and Marketing, provided performance data and descriptions of corporate policies, procedures and monitoring systems. The specified economic, environmental and social issues present risks or opportunities for creating and maintaining sustainable development for the company or for our stakeholders. As a result of a multilateral dialogue, the following subjects were selected as the base for the report content:

- Economic stability;
- Quality of the bank's services and customer support;
- Ethical standards and norms;
- Work practices and labour conditions;
- Activities in support of the community;
- Environmental efficiency of operations.

Report Coverage

The Financial and Sustainability Report 2012 covers information across the performance of all business units, over which Postbank exercise management control, including: the Head Office of Postbank, with legal name Eurobank Bulgaria AD and its branch network.

With the exception of our reporting on greenhouse gas data, during the period under review, 01 January 2012 – 31 December 2012, there have been no significant changes with regard to the scope, or measurement methods applied in this report. The 2012 report's boundary excludes affiliates of Eurobank Group which operate on the Bulgarian market. Namely:

- Bulgarian Retail Services AD
- ERB Leasing EAD (former name EFG Leasing EAD, date of change 01/2/2013)
- ERB Auto Leasing EOOD
- ERB Property Services Sofia AD (former name EFG Property Services Sofia AD, date of change 25/3/2013)
- Eurobank EFG Factors Branch Bulgaria
- IMO Property Investment Sofia EAD
- IMO Central Office EAD
- IMO Rila EAD
- IMO 03 EAD

Nevertheless, this exclusion does not represent a material deviation that would significantly affect the comparison between the periods, or affect opinions and decisions of stakeholders with regard to the social-economic and environmental impacts of Postbank and its activities.

Stakeholders

During 2012, Postbank continued to engage closely with the stakeholder groups that affect significantly or are significantly affected by the economic, environmental and social performance of the company, namely: our Clients, Employees, Shareholders and Suppliers. Regular engagement with these stakeholders helps us be aware of their expectations and concerns, and helps us understand, prioritize and communicate in the most effective way our responsive actions and the progress we have made.

We are aware, that the interests of different groups of stakeholders are not always the same and that this may lead to conflicts and hard choices for the company. In such situations, Postbank tries to evaluate the potential impact on the individual stakeholders, before taking the final decision, guided by its business principles, mission and objectives.

Transparent, reliable and comparable reporting

In 2011, Postbank started to integrate sustainability reporting with the financial performance reporting. We believe such an integrated approach to reporting provides readers with greater context in evaluating our performance data; further demonstrates how sustainability fits into the bank's business strategy; and meets the information needs of our stakeholders. However, it is acknowledged that fully integrated reporting is not easily achieved, and we will need to invest further more time and resources; it is an ongoing process that is still in progress.

GRI Application Level and Content Index

REPORT APPLICATION LEVEL	C	C+
G3 Profile Disclosures	Report on: 1.1; 2.1-2.10; 3.1-3.8; 3.10-3.12; 4.1-4.4; 4.14-4.15	EXTERNALLY ASSURED REPORT
G3 Management Approach Disclosures	Not required	REPORT
G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.	

STANDARD DISCLOSURES PART I: PROFILE DISCLOSURE

1. STRATEGY AND ANALYSIS

PROFILE DISCLOSURE	PAGES	DESCRIPTION
1.1 FR	5-6, 51	Statement from the most senior decision maker of the organization

2. ORGANIZATIONAL PROFILE

PROFILE DISCLOSURE	PAGES	DESCRIPTION
2.1 FR	8	Name of the organization,
2.2 FR	8	Primary brands, products, and/or services
2.3 FR	16	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.
2.4 FR	33	Location of organization's headquarters.
2.5 FR	16	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.

PROFILE DISCLOSURE	PAGES	DESCRIPTION	
2.6	FR	16	Nature of ownership and legal form.
2.7	FR	8-9	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).
2.8	FR	8-9	Scale of the reporting organization.
2.9	FR	16, 93	Significant changes during the reporting period regarding size, structure, or ownership.
2.10	FR	88	Awards received in the reporting period.

3. REPORT PARAMETERS

PROFILE DISCLOSURE	PAGES	DESCRIPTION	
3.1	FR	93	Reporting period (e.g., fiscal/calendar year) for information provided.
3.2	FR	July 2012	Date of most recent previous report (if any), – November – December 2011
3.3	FR	93	Reporting cycle (annual, biennial, etc.)
3.4	FR	Back cover	Contact point for questions regarding the report or its contents.
3.5	FR	93	Process for defining report content.
3.6	FR	93	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).
3.7	FR	93	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).
3.8	FR	93	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.
3.10	FR	93	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).
3.11	FR	93	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.
3.12	FR	94-98	Table identifying the location of the Standard Disclosures in the report.

4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT

PROFILE DISCLOSURE	PAGES	DESCRIPTION	
4.1	FR	26-30	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.
4.2	FR	16	Indicate whether the Chair of the highest governance body is also an executive officer.
4.3	FR	N/A	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.

PROFILE DISCLOSURE	PAGES	DESCRIPTION	
4.4	FR	54	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.
4.14	FR	94	List of stakeholder groups engaged by the organization.
4.15	FR	94	Basis for identification and selection of stakeholders with whom to engage.

STANDARD DISCLOSURES PART III: PERFORMANCE INDICATORS

ECONOMIC

ECONOMIC PERFORMANCE

PROFILE DISCLOSURE	PAGES	DESCRIPTION	
EC1	FR	56	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.

MARKET PRESENCE

PROFILE DISCLOSURE	PAGES	DESCRIPTION	
EC6	FR	56	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.
EC7	PR	69-70	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.

ENVIRONMENTAL MATERIALS

PROFILE DISCLOSURE	PAGES	DESCRIPTION	
EN1	PR	80-81	Materials used by weight or volume.

WATER

PROFILE DISCLOSURE	PAGES	DESCRIPTION	
EN8	FR	81	Total water withdrawal by source.

COMPLIANCE

PROFILE DISCLOSURE	PAGES	DESCRIPTION	
EN28	FR	82	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

SOCIAL: LABOUR PRACTICES AND DECENT WORK

EMPLOYMENT

PROFILE DISCLOSURE	PAGES	DESCRIPTION	
LA3	FR	73	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.

LABOR/MANAGEMENT RELATIONS

PROFILE DISCLOSURE	PAGES	DESCRIPTION
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LA4	FR	73	Percentage of employees covered by collective bargaining agreements.
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OCCUPATIONAL HEALTH AND SAFETY

PROFILE DISCLOSURE	PAGES	DESCRIPTION
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LA6	PR	73	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.
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TRAINING AND EDUCATION

PROFILE DISCLOSURE	PAGES	DESCRIPTION
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LA10	PR	71	Average hours of training per year per employee by employee category.
LA12	FR	72-73	Percentage of employees receiving regular performance and career development reviews.

DIVERSITY AND EQUAL OPPORTUNITY

PROFILE DISCLOSURE	PAGES	DESCRIPTION
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LA13	PR	70	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.
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**SOCIAL: SOCIETY
CORRUPTION**

PROFILE DISCLOSURE	PAGES	DESCRIPTION
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SO2	FR	65	Percentage and total number of business units analyzed for risks related to corruption.
SO3	FR	65, 71	Percentage of employees trained in organization's anti-corruption policies and procedures.

COMPLIANCE

PROFILE DISCLOSURE	PAGES	DESCRIPTION
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SO8	PR	66	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.
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**SOCIAL: PRODUCT RESPONSIBILITY
MARKETING COMMUNICATIONS**

PROFILE DISCLOSURE	PAGES	DESCRIPTION
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PR6	FR	66	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.
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PROFILE DISCLOSURE	PAGES	DESCRIPTION	
PR7	FR	66	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.

CUSTOMER PRIVACY

PROFILE DISCLOSURE	PAGES	DESCRIPTION	
PR8	FR	65	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.

FR – fully reported

PR – partially reported

DEORAX
PRINTING HOUSE

PRINTING

GRAFFITIBBDO

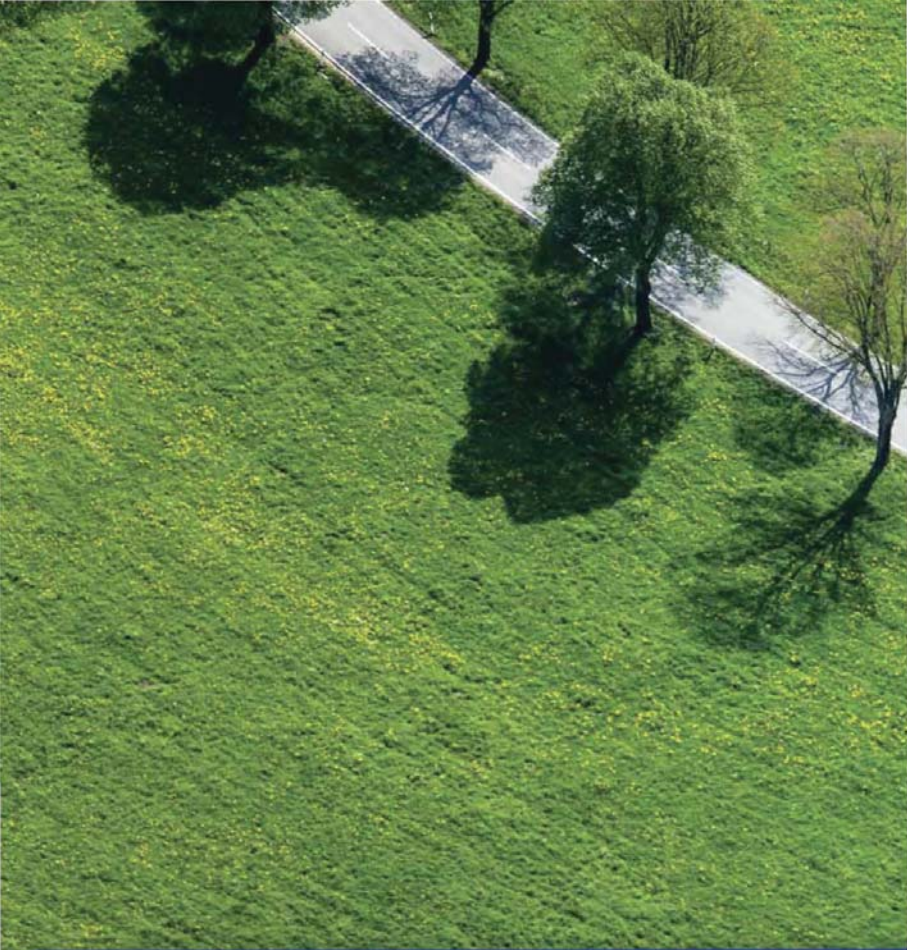
DESIGN AND DTP



This report is printed on recycled paper.

Dalum
let the paper talk





We at Postbank believe that Financial and Sustainability Report will help us improve and promote the dialogue with our partners and stakeholders, so we will appreciate your opinion and proposals.

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