



# FINANCIAL AND SUSTAINABILITY REPORT

*On the Wings of Success*

2014



*Solutions for your tomorrow*





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FINANCIAL AND  
BUSINESS REVIEW

*Every day is a new step towards  
your goals*



## Dear Shareholders,

The past year was particularly challenging for Postbank, the banking sector and the country as a whole. Despite all difficulties, we managed to achieve what we promised a year ago, namely to improve the sales and to increase our revenues. The bank's total income went up by 8% in 2014 which is a proof of the sustainability of our business model and also sets a stable foundation for even better results in the current year. The positive macroeconomic indicators suggest that the system is overcoming the effects from the financial crisis which is opening ever greater opportunities for us.

## Bulgaria – Macroeconomy and Banking System

The global economic environment improved in 2014, the developed countries and the positive dynamics in global trade contributing to the progress. Bulgaria's economy also picked up speed in 2014, although the Ukrainian and Russian crises had a negative impact on exports which has been the economy's driving force in the last few years. Fortunately, domestic demand and investments started increasing and compensated the decline in export sectors. The unemployment rate declined by 1.1 percentage points due to higher job generation in agriculture and trade.

The banking sector also faced a serious challenge in 2014. The license of one bank was revoked in November, but the confidence of the clients in the system remained high. This was proven by the fact that 98% of the funds of the deposit-holders of this bank remained in the banking system, and the deposit volume increased by another almost BGN 1.5 billion on an annual basis. Financial institutions maintained high liquidity and capital ratios of 30.12% and 21.95% respectively which further confirms the high stability of our banking system.

## Income, Expenses and Net Profit

Postbank affirmed its leadership position in the financial sector in 2014 thanks to its successful strategy based on maintaining income and asset quality, control over the expense and reduction of the nonperforming portfolio. The decrease in the cost of funds is a key element of this strategy, which allowed us to improve the bank's profitability and maintain the competitiveness of our loan products. We increased retail and corporate deposits by over 12% and at the same time cut the interest expenses by over 18%. The amendments to the Consumer Loan Act introduced in mid-2014 led to lower income from fees on earlier loan repayments, but this was compensated by higher income from transactional services. We managed to keep our costs at last year's level and improved the cost-to-income ratio by 3.7 percentage points to 46.5%.

## Liquidity, Lending, Capital Adequacy Ratio

Against the background of the loan decline in the system, the bank increased its gross loan portfolio by slightly more than 1%, as a more significant growth rate of 5% was registered in the mortgage loans segment, thereby improving the risk structure of our portfolio and securing a stable income in the long term. We allocated additional BGN 123 million provisions for impairment, thus raising the coverage ratio to 57%.

In its 24 years presence at the banking market, Postbank continued being a solid partner of the clients who see it as a stable and reliable institution and this is no coincidence. The bank's liquidity (39.14%) and capital adequacy



(24.83%) ratios are above the average for the system and provide stable buffers and the opportunity of future growth. With the introduction of the new banking regulation in 2014, the capital adequacy requirements were raised, but Postbank remained comfortably above the new threshold of 13.5%.

## **New Business**

Postbank managed to keep its leading position in all segments it operates in – consumer lending, debit and credit cards, saving and deposit products, corporate and investment banking, trade financing, etc.

We provided over BGN 390 million in new loans to Bulgarian companies in different industries in 2014. Of this amount BGN 290 million was lent to leading companies operating in key sectors of the economy, and the other BGN 100 million – to companies in the mid-market corporate segment. As usual, emphasis was given on the activities of the Corporate Transaction Banking Department. For yet another year the current account balances and the number of corporate deposits registered an increase. In 2014, Postbank retained for a second consecutive year its leading position and is the number one factoring company in Bulgaria by holding an almost 40% market share of the total volume of the factoring market. The joint efforts of Capital Markets and Corporate Transaction Banking Departments played a key role in the negotiations and relations with partner international financial institutions, such as the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation. Thanks to its professionalism and expertise in this field, Postbank was awarded by the EBRD as the most active partner bank in its Trade Facilitation Program.

We introduced during the year a new, innovative model of bank services in line with the bank's new retail strategy. We opened in end-2014 our first specialized banking centre which laid the foundation of our modern branch network. Our aim is to open a total of 20 specialized customer service centres in the Small Business Banking, Mortgage Loans and Personal Banking segments. Thus we started a long-term vision, as we are striving to invest in the plans and the needs of all our clients, thereby meeting the high expectations they hold for us.

In 2014, Postbank continued investing in providing innovative solutions, focusing on the mortgage and consumer lending. We continued improving the MyRewards loyalty programme in order to provide maximum comfort to all of our clients who use credit cards and to expand our retail network. At the same time, we are taking into consideration our clients' preferences to use web-based bank services and are enhancing the capabilities of our online banking system. The innovations follow the direction of development and upgrade of our good practices.

## **Awards and Corporate Social Responsibility**

Postbank is considerably active in the sphere of corporate social responsibility and will continue investing in projects of social significance. What is important for us is the overall well-being and development of the community and this is why we are implementing a series of activities in the field of education, environmental protection, art, sports and corporate donation. The activities include The Best Start of Every Child project, the charity relay race Postbank Business Run, the internal program Green Start with Postbank, the participation in the international initiative PARKing Day, a partnership with the American University in Bulgaria, and others.

It is a great satisfaction to share with you the result of our long-term partnership with UNICEF in The Best Start for Every Child project. At the end of the year the amount raised through donations is BGN 370 thousand which is an outstanding achievement.

## **Human Resources**

I would like to thank the whole team of Postbank which is at the basis of all our success and positive results. Our employees are the people who take care of our clients in every single moment, providing them with high-quality servicing, polite attitude and professional advice. Personally and honestly speaking, I would like to say that I value highly their work and commitment, as I believe that they will still be working in the same spirit and with the same enthusiasm in 2015 as well. Postbank will continue investing resources in their professional development in order to encourage their motivation, consistency and efforts devoted to our common pursuit of development.

## Conclusion

Our long-term vision remains the unchanged – we will continue being a customer-oriented and innovative bank. Our main goal is setting up partner relations with our clients, based on mutual trust. We are striving to be the main servicing bank of an increasing number of citizens and companies, and to provide them with the best servicing, expert consultations, innovative products, new alternative banking channels and easy finance management. We have developed many and ambitious plans for next year. We see great potential in the corporate banking segment and we will continue taking even better positions there. In 2015, the new structure of the Corporate Clients Division will start operating and the network of business centres will be expanded. With regard to the retail banking, we will continue opening new specialized centres and establishing our reputation of a modern and innovative bank.

We made a big step forward in the past year, reversing the trend and leaving the effects of the crisis behind us. And if I have to summarize, if the key word in 2014 was “recovery”, in 2015 it, undoubtedly, will be “profitability”.



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**Petia Dimitrova,**  
Chief Executive Officer  
and Chair of the Management Board

## Important Events That Have Occurred During the Financial Year



In 2014, Postbank continued establishing itself as a modern bank, offering innovative technological solutions and products to its clients. The bank is the country's fifth largest in terms of assets and remains a market leader in the segments of credit and debit cards, mortgage lending and saving products, as well as factoring services for corporate clients, investment banking and custody services offered to local and foreign institutional clients.

In December 2014, Postbank introduced a new model for retail banking related to the opening of profiled centres for various customer-tailored services and to expanding the web-based opportunities for new services.

In June 2014, the Bulgarian Credit Rating Agency (BCRA) reaffirmed Postbank's long-term financial rating at BB+, its short-term rating at B and a stable outlook. It is the bank's fourth credit evaluation by BCRA, which allowed the financial institution to successfully continue raising funds both on domestic and international markets and finance Bulgarian businesses and households, thus supporting the country's economy.

Postbank is a member of the European banking organization Eurobank Group. Following the successful share capital increase of EUR 2 864 million in May 2014, 64.6% of the Group's shares are owned by institutional and individual shareholders, including the Canadian and US-owned investment funds Fairfax Financial Holdings Limited, Mackenzie Financial Corporation, Capital Group Companies, Inc., etc.

Postbank is one of the leading institutions on the Bulgarian money and capital markets, an active participant in the interbank currency market and in the fixed-income securities market. It is among the most experienced and reliable investment intermediaries constantly present on the Top 10 in terms of transactions, and at the same time the most active participant among all banking institutions in Bulgaria. Postbank has serious investment banking achievements and has received a number of prestigious international awards for the quality of its custody services.

In February 2014, the bank was awarded for Contribution to the Financing of Energy Efficiency Projects on the occasion of the final implementation of the EBRD-funded programme Energy Efficiency and Renewable Energy Credit Line. As one of the partner banks in the Energy Efficiency and Renewable Energy Credit Line Framework, Postbank has utilized 95% of the credit line worth EUR 15 million in projects for the implementation of renewable energy sources.

In April 2014, the financial institution signed a BGN 10 million agreement for a new guarantee scheme for loans to micro, small and medium-sized enterprises with the National Guarantee Fund of the Bulgarian Development Bank. Under this agreement, loans are disbursed at a lower value of collateral and will be granted at lower interest than standard bank rates.

During the year, Postbank organized three specialized conferences called «Postbank Meets Business» in Veliko Tarnovo, Dobrich and Rousse. The purpose of those meetings was to enable the bank's experts to present strategic solutions to help businesses and entrepreneurs in their respective regions.

## New Products and Innovations

In 2014, Postbank continued to invest in providing innovative solutions and some of the highlights are its offers designed for residential mortgage and consumer loan customers.



In June 2014, the bank pioneered the market in offering its customers online video advice on options for housing funding. To ensure customers optimal convenience in their business everyday routine, the financial institution expanded the range of modern and innovative products and services by adding an additional channel for free advice on loans – a direct online streaming link. One of many reasons to introduce this service was the significant growth of 200% in online applications for housing loans reported by the bank in the first half of 2014.

During the year, the team managing Mortgage Lending upgraded its innovative product Saving Mortgage Loan, introducing an additional functionality. The new feature enables customers to repay their loan faster, without increasing their monthly instalment or making additional payments. In this way, they can repay their loan by up to six years earlier.

In addition Postbank credit cardholders were offered a number of new proposals and improved services. The bank introduced an innovative service for payment in equal monthly instalments via credit cards, so customers can immediately take away their purchases and pay them in instalments at over 1 000 partner sites throughout the country.

The bank continued to improve the MyRewards loyalty programme for all credit cardholders of the bank and expanded its retailers' network. With every purchase, either online or at a retailer, customers receive bonus points that can be cashed upon their request under the terms of the programme. In 2014, the bank reported the distribution of bonuses worth over BGN 3 million to loyal cardholders.

**СПЕСТОВЕН  
ЖИЛИЩЕН  
КРЕДИТ**

**Изплати  
дома си го  
6 години  
по-бързо\***

**Postbank**  
Решения за твоето утре



In 2014, Postbank reinforced its leadership position in the market of corporate factoring services for export-oriented customers or domestic merchants in Bulgaria. It successfully attracted both new corporate clients and new partners of its current clients to build a sustainable and profitable portfolio.

### Sustainable development

In January 2014, just a month after the launch of its strategic partnership with UNICEF, Best Start for Every Child, Postbank announced the total amount of over BGN 100 000 raised from donations. This is the largest donation amount raised in a month through banking mechanisms available in Bulgaria. The bank supports the UNICEF project to develop a network of maternal and child healthcare centres to provide family support in taking care of small children. In donating the customers and the employees of Postbank can opt for the preferred amount and method of donation – through ATM, in cash or via the bank's online banking application, and all transactions related to UNICEF donations are exempt from fees. This long-term partnership has set out as its main objective to establish this model on a national level. At the end of 2014, the amount donated reached BGN 370 000.

In June 2014, Postbank became a major partner to the first private corporate relay race Postbank Business Run organized by Begach Running Club, where representatives of 63 companies covered in running a total of 1 712 km. The route for all 428 participants ran through Business Park Sofia. Thanks to the initiative, the sum of over BGN 9 000 was collected for the organizers' charity cause. The amount was donated to the Best Start for Every Child UNICEF project carried out in partnership with Postbank.

In September 2014, Postbank joined for the second consecutive year the international initiative PARK(ing) Day organized by the Credo Bonum Foundation. During the fourth and so far largest edition of PARK(ing) Day, the bank organized an art bike atelier at parking spaces in front of its office at Saborna Street. The event took place in joint organization with 1Bike – the only bike workshop in Bulgaria, whose team transformed bicycles during the event. As part of the initiative, the bank organized a raffle for its Facebook users and gave out a unique bicycle to the lucky winner.

In September again – at the start of the school year, Postbank joined the national road safety campaign Stop, save the child! launched by the Bulgarian National Television (BNT) and Sofia Municipality. The campaign calls to road users – drivers and pedestrians – to enhanced mutual responsibility and tolerance. Participation in the campaign is a logical continuation of the bank's efforts in recent years to draw attention to the significant and socially responsible cause to protect human lives and prevent road accidents.

In gratitude for the support to education in the country, the American University in Bulgaria named one of its halls after Postbank. The hall is used as a venue for meetings, presentations and creativity by students in one of the most renowned universities in the country. Partnership between the two institutions is based on shared values and the belief that education is one of the best investments.

In December 2014, Postbank contributed to the Christmas decoration of Sofia, by building a beautiful arch in downtown area as a holiday gift to the capital city's residents and visitors.

During the year, Postbank continued its long-standing support and joint work with socially disadvantaged groups to boost their proactive community role. On the occasion of March 1st, Postbank traditionally distributed over 10 000 handmade "martenitsas" as a special gift for customers, partners, and employees. The martenitsas are made by socially disadvantaged people traditionally supported by the bank at holidays such as Baba Marta and Christmas. The Third Age Foundation in Rousse and the Future for Children with Disabilities Association in Kazanlak have been partners to Postbank's initiative for more than five years, by producing Christmas cards for clients and partners of the bank.

### Some of the Most Significant Achievements/Awards of the Bank in 2014 are:

- 8 December 2014, Ms. Petia Dimitrova was named Woman of the Year by GRAZIA Magazine in the Business category.
- 27 November 2014, Postbank won the award for a company giving the Best Career Start in the prestigious annual awards of Ikonomika Magazine;
- 17 November 2014, Postbank's ad campaign for Saving Mortgage Loan ranked among the 28 most innovative in the world;
- 14 November 2014, Postbank received the best donation award for its strategic partnership with UNICEF Bulgaria (the recognition came from the Bulgarian donation forum for the project Best start for every child);
- 25 September 2014, Postbank was nominated National Champion of Bulgaria in the European Business Awards. Postbank will represent our country in the category for innovation in business with the product Saving Mortgage Loan;
- 5 June 2014, Postbank's CFO was awarded Best Financial Director in risk and liquidity management in the third annual CFO forum, organized by EY Bulgaria and Forbes Bulgaria;
- 29 May 2014, Postbank received two silver EFFIE awards in the



services category for the advertising campaign Saving Mortgage Loan and in the promotions category for the advertising campaign Shooting Star promoting MyRewards loyalty programme;

- 29 May 2014, Postbank was ranked Number 1 brand and company by EFFIE Effectiveness Index Bulgaria 2014;
- 28 April 2014, for a fourth consecutive year, Postbank won the best bank prize in providing custodial services to foreign and local institutional clients;
- 31 March 2014, the loyalty programme of Postbank MyRewards was ranked best bank product of 2013 according to b2b media. Since of April 1st a new partner is part of the programme – when shopping in IKEA, clients will receive one additional bonus point;
- 6 March 2014, Postbank received a second recognition for the project Play 4 Change, winning the award of the public at Eventex Awards;
- 27 February 2014, the European Bank for Reconstruction and Development (EBRD) recognized Postbank's contribution in financing projects for renewable energy;
- 26 February 2014, Postbank received recognition by the Bulgarian Business Leaders Forum (BBLF) for the project Play 4 Change, devoted to the fight against human traffic, reaching 3rd place in one of the most challengeable categories;
- 15 January 2014, Rumen Radushev, Head of the Mortgage Lending Division at Postbank, was awarded Employee of the year by Forbes Bulgaria;



# FINANCIAL REVIEW

	2014	2013	
<b>BALANCE SHEET</b> (All figures are in '000 BGN)	Net loans and advances to clients	3 833 994	3 882 517
	Core client deposits	5 077 273	4 496 712
	Shareholders' equity	817 497	821 118
	<b>Total Assets</b>	<b>6 138 345</b>	<b>5 693 400</b>
<b>PROFIT AND LOSS STATEMENT</b>	Net interest income	211 283	195 723
	Net fee and commission income	59 739	56 914
	Net trading loss/gain	-123	-4 125
	Other operating income	285	-1 436
	<b>Total operating income</b>	<b>271 185</b>	<b>247 076</b>
	<b>Total operating expense</b>	<b>126 455</b>	<b>125 309</b>
	Deposit Insurance Fund	-20 974	-20 018
	Provisions for impairment	-122 981	-80 885
	Profit before tax	774	20 864
	Income tax	96	2 371
	<b>Profit after tax</b>	<b>677</b>	<b>18 493</b>
<b>KEY FINANCIAL RATIOS</b>	<b>Total capital adequacy ratio</b>	<b>24,77%</b>	<b>16,76%</b>
	<b>Net interest margin</b>	<b>3,44%</b>	<b>3,44%</b>
	<b>Fees &amp; commissions/OPEX</b>	<b>47%</b>	<b>45%</b>
	<b>Provisions/loans</b>	<b>3,2%</b>	<b>2,1%</b>
	<b>Cost/income ratio</b>	<b>46,6%</b>	<b>50,7%</b>
	<b>Net loans/deposits ratio</b>	<b>76</b>	<b>86</b>

## Economic Situation in Europe

In 2014 the prospects of the European economy improved. The growth increased in the second half of the year and reached 1.4% for all EU countries and 0.9% in the euro area according to the latest available data. The outlook for 2015 is also positive and envisages growth to accelerate to 1.8% and 1.5% respectively, supported by the lower prices of oil and the depreciating euro which is improving the competitiveness of EU companies and increasing the exports. On the other hand, the deflationary pressures continued and in December 2014 the consumer price index in the euro area fell for a first time on an annual basis in the last five years. In 2015 prices will continue to decrease, yet the asset purchase programme of ECB is expected to push up the inflation expectations and the trend to be reversed by the end of the

year. In the long term, however, Member States still need to address the weaknesses from the crisis by supporting the investments and reducing the unemployment rate.

### Economic Situation in Bulgaria

Bulgaria's economy also picked up speed in 2014. GDP increased by 1.7%, comfortably above the results in 2014 (1.1%) and close to the initial forecast of 1.8%. The contribution of all GDP components is positive; however, the worsening of the trade deficit had a negative effect on the economy. The growth of exports, which were the main driver of growth in the previous years, slowed down considerably from 9.2% in 2013 to 2.2% in 2014 due to the crises in Ukraine and Russia as well as because of the decrease of the prices of raw materials internationally. The consumption increased by 2.4% and the investments by 2.8%, but this was not enough to compensate the strong growth of the imports (3.8% yoy). The fall of the foreign direct investments (by 7% to EUR 1.18 billion) is a cause of concern as it is part of a trend in the recent years.

The decline of the consumer prices was the biggest among the countries of the European union and was attributed to a number of factors such as the administratively regulated prices of utility services, the lower prices of food and some import prices.

After reaching a peak in 2013, the unemployment rate declined by 1.1 percentage point in 2014 due to higher job generation in agriculture and trade.

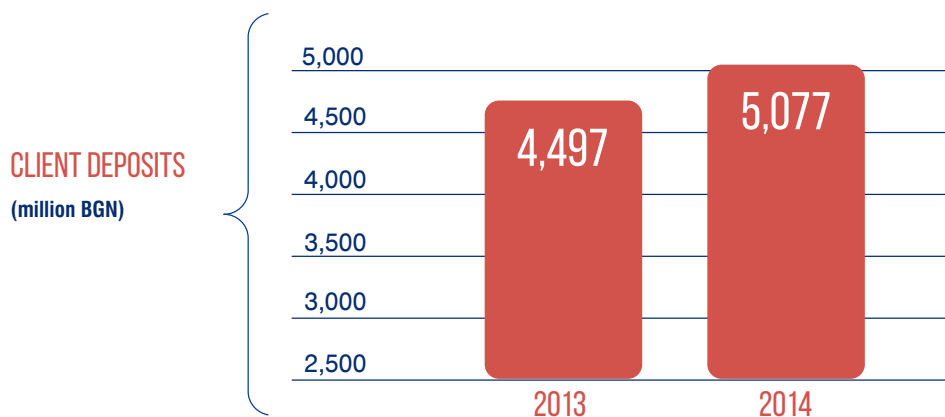
In 2014 the banking sector continued to consolidate its financial position, posting strong results in terms of income and profits. Interest income continued to decline (by 14% yoy), but this was more than compensated by the decrease of the cost of funds driven by the continuing inflow of deposits in the system – by more than BGN 1.5 billion. Total loans in the system decreased by 7%, due to the revocation of the license of Corporate Commercial Bank AD in November. Despite this, the confidence of the clients in the system remained high and the capital and liquidity ratios (21.95% and 30.12% respectively as of 31 December 2014) are significantly above the regulatory requirements. The quality of the lending portfolio improved slightly – the share of loans past due more than 90 days decreased by 13 bps to 16.75%. Provisions for impairment increased by 8% yoy, bringing the coverage ratio to 58.5%. This suggests that the system is already overcoming the effects from the crisis and given the continuous flow of liquidity in the system, will be looking forward to increase their lending activities in the following year.

	2012	2013	2014
GDP growth (%)	0,5	1,1	1,7
Inflation (%)	4,2	-1,6	-0,9
Unemployment (%)	11,4	11,8	10,7
GDP per capita (leva)	10 957	11 043	11 360

	2012	2013	2014
Loans to GDP	72%	73%	68%
Deposits to GDP	72%	78%	78%
Loans to Deposits	101%	94%	87%

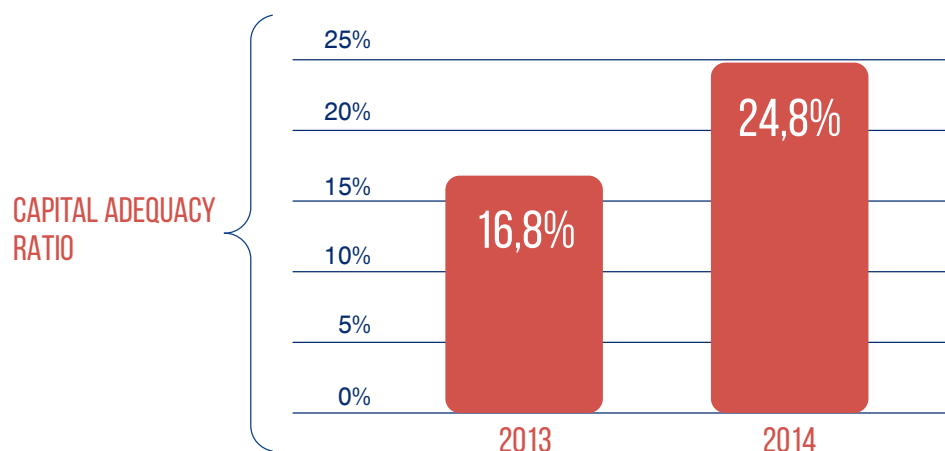
### Liquidity

In 2014 Postbank continued to be recognized as a stable and reliable institution by its clients. Client deposits increased by 12% yoy to BGN 5.077 million bringing the net loans to deposit ratio to a record low of 76% – the best among peer banks. While most of the increase in nominal terms came from retail clients, the growth rate of the corporate deposits was impressive – they increased by more than 26% to BGN 883 million. Optimizing deposit mix together with the reduction of the related costs brought significant savings in terms of cost of funds (18% yoy decrease), improving the profitability of the bank, while strengthening its liquidity position.



### Capital Adequacy

With the introduction of the new EU banking regulation in 2014, the capital adequacy requirements for the Bulgarian banks were raised from 12% to 13.5%. Postbank was well prepared to comply with the new requirements and was comfortably above the new threshold. This allowed the bank to repay BGN 25 million interest-bearing Tier II capital in December 2014, saving future interest expenses and improving its profitability. At 24.8% the capital adequacy ratio at the end of 2014 was 8 percentage points higher than in 2013, which gives the bank enough capital buffer for future lending expansion.

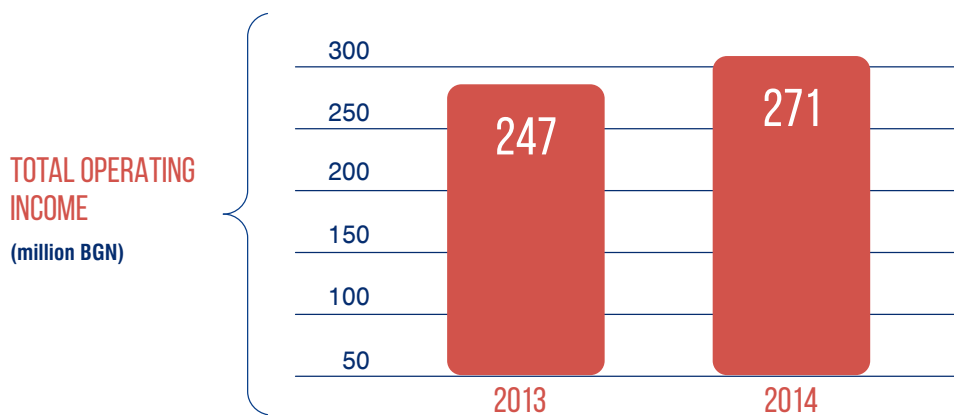


### Operating Income

Total operating income grew by close to 10% in 2014 to BGN 271 million. The main contributors were the cost of funds decrease, as well as the increase of the net fee and commission income. The competition on the market, which is driving down the rates of the new loans, as well as the shift towards more secure loans (such as mortgage and corporate investment loans) affected the interest income of the bank; however, this was more than compensated by the reduction of the cost of funds. The net interest margin remained flat at 3.44%, well above the average for the market.

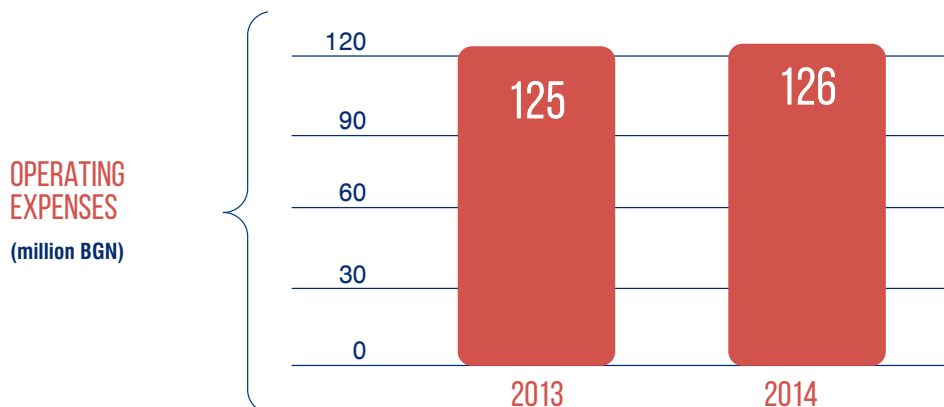
One of the primary strategic goals of Postbank is to be the main transactional bank of its clients and to increase the net fee and commission income through increased volume of transactions. In 2014 the net fee and commission income increased by 5% to BGN60 million, with account maintenance, foreign currency exchange and money transfers showing increases of 10% and more. The ratio Net F&C income to OPEX increased by 2 percentage points in 2014 and is already above 47%.





### Operating Expenses

Postbank maintains a solid control over its costs and was able to reduce its expenses in virtually all major cost items. Operating expenses increased by 1% to BGN 126 million, but net of one off effects they would have been 3% lower than in 2013. Nevertheless, the cost-to-income ratio improved by 4 percentage points to 46.6% and will decrease further in 2015 when the effects of the expected savings are realized



## Branch Network



In 2014, Postbank continued improving the work of its branch network maintaining wide geographic coverage in the whole country and improving its customer service at the same time. The bank started the construction of new specialized customer service centres in the last quarter of the year. A total of 20 new customer centres of expertise will be opened by the end of 2015. They will provide a new model of banking service combining innovations and specialized services to all types of clients – individual clients who need a mortgage loan, wealthy clients or small and medium-sized companies. The model will allow Postbank to be closer to its clients, to offer them the best servicing and, most importantly, to provide them a financial solution created by its consultants according to their concrete needs.

## Alternative Channels

Beside specialized centres, in 2014 Postbank focused its efforts in the development of state-of-the-art channels for servicing and web-based services as an alternative to the servicing in its branches.

The bank posted a rise in the number of both individual and corporate clients using the easy and convenient internet banking platform. The registered clients increased by 13 percent on an annual basis in 2014. The number of them who carried out online bank transactions went up by 27 percent and the number of transactions – by 26 percent in the same period. The most substantial increase was seen in the number of individual clients who carried out financial transactions through e-Postbank – 64 percent, compared to 2013. The simplified access to bank products and services, the options for transactions between own accounts free of charge and burdening mechanisms, the easy and fast transfer orders made possible by the innovative option with a drag-and-drop feature and the intuitive interface make the service preferred and attractive for customers. The bank also focused on providing qualified electronic signatures for better security of the customers using online banking.

Кредитни карти

**ИЗГОДНИТЕ ПОКУПКИ В ДЖОБА ТИ**

Открий твоите отстъпки с новото приложение **MyCard!**

Свали безплатно от:

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**Postbank**  
Решения за твоето време

Since mid-April 2014 e-Postbank has been featuring a new functionality for tax payment including options for making payments to Sofia Municipality. Customers can use the new service to pay their and third persons' real property, domestic waste or motor vehicle taxes by transferring money from their account or credit card. The easy payment method makes using Internet banking a preferred way of payment for public utility services and taxes.

Last year two new communication channels were introduced allowing alternative ways of connection with the bank's Customer Service Centre:

- » \*7224 short number for mobile operators' clients
- » Skype for voice calls: [postbank.bg](http://postbank.bg) (Postbank Bulgaria)

The integration of Skype functionality allows customers to make a free call from every corner of the world provided that they are connected to the Internet. Postbank is the first bank in Bulgaria which started offering its customers such an option for contact with its Customer Service Centre.

At the beginning of 2015 Postbank presented its new mobile application, MyCard, designed for customers who have American Express and Visa credit cards. Thanks to the state-of-the-art interactive application customers can easily find the commercial sites accepting payments via American Express and Visa credit cards and the nearby retailers with the most favourable offers in the form of discounts or an option to pay for purchases in equal monthly instalments. In the Offices and ATMs section, using a Google-based map, the mobile application shows the shortest route to all branches or ATMs of the bank in the entire country. The application contains detailed information about all of the bank's partners under the loyalty programme MyRewards.

### Individual Deposits



For another year in a row Postbank managed simultaneously to increase its deposits base, to decrease the cost of funds and to optimize the product and currency mix.

In 2014 Postbank continued to develop and offer innovative deposit products, addressing the specific needs of its clients. At the beginning of the year the bank launched the Loyal Saver account, new for the Bulgarian market, which encouraged clients to save money by giving them an extra interest. Due to the specific characteristics of the product – attractive rates and flexibility, it quickly became a favourite product for clients, which resulted in achieving the targets for the growth of attracted funds and optimization of interest expense.

### Personal Banking

Improving the client satisfaction and refining the product set so that it could serve even better the specific needs of the clients in this segment remained the underlying theme of the business model development during 2014. The network of highly experienced personal banking advisors in the branches continued to strength Postbank's competitive market position as it helped in offering clients maximum flexibility and building sustainable trust and loyalty. One of the greatest advantages for the clients is the chance for them to work consistently with the same advisor who in turn can develop profound knowledge of their preferences and needs.



### Consumer Loans

In 2014 the consumer loans business was mainly driven by balance consolidation of existing debts. This is a specific part of the client's needs, for which Postbank has been actively offering specific product solution in the last couple of years. Being one of the few banks on the Bulgaria market offering specialized product and solution to clients with more than one debt, Postbank organized and launched two ATL campaigns for Balance consolidation with promotional conditions (wave 1 March – July 2014 & wave 2 September – November 2014), with main marketing message: "Reduce your instalments with up to - 40%". As a result of the described promotional and marketing activities the total disbursements of balance consolidation loans have reached 31.6% increase vs. 2013.

Essential part of the business development within the year was the client service improvement, which was and remains in the top position of the followed strategy. In order to add more valuable propositions to the overall mix of existing services and functionalities, in September 2014 Postbank launched a specialized Express service for evaluation of consumer loan applications. The new service gives the opportunity to the client to "have the money" in three working hours after applying for a consumer loan (if the application is approved).

Continuing its support to the future business leaders of Bulgaria through its State guaranteed lending programme for students, Postbank organized several local campaigns in the period September – October 2014. They were performed



in cooperation with several universities in the country, popularizing the Student Loans offered by Postbank (being one of the four banks in Bulgaria participating in this programme) through specialized POS materials.

## Card Business

Throughout 2014 Postbank continued to follow its winning strategy for stimulating the payments with credit and debit cards, by offering attractive and easily measurable benefits to our clients. We have successfully executed a total of 5 spend stimulation campaigns for credit cards with key merchants as IKEA and EKO gas stations, as well as campaigns for stimulating the purchases in supermarkets, gas stations and payments of utility bills online. We have started a new initiative for purchases on equal instalments with credit cards which placed us as a competitor on the market of retail financing in Bulgaria.

We have joined 5 new key merchants in our loyalty programme MyRewards – IKEA, Fantastiko supermarkets, Andrews men's fashion, NIKE sporting goods and Folli Follie women's accessories, which made our programme even more desirable for our clients. In 2014 we paid almost BGN 2 million to our clients for MyRewards, which adds to a total of BGN 3.8 million since the start of the programme in 2011.

At the end of 2014 we executed a campaign for stimulating the payments on POS for debit cards where our clients were given the chance to win BGN 50 for every POS transaction through an innovative SMS promotional mechanism.

All of the above mentioned initiatives led to an increase of 8% in the total turnover of credit cards and 12% increase in the turnover of debit cards. As concerns the payments on POS terminals the increase was respectively 30% for credit cards and 15% for debit cards.



## Auto Business

During 2014 the official new car sales market reported a slight increase of 5.6% vs. 2013, reaching 25 413 sold vehicles. Within this environment, the constant strategy for increase of the new sales through the branch network of Postbank brought its results by achieving 17% more volumes and 11.4% increase in the total portfolio of Auto Business vs. 2013 coming from this channel. It is important to mention that



Bulgaria is the only representative within the Group having such model of synergy between a leasing company and a bank.

In order to increase the coverage of the offered leasing services, as of February 2014 two new branches of ERB Leasing were registered in Pazardzhik and Shumen. By adding them, the total number of branches within the country reached 14.

# Mortgage Lending Business in 2014

A distinctive feature of the mortgage business in 2014 was the more favourable pricing of housing loans. For a 12-month period, the interest rates offered by local banks dropped by nearly one percentage point. Nevertheless, the trend for shrinking of the mortgage market continued in 2014. As per analytical data of the Central Bank, in 2014 the volume of mortgage loans in the banking system dropped by nearly BGN 85 million compared to 2013. Against the negative trend, in 2014 Postbank increased its mortgage portfolio by BGN 64 million compared to the previous year, reaching the total amount of BGN 1.12 billion. This growth contributed to the increase in market share of the bank. At the end of 2013 its mortgage portfolio was the fourth largest, while in 2014 the bank ranked on third position with 12.04% market share.

Despite the shrinking market and the strong competition, Postbank closed 2014 with its best result for the past five years in terms of new mortgage business. The bank reported a trend of sustained growth in new business volume – in 2014 it has increased by 5% compared to 2013 and by 30% compared to 2012.

In 2014 Postbank achieved excellent results for its online services in the field of mortgage lending. Despite the complexity of the mortgage loan product, there is a rapid increase in the number of clients preferring to use the convenience of a specially developed online application form. The bank generated a significant growth of 170% in the volumes of the online applications for housing loans in 2014 vs. 2013.

## Product Innovations

Postbank continued to develop its products and services throughout 2014. Postbank gives priority to the client centric approach and works for the enhancement of its financial solutions as per clients' needs. That is why the long term strategy of the bank stipulates development of innovative products and services, beneficial for the clients. Successful example in this field was the launch of the Saving Mortgage Loan product in 2013. In just a few months this innovative type of loan gained a strong position on the mortgage market. The development of this unique for Bulgaria product continued further after its launch. Considering the fact that most people would like to repay their housing loan faster, Postbank upgraded the product with an additional functionality, which was implemented in 2014. The new feature enables clients to repay their loan by several years faster, without increase in the monthly instalments and without any repayments. The new feature of the loan brought excellent sales results – the disbursed volumes of Saving Mortgage Loan have grown by 239% in Q4, 2014 compared to Q3, 2013.

To ensure maximum convenience for people with busy life, in 2014 the financial institution enriched its range of innovative products and services with an additional channel for a free video consultation on housing loans through Skype. Postbank was among the first banks in the country offering such type of service to their clients. This innovative solution was developed specifically to meet the ever-increasing demand and consumption in the field of online services.

## International Recognition

Postbank believes in the pursuit of innovation, not only in terms of products and services, but also in terms of their communication to clients. In 2014 the innovative solutions in the mortgage business field brought a number of international awards. Saving Mortgage Loan is an example of a product that not only proved successful among consumers, but also was honoured with several international awards. The product was distinguished with the prestigious title National Champion of Bulgaria by the European Business Awards and was nominated among the finalists of UKTI Awards for Innovation. The advertising campaign of this product was granted an Effie award for marketing effectiveness. The international competition for innovative marketing



practices Warc Prize for Innovation designated the same campaign as one of the 28 most innovative campaigns in the world for 2014, where Postbank was the only one nominated representative for Bulgaria.

The Online Video Consultation for Housing Loans through Skype service was distinguished by the international organization EFMA and included in their official online portal dedicated to the world's best practices in retail banking. In 2014, this innovative service was nominated to participate in the 2015 EFMA Distribution and Marketing Innovation Awards.

## Insurances

In 2014 Postbank realized a 52% increase in revenues from insurances vs. 2013. The increase is mainly due to insurances to consumer and mortgage loans. During the last year the bank extended its product range by offering to its clients new insurance products as Payment Protection for clients with overdrafts and Third Party Liability and Casco, suitable for individuals and legal entities owners of automobiles. Increase in revenues from insurance business will stay one of the main priorities for 2015 and the bank is planning to expand its product range in this area.

## Small Business Banking

The past 2014 was characterized by favourable proposals and pricing on loans among environment of strong competition. The lack of activity in the demand for credit by micro, small and medium-sized enterprises continued. Despite strong competition the bank reported a steady growth in the volume of new business generated in the segment, which increase in recent years.

In 2014, the main aim of Postbank's Small Business Banking Division has been to strengthen our leading role of "The Bank for Small Business". We focused on micro and small enterprises, which generate new jobs and added value in the economy. We are convinced that they make a vital contribution to the economic sectors in which they operate.



We work closely with our customers to fully understand the opportunities, challenges and problems faced by small businesses. Our credit technology is based on a careful analysis of credit risk. We make constant effort to know our clients better and to appreciate their business, difficulties and prospects more accurately, in order to maintain long-term relationships based on trust and understanding. Thus, we aim not only to provide the best credit solutions, but above all to be a trusted partner for years.

We offer to our clients a wide range of banking services such as cash management, payments, documentary business, payroll support, POS, debit cards others. Large spectrum of lending and non-lending products helps our clients to be more efficient, to increase their competitiveness and to improve their market position.

In 2014 we successfully introduced specialized loan products supporting farmers, doctors, dentists, pharmacists and medical clinics. The bank signed an agreement with the Bulgarian Development Bank and the National Guarantee Fund to supports small and medium-sized enterprises and farmers in the modernization of their business.

In 2014, with the opening of three specialized Business Centres for Small Business Banking, the bank launched a new strategy aiming to improve our quality of service. By the end of 2015 Postbank will open seven new centres, which will cover the main economic regions and cities.





Our priority for 2015 will be the development of our business with medium-sized enterprises in order to increase their stability and accelerate their growth. During the year, we will focus our efforts to provide better and new services to farmers and tailor-made offers to companies applying for European operational programmes. Each of them will be customized for the specifics of each client, project type and business model.

The bank is actively working on the modernization of systems, maintenance and replacement of POS terminals. At the end of the year the bank will introduce a new contactless payment system. Along with this, a new contactless credit business card will be offered to customers.

In parallel, we are committed to provide multiple learning opportunities for our employees to enhance their professional knowledge. Thus we maintain a motivated team and endeavour to provide a higher quality service to all our customers. The bank will maintain its long term relationships with its current business clients and strive to attract new businesses.

## Wholesale Banking Sector

In the end of 2014 Postbank changed its concept for servicing of our local corporate business sector. In order to improve the quality of servicing of our corporate and institutional clients, the Corporate Banking Division and the Capital Markets Division merged in a joint Wholesale Banking sector managed by Mr. Asen Yagodin, Wholesale Banking Executive. This substantial change resulted in a new management structure and an improved business model, ensuring a more effective distribution of personal responsibilities.

Our new management structure was designed to meet the high expectations of the market for integrated and comprehensive service to the corporate sector. All departments working with corporate and institutional clients merged under "one umbrella". Thus we secured parallel, complex, and higher quality servicing of the clients, who are positioned in the heart of our new business model.

### Corporate Banking Division

Postbank's Corporate Banking Division services companies with annual sales turnover above BGN 2 million. Both Large and Medium Corporate Clients Departments provide high quality, tailor-made solutions for this business segment directly from the HQ of the bank or through our well-developed network of Corporate Business Centres throughout the country.

During 2014, the Division remained focused on developing healthy partnerships with both new and existing clients. Throughout the year, Corporate Banking managed to disburse more than EUR 200 million new financing to Bulgarian companies in various industries. EUR 150 million out of them was granted by the Large Corporate Clients Department to leading companies from structuring sectors of the economy. The other part of EUR 50 million was provided to support medium-sized business. Despite for new credits, the efforts of the Medium Corporate Clients Department were directed also towards improving of the quality of the lending portfolio.

By tradition, a strong accent was put upon the activity of the Corporate Transactional Banking Department, being the major generator of non-risk bearing income for the sector. For a consecutive year, a growth in the current accounts balances, as well as in the number of deposit accounts was realized. During 2014, the department was actively involved in the process of cost of funds decrease, in line with the holistic strategy of the bank. The department had also major role in the negotiations and partnership with leading international financial institutions such as EBRD and IFC. Thanks to the professionalism and expertise of its employees, Postbank was awarded by EBRD as the most active bank under their Trade Facilitation programme.

Part of the Corporate Transactional Banking Department is also the Factoring Section. Postbank kept its leading position on the market for the third consecutive year in 2014, being Factor N1 in Bulgaria with 37% market share from the total volume of factoring services and over 65% from the export factoring volume.

# Capital Markets

**Капиталови пазари**



**Защита за Вашия Бизнес**

Промените във валутните курсове и лихвени нива могат сериозно да повлияят върху бизнес резултатите на всяка компания.

Пощенска банка Ви предоставя цялостни и иновативни решения, с които Вашият Бизнес ще е защитен. Нашият специализиран екип от експерти ще Ви предложи индивидуално разработени деривативни продукти за управление на лихвени и валутен риск.

Свържете се с нас на тел. 02/81 66 485



Решения за твоето утре

Successfully navigating through the challenging economic environment in the country, the Capital Markets Division recorded 2014 as another good year. Consistently pursuing the strategic priorities and timely reacting on market changes was the right formula for success during 2014.

During the year, we managed to optimize the asset/liability structure, preserve liquidity, be among the most active players on local capital markets and further expand the sales and custodian business.

## Asset-Liability Management

The Asset-Liability Management Department contributed to the excellent results in cost of funds reduction process in line with the deposit strategy of the bank. Using a forward looking and flexible approach, the liquidity was managed in a prudent manner and optimization steps were taken with respect to the liquid assets structure. Liquidity ratios were preserved well above the regulatory limits throughout 2014. The unit effectively managed the exposures to IR risk and FX risk arising from the bank balance sheet structure.

Aiming to strengthen the bank's tools to respond to various clients' needs, in 2014 we signed an on-lending agreement with the Bulgarian Development Bank for support of agricultural producers in Bulgaria.

## Treasury Sales and Brokerage

The main contributor to the positive 2014 results of the Treasury Sales and Brokerage Department were the FX operations. This was demonstrated by the percentage increase in volumes in this segment – 12% on annual basis. The main portion of this increase was due to operations with currencies different than EUR, where the increase reached 31%. In this way Postbank realized its strategy for diversification of the FX business.

The bank continued its good performance in the institutional segment, increasing its share in deposits by institutional clients by 2.2%, reaching 9.4% as of year-end 2014. At the same time, a decrease in the cost of funds and improvement in the product mix were achieved.

Postbank emerged as one of the most recognizable names on the Bulgarian Stock Exchange (BSE) with its 17 year history as active investment intermediary in the country. We are a leader amongst the banking institutions and hold a place in the top 10 market brokers on BSE, based on number of traded deals for 2014. The increase in this indicator is 40% in comparison with 2013, which is matched by 43% increase in volumes.

**Обмяна на Валуту**



Обменяйте валута при преференциални условия

Въползвайте се от нашите изгодни условия за обмяна на валута. При нас можете да разчитате на удобство, сигурност и конкурентни курсове. Заползвайте се с най-новото ни атрактивно предложение за сделки в следните валути:

RON – Румънски лев  
TRY – Турски лира  
RUB – Руски рубел

За суми над 5000 валутни единици (RON, TRY), както и 50 000 (RUB), банката предлага преференциални курсове.



Решения за твоето утре

## Trading & Investment Banking

Postbank remained among the most active players on the local money, debt and equity market. The department actively managed the size and the risk of the bank's fixed income portfolio, seizing substantial trading gains and capitalizing interest income. In 2014, we 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 around 5% market share.

## Custody

In 2014, Postbank preserved its leading position as a depository bank to local mutual funds and remained among the leading banks offering a full suite of securities services in line with international standards. For 11 years now Postbank has been offering safekeeping of all types of local and foreign securities with access to more than 100 international markets. Postbank strengthened its role as an agent and sole provider of custody services to the biggest European central securities depository – Clearstream Banking Luxembourg, for the local market.

As an international recognition for service quality, the bank received the “Top rated” prize for the fifth consecutive year by the reputable Global Custodian Magazine. Postbank also took the highest place in the survey organized by the Global Investor Magazine, where the bank participated for a first year.

## Mutual Funds Distribution

2014 was yet another successful year for mutual funds sales at Postbank. Net sales of Luxembourg mutual funds distributed through the bank's branch network increased by 145% bringing the assets under management to over EUR 4 million at the end of 2014. As a result, the retail sales' fees from mutual funds increased by 124% in 2014. Close to EUR 2.5 million were attracted in deposits combined with mutual funds' investments, as the bundle products continued to be the preferred investment vehicle for retail investors.

# Other Subsidiaries of Eurobank in Bulgaria

## ERB Leasing & ERB Auto Leasing

ERB Leasing provides a full range of innovative leasing products for purchase of passenger and commercial vehicles, equipment, machinery and real estate to corporate and retail clients. The products are designed to meet the needs of the clients, but also customized to match the demands of the competitive market. The share of real estate in ERB Leasing's portfolio increased over the past few years to 46%, followed by the traditional commercial and passenger vehicles with 34%, and industrial equipment with 20%.

During 2014, for a second consecutive year the financial leasing market marked a stable growth in the area of commercial and passenger vehicles and a decline in the area of real estate and machinery, and equipment. The new business for the year in the segment of transportation vehicles registered an increase of c.a. 12%, the industrial equipment stayed stable, while the real estate showed a decline of over 50% compared to 2013. It should be noted that during Q4'2014 a change in the legislation excluded operational lease from the approved list of activities of the financial institutions and those volumes are not included in the official statistics. 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 the highly competitive leasing market, ERB Leasing managed to preserve its solid position, based on the strong cooperation and support from Eurobank Bulgaria and Eurobank Ergasias Leasing, as well as the efficiency and competency of its personnel.

Looking at challenges as an opportunity, ERB Leasing will enter 2015 offering sophisticated products and professional service to its clients and targeting new business in close cooperation with the Wholesale and Retail Business Units of the bank.

## 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. All shareholders have the right to participate either in person or by a proxy. The General Shareholder's Meeting is the only corporate body entitled to decide on issues such as amendments to the statute of the bank, capital increase and decrease, appointment of the members of the Supervisory Board, appointment of external auditors, approval of the Annual Financial Statements; it resolves on payment of dividends, releases from liability the members of the boards, etc.

The General Meeting is in quorum and meets validly if shareholders holding more than half of the total number of the shares of the bank are present and/or represented. Lower quorum is required in repeat General Meetings if initial quorum is not reached. Resolutions are reached by simple majority. Exceptionally, with regard to certain significant decisions such as amendment and supplement of the bank's statute, decisions related to share capital, issuance of convertible bonds, etc., resolutions are reached by two-thirds majority. Decisions on the transformation of the bank require positive vote of three-fourths of the represented number of shares. In case such qualified majority is required, resolutions are taken only if at the General Meeting are present and/or represented shareholders holding more than one half of the total number of the shares of the bank.

The Regular General Meeting is held every year, within the first six months of the year. An Extraordinary General Meeting may be convened by the Management Board or by the Supervisory Board when they consider it necessary or when required by law.

The minutes of the General Meeting are signed by the Chairman, the Secretary of the General Meeting, and by the vote tellers.

For each General Meeting, the bank arranges for the detailed notice, including date, place, issues on the agenda and related papers to be available to shareholders at least 30 days before the meeting, including the proposed resolution on each issue.

According to their legitimate rights the shareholders are permanently 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 qualifications, professional experience, reliability and suitability for occupying the position.

### Management Board

The bank is managed and represented by Management Board, a permanent collective body, exercising its responsibilities 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 manage the business in accordance with the best interest of the bank's shareholders, clients and employees, 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 statute.



The Management Board consists of 3 to 9 members, appointed 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 31 December 2014 the Management Board consisted of three members of whom, two executives and one non-executive. The membership and term of office of the Management Board are approved by the bank's Supervisory Board upon issuance of BNB preliminary approvals for appointment of Management Board members to the respective position on the Board.

- Ms. Petia Dimitrova – Chairperson of the Management Board and Chief Executive Officer;
- Mr. Dimitar Shumarov – Member of the Management Board, Executive Director and Chief Financial Officer;
- Mr. Asen Yagodin – Member of Management Board and Executive Director;
- Mr. Jordan Souvandjiev – Member of the Management Board and Chief Risk Officer.

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 Legal Division at the bank, was appointed as Procurator in 2011 upon issuance of the BNB preliminary approval for her appointment as Procurator of the bank. 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 Management Board holds regular monthly meetings. As per the statute of the bank, the Management Board hold meetings not less than once per quarter, or, if necessary, more often, given at least seven days written notice. The Management Board is considered to be in quorum and meets validly when at least half of its members are present, either in person or represented by another member. Decisions are taken by simple majority, to the extent that the statute or the law does not require a higher majority. Management Board meetings minutes are kept in a special book and signed by all the members present at the meeting and the Corporate Secretary of the bank.

In carrying out its duties the Management Board is assisted by specialized committees, to whom it delegates some of its responsibilities, and from which it receives regular and ad-hoc reports.

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, clients, 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 law and statute.

The Supervisory Board is entitled to request at any time the Management Board to submit information, reports or draft decisions on any matter. It is also entitled to verify all documents, books and reports related to the business activities of the bank.

As of 31 December 2014 the Supervisory Board consisted of five members. The membership and term of the Supervisory Board are approved by the bank's General Meeting upon issuance of BNB preliminary approvals for appointment of Supervisory Board members to the respective position on the Board.

- Mr. Theodoros Karakasis – Chairman of the Supervisory Board;
- Mr. Antonios Hassiotis – Member of the Supervisory Board;
- Mr. Anastasios Nikolaou – Member of the Supervisory Board;
- Ms. Christina Theofilidi – Member of the Supervisory Board
- Mr. Nikolaos Aliprantis – Member of the Supervisory Board.

Mr. Stavros Ioannou, Mr. Evaggelos Kavvalos and Mr. Christos Adam were members of the Supervisory Board until 29 August 2014.

The Supervisory Board meets regularly, however not less than once per quarter, or, if necessary, more often, given at least seven days written notice.

The Supervisory Board is considered to be in quorum and meets validly when at least half of its members are present, either in person or represented by another member. Decisions are taken by simple majority, to the extent that the statute or the law does not require a higher majority. Supervisory Board meetings minutes are kept in a special book and signed by all the members present at the meeting and the Corporate Secretary of the bank.

The Supervisory Board 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.

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.

## Internal Audit

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

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:

- control and prevent against using the bank for money laundering and terrorism financing;
- monitor staff adherence to internal rules, including to the Code of Conduct and Professional Ethics;
- carry out investigations in response to requests by regulatory and other authorities, provide information and cooperate with them in order to facilitate their work;
- assist and advise management on the prevention of fraud, illegal and unethical practices;
- 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.

## Corporate Secretary

The Corporate Secretary prepares and ensures the carrying out of the entire process of decision taking and meetings, duly called and conducted, of the Shareholders General Meeting, the Managing Board and the Supervisory Board, in compliance with the requirements of the legislation and of the local regulatory authorities. The Corporate Secretary is responsible for observance of all the legal requirements for publication and submission of the decisions and other corporate documents approved and adopted by the Shareholders General Meeting, the Managing Board and Supervisory Board with the Commercial register when required by law for the purpose of their announcement and entry into force.

## Shareholders' Structure

As at 31 December 2014 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., Greece, owns directly 34.56%, another 54.27% through its 100% subsidiary ERB New Europe Holding B.V., the Netherlands, and 11.16% through its 100% subsidiary CEH Balkan Holdings Limited, Cyprus. The other 0.01% of the share capital is owned by minority shareholders.

Other subsidiaries of Eurobank Group in Bulgaria:

- ERB Leasing EAD
- ERB Auto Leasing EOOD
- Bulgarian Retail Services AD
- ERB Property Services Sofia AD

- IMO Property Investments Sofia EAD
- IMO Rila EAD
- IMO Central Office EAD
- IMO 03 EAD

## Risk Management

Postbank is operating in a changing environment and acknowledges its exposure to significant risks and the need for their effective management. Risk management is an integral part of the bank's commitment to providing continuous and high quality returns to its shareholders. The delivery of superior shareholder returns depends on achieving the appropriate balance between risk and return, both in day-to-day business and in the strategic management of the balance sheet and capital.

### Credit Risk

Credit risk is the risk that a counterparty will be unable to fulfil its payment obligations in full when due. Credit risk also includes country, settlement and concentration risk. Credit risk arises principally from the corporate and retail lending activities of the bank, including from credit enhancement provided, such as financial guarantees and letters of credit. The bank is also exposed to credit risk arising from other activities such as investments in debt securities, trading activities, capital markets, and settlement activities. Credit risk is the single largest risk the bank faces. It is rigorously managed and is monitored by a centralized dedicated Risk Division, reporting to the Group Chief Risk Officer.

The bank's risk management organization structure ensures the existence of clear lines of responsibility, the efficient segregation of duties and the prevention of conflicts of interest at all levels, including the Management Board, Senior Management, as well as among its clients and any other stakeholders.

Within the bank, risk management activities broadly take place at the following levels:

- Strategic level – It encompasses risk management functions performed by the Supervisory Board and Management Board;
- Tactical level – It encompasses risk management functions performed by the Risk Committee and the Executive Committee;
- Operational (business line) level – It involves management of risks at the point where they are actually created. The relevant activities are performed by individuals who undertake risk on the organization's behalf. Risk management at this level is implemented by means of appropriate controls incorporated into the relevant operational procedures and guidelines set by the Management.

The bank employs the following risk management methods in order to reach its defined credit risk targets:

**Risk avoidance:** in lending operations, the bank rejects loan proposals with poor creditworthiness on the basis of internal risk models and ratings, and by defining risk sensitive business focuses by means of specific exposure limits and target portfolio.

**Risk mitigation/limitation:** the bank demands collateral and applies credit risk mitigating techniques, and adheres to defined credit risk limits as derived above.

**Risk diversification:** by diversifying its portfolio, the bank hedges its dependence on specific developments and thus reduces the credit risk. Should the bank's portfolio fall below the desired degree of diversification, the bank takes the respective suitable measures.

The bank's credit risk management is supported by stress tests for credit risk, carried out twice per year and simulating adverse macro-economic scenarios. The simulation aims at measuring the bank's vulnerability degree to different scenarios of change in the risks expression that arises from extreme shocks external for the loan portfolio.



## Market Risk

The Market Risk Department is the unit responsible for the independent identification, assessment, monitoring and control of the bank's exposures 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 trading and non-trading activities that generate market risks.

In 2014, the process of measuring, monitoring, analysing, reporting, and managing the bank's exposure to market risks continued to be in line with the 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, the bank does not take material open positions in foreign currencies other than the Euro, which keeps the exposure to currency risk at low levels. The bank's overall exposure to interest rate risk also remained low, largely due to the floating rate nature of the majority of its assets and liabilities, the short re-pricing periods and remaining tenors 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 clients.

## Liquidity Risk

Prudent liquidity risk management and appropriate supervision and control are essential elements for the effective management of the bank. The bank has a limited appetite for liquidity risk and accepts the potentially increased costs of maintaining sufficient liquidity buffers to ensure a sound liquidity position to withstand potential stress events. The ultimate responsibility for liquidity management lies with the Assets and Liabilities Committee (ALCO).

In 2014, Postbank managed to improve even further its already very strong and stable liquidity position. The regularly monitored internal liquidity ratios and liquidity buffers reached historically high levels. The regulatory "liquid assets ratio" as per BNB Ordinance No 11 reached 39.1% at the end of the year, almost twice above the minimum level required by the Central Bank, while the estimated Liquidity Coverage Ratio (LCR) according to the requirements of Regulation (EU) No 575/2013 as of 31 December 2014 stood at 407%. The positive outlook of the bank's liquidity position has also been emphasized by the successful results from the regular monthly performed stress tests for liquidity risk, showing that the bank has built a very strong capacity to withstand extremely adverse scenarios.

## Operational Risk

Operational risk management is implemented through a combination of policies, methodologies and processes that are designed to identify, assess/valuate/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.

Since its establishment in 2010, the Operational Risk Committee has provided continuous oversight of actual operational risk exposure and management on a monthly basis, and the processes implemented to assess, monitor and mitigate operational risk. Regular meetings are convened with the participation of bank senior management.

In 2014, dedicated operational risk policies, components of the Eurobank OpRisk Framework, have been implemented aiming to foster a culture of proactive operational risk management among staff. Furthermore, specific combat-fraud and information security trainings were delivered to the staff so as to further increase counter-fraud awareness.

No operational losses that could expose the bank to significant risk occurred in 2014.

# Independent auditor's report



To Shareholders of 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 2014 and the statements of income, 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

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as the 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 the 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 the 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 2014, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

## Report on Other Legal and Regulatory Requirements



The 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 11 is consistent with the accompanying financial statements of the bank as of 31 December 2014.

A handwritten signature in black ink, appearing to read 'Milka Damianova', written in a cursive style.

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**Milka Damianova**  
Registered Auditor

31 March 2015  
Sofia, Bulgaria

A handwritten signature in black ink, appearing to read 'Stefan Weiblen', written in a cursive style.

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**Stefan Weiblen**  
PricewaterhouseCoopers Audit OOD

The management presents the annual Directors' report as of 31 December 2014.

## 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 St., 1766 Sofia, Bulgaria.

## BUSINESS OVERVIEW

### Development and Results from the Business Activity

In 2014 the bank continued to follow its strategy based on preserving the sources of income and the quality of the assets, control over the expenses, including interest expense, as well as reducing the nonperforming portfolio. The political and economic events in the past year affected the activities of the banks as a whole and of Eurobank Bulgaria in particular. The demand for loans remained subdued while the legislative changes helped increase the early repayments by the clients. In this context, the healthy rise of the operating income of the bank by close to 10% shows the resilience of the business model which sets a solid foundation for even better results in 2015.

The growth rate of the world economy (2.6% in 2014) was again lower than the analysts' expectations and only marginally higher than in the previous year (2.5%). The developed countries continued to feel the consequences of the global financial crisis while the economies of the developing countries are less dynamic than in the past, due to lower consumption, political insecurity and tightening of the fiscal policies. Only the economies of USA and UK show positive results, but for the time being there is still no spillover effect on the other countries.

The EU countries recorded a growth of 1.3% in 2014, while the growth in the euro area was more moderate – 0.8%. For 2015 the expectations are the GDP growth to speed up to 1.7% and 1.3% respectively while the continuous deflationary processes will weigh down the recovery. In December 2014 the consumer price index in the euro area fell for a first time on an annual basis in the last five years, due to the prices of energy and food. In an effort to stimulate growth, in the end of November 2014 the European Commission announced a EUR 315 billion investment plan, but there are still many uncertainties regarding its implementation.

Several factors will affect the growth of the world economy in the current year – the prices of the raw materials, the low interest rates, the various monetary policies and the weak international trade. In particular, the falling price of petroleum which started in the middle of 2014 will be an important factor supporting the economies of the oil importing countries, among which is also Bulgaria.

The preliminary data regarding the GDP growth in Bulgaria in 2014 are close to the forecasts. In the past year the GDP increased by 1.7%, comfortably above the results in 2013 of 1.1% and close to the initial forecast of 1.8%. The contribution of all GDP components is positive, but the worsening of the trade deficit has a negative effect on the economy. The exports which were the main driver of growth in the previous years slowed down considerably from 9.2% in 2013 to 2.2% in 2014 due to the crises in Ukraine and Russia as well as because of the decrease of the prices of the raw materials internationally. The consumption increased by 2.4% and the investments by 2.8%, but this was not enough to compensate for the strong growth of the imports which increased by 3.8%. The fall of the foreign direct investments (by 7% to EUR 1.18 billion) is a cause of concern, especially the fact that equity investments reached their lowest level since 1996.

At the same time Bulgaria is falling into a deflation trap and for a second consecutive year the consumer price index was negative (-0.9%). While in 2013 this was mainly due to the decrease of the regulated prices, in 2014 the reason was the decrease in the price of petroleum in the second half of the year and the prices of food and services. The non-



fulfilment of the optimistically forecasted revenues and other unforeseen expenses increased the budget deficit to 3.7% of GDP, well above the initially planned 1.8%. The risk of the European Commission to open an Excessive Deficit Procedure against Bulgaria forced the ruling coalition to plan a deficit of 3% for 2015 which restricts the options to react in case the macroeconomic conditions worsen.

Unemployment rate decreased by 1 percentage point to 10.7%, which is having a positive impact on consumption, and the expectations are that in 2015 the unemployment rate will continue its downward trend.

The banking system remained stable and profitable with the confidence of the clients at a high level, despite the revocation of the license of Corporate Commercial Bank in the beginning of November. The repayment of the guaranteed deposits went smoothly with over 98% of the amounts staying in the banking system. For another year the deposits of companies and individuals increased – by BGN 1.5 billion. The increased liquidity was accompanied by a fall of the deposit rates which allowed the banks to decrease the cost of funds by close to BGN 750 million despite the inflow of deposits. This fully compensated the decrease of the interest income on loans which fell by BGN 655 million due to the drop in the loans (by BGN 2.7 billion compared with the end of 2013), the strong price competition and the continuing process of portfolio cleaning. In total, the income of the banks increased by more than BGN 195 million and was back at the level of 2011. The banks increased the provisions for impairment by BGN 85 million to BGN 1.15 billion and the net profit by 27.6% to BGN 746 million.

In 2014 the new EU banking regulations came into force. The Bulgarian banks were well prepared for its introduction, showing strong liquidity (30.12% as at 31 December 2014) and capital adequacy (21.95 % as at 31 December 2014) ratios. The ratios of Eurobank Bulgaria were even higher than the average for the system – the liquidity ratio stood at 39.14%, while the total capital adequacy ratio at 24.83%, despite the increase of the assets by BGN 445 million to BGN 6,138 million and the early termination of the BGN 25 million subordinated term debt agreement in December 2014.

The operating income of the bank rose by 10% to BGN 271.2 million, mainly because of the lower interest expenses. Total deposits grew by 12% to BGN 5,077 million while at the same time the interest expenses decreased by over 18%. Deposits already constitute 96% of all attracted funds and the ratio net loans to deposits stands at 75.5%. The deposits from large and medium corporate customers rose by more than 26% to BGN 883 million, which provides an opportunity for faster optimization of the cost of funds.

In contrast to the contracting lending volumes in the system, Eurobank Bulgaria managed to increase its gross loans by slightly more than 1% to BGN 4,308 million. Growth in the mortgage segment was much more significant – by over 5% to BGN 1,301 million, which improves the collateral structure and ensures a stable income stream over the long run. The bank set aside another BGN 123 million provisions for impairment, improving the nonperforming loans coverage ratio to 57%.

The net fees and commissions income increased by 5% to BGN 59.7 million, representing 22% of the operating income of the bank. The new Consumer Credit Act which entered into force in the middle of 2014 affected negatively the early repayment fee income, but this was compensated for by better performance in transactional services income which is in line with the strategy of the bank.

The operating expenses remained practically flat compared with the previous year. This, together with the higher income, helped improve the cost to income ratio by 3.7 percentage points to 46.5%, which is the lowest level since the beginning of the crisis.

### **Important Events that Have Occurred During the Financial Year**

- In 2014, Postbank continued establishing itself as a modern bank, offering innovative technological solutions and products to its clients. The bank is the country's fifth largest in terms of assets and remains a market leader in the segments of credit and debit cards, mortgage lending and saving products, as well as factoring services for corporate clients, investment banking and custody services offered to local and foreign institutional clients.
- In December 2014, Postbank introduced a new model for retail banking related to the opening of profiled centres for various customer-tailored services and expanding the web-based opportunities for new services.

- In June 2014, the Bulgarian Credit Rating Agency (BCRA) reaffirmed Postbank's long-term financial rating at BB +, its short-term rating at B and a stable outlook. It is the bank's fourth credit evaluation by BCRA, which allowed the financial institution to successfully continue raising funds both on domestic and international markets and finance Bulgarian businesses and households, thus supporting the country's economy.
- Postbank is a member of the European banking organization Eurobank Group. Following the successful share capital increase of EUR 2,864 million in May 2014, 64.6% of the Group's shares are owned by institutional and individual shareholders, including the Canadian and US-owned investment funds Fairfax Financial Holdings Limited, Mackenzie Financial Corporation, Capital Group Companies, Inc., etc.
- Postbank is one of the leading institutions on the Bulgarian money and capital markets, an active participant in the interbank currency market and in the fixed-income securities market. It is among the most experienced and reliable investment intermediaries, constantly present on the Top 10 in terms of transactions, and at the same time the most active participant among all banking institutions in Bulgaria. Postbank has serious investment banking achievements and has received a number of prestigious international awards for the quality of its custody services.
- In February 2014, the bank was awarded for Contribution to the Financing of Energy Efficiency Projects on the occasion of the final implementation of the EBRD-funded programme Energy Efficiency and Renewable Energy Credit Line. As one of the partner banks in the Energy Efficiency and Renewable Energy Credit Line Framework, Postbank has utilised 95% of the credit line worth EUR 15 million in projects for the implementation of renewable energy sources.
- In April 2014, the financial institution signed a BGN 10 million agreement for a new guarantee scheme for loans to micro, small and medium-sized enterprises with the National Guarantee Fund of the Bulgarian Development Bank. Under this agreement, loans are disbursed at a lower value of collateral and will be granted at lower interest than standard bank rates.
- During the year, Postbank organised three specialised conferences called "*Postbank meets business*" in Veliko Tarnovo, Dobrich and Rousse. The purpose of those meetings was to enable the bank's experts to present strategic solutions to help businesses and entrepreneurs in their respective regions.

### **New Products and Innovations u Sustainable Development**

In 2014, Postbank continued to invest in providing innovative solutions and some of the highlights are its offers designed for residential mortgage and consumer loan customers.

In June 2014, the bank pioneered the market in offering its customers online video advice on options for housing funding. To ensure customers optimal convenience in their business everyday routine, the financial institution expanded the range of modern and innovative products and services by adding an additional channel for free advice on loans – a direct online streaming link. One of many reasons to introduce this service was the significant growth of 200% in online applications for housing loans reported by the bank in the first half of 2014.

During the year, the team managing Mortgage Lending upgraded its innovative product Saving Mortgage Loan introducing an additional functionality. The new feature enables customers to repay their loan faster, without increasing their monthly instalment or making additional payments. In this way, they can repay their loan by up to six years earlier.

In addition Postbank credit cardholders were offered a number of new proposals and improved services. The bank introduced an innovative service for payment in equal monthly instalments via credit cards, so customers can immediately take away their purchases and pay them in instalments at over 1000 partner sites throughout the country.

The bank continued to improve the MyRewards loyalty programme for all credit cardholders of the bank and expanded its retailers' network. With every purchase, either online or at a retailer, customers receive bonus points that can be cashed upon their request under the terms of the programme. In 2014, the bank reported the distribution of bonuses worth over BGN 3 million to loyal cardholders.

In 2014, Postbank reinforced its leadership position in the market of corporate factoring services for export-oriented customers or domestic merchants in Bulgaria. It has successfully attracted both new corporate clients and new partners of its current clients to build a sustainable and profitable portfolio.

## Sustainable development

In January 2014, just a month after the launch of its strategic partnership with UNICEF “Best Start for Every Child”, Postbank announced the total amount of over BGN 100,000 raised from donations. This is the largest donation amount raised in a month through banking mechanisms available in Bulgaria. The bank supports the UNICEF project to develop a network of maternal and child healthcare centres to provide family support in taking care of small children. In donating the customers and the employees of Postbank can opt for the preferred amount and method of donation – through ATM, in cash or via the bank’s online banking application, and all transactions related to UNICEF donations are exempt from fees. This long-term partnership has set out as its main objective to establish this model on a national level. At the end of 2014, the amount donated reached BGN 370,000.

In June 2014, Postbank became a major partner to the first private corporate relay race Postbank Business Run organised by “Begach” running club, where representatives of 63 companies covered in running a total of 1712 km. The route for all 428 participants ran through Business Park Sofia. Thanks to the initiative, the sum of over BGN 9,000 was collected for the organizers’ charity cause. The amount was donated to the “Best Start for Every Child” UNICEF project carried out in partnership with Postbank.

In September 2014, Postbank joined for the second consecutive year the international initiative PARK(ing) Day organised by the Credo Bonum Foundation. During the fourth and so far largest edition of PARK(ing) Day, the bank organised an art bike atelier at parking spaces in front of its office at Saborna Street. The event took place in joint organisation with 1Bike – the only bike workshop in Bulgaria, whose team transformed bicycles during the event. As part of the initiative, the bank organised a raffle for its Facebook users and gave out a unique bicycle to the lucky winner.

In September again – at the start of the school year, Postbank joined the national road safety campaign “Stop, save the child!” launched by the Bulgarian National Television (BNT) and Sofia Municipality. The campaign calls to road users – drivers and pedestrians – to enhanced mutual responsibility and tolerance. Participation in the campaign is a logical continuation of the bank’s efforts in recent years to draw attention to the significant and socially responsible cause to protect human lives and prevent road accidents.

In gratitude for the support to education in the country, the American University in Bulgaria named one of its halls after Postbank. The hall is used as a venue for meetings, presentations and creativity by students in one of the most renowned universities in the country. Partnership between the two institutions is based on shared values and the belief that education is one of the best investments.

In December 2014, Postbank contributed to the Christmas decoration of Sofia, by building a beautiful arch in downtown area as a holiday gift to the capital city’s residents and visitors.

During the year, Postbank continued its long-standing support and joint work with socially disadvantaged groups to boost their proactive community role. On the occasion of March 1<sup>st</sup>, Postbank traditionally distributed over 10,000 handmade martenitsas as a special gift for customers, partners and employees. Martenitsas are made by socially disadvantaged people traditionally supported by the bank at holidays such as Baba Marta and Christmas. The “Third Age” Foundation in Rousse and the “Future for Children with Disabilities” Association in Kazanlak have been partners to Postbank’s initiative for more than five years, by producing Christmas cards for customers and partners of the bank.

### Some of the most significant achievements/awards of the bank in 2014 are:

- 15 January 2014, Rumen Radushev, Head of the Mortgage Lending Division at Postbank, was awarded Employee of the year by Forbes Bulgaria;
- 26 February 2014, Postbank received recognition by the Bulgarian Business Leaders Forum (BBLF) for the project Play 4 Change, devoted to the fight against human traffic, reaching 3rd place in one of the most challengeable categories;
- 27 February 2014, the European Bank for Reconstruction and Development (EBRD) recognized Postbank’s contribution in financing projects for renewable energy;
- 6 March 2014, Postbank received a second recognition for the project Play 4 Change, winning the award of the public at Eventex Awards;



- 31 March 2014, the loyalty program of Postbank MyRewards was ranked Best bank product of 2013 according to b2b media. Since 1st of April a new partner is part of the program – when shopping in IKEA clients will receive 1 additional bonus point;
- 28 April 2014, for a fourth consecutive year, Postbank won the Best bank prize in providing custodial services to foreign and local institutional clients;
- 29 May 2014, Postbank was ranked Number 1 brand and company by EFFIE Effectiveness Index Bulgaria 2014;
- 29 May 2014, Postbank received two silver EFFIE awards in the Services category for the advertising campaign Saving Mortgage Loan and in the Promotions category for the advertising campaign Shooting Star promoting MyRewards loyalty programme;
- 5 June 2014, Postbank's CFO was awarded Best Financial Director in risk and liquidity management in the third annual CFO forum, organized by EY Bulgaria and Forbes Bulgaria;
- 25 September 2014, Postbank was nominated National Champion of Bulgaria in the European Business Awards. Postbank will represent our country in the category for innovation in business with the product Saving Mortgage Loan;
- 14 November 2014, Postbank received the Best donation award for its strategic partnership with UNICEF Bulgaria (the recognition came from the Bulgarian donation forum for the project Best start for every child);
- 17 November 2014, Postbank's ad campaign for Saving Mortgage Loan ranked among the 28 most innovative in the world;
- 27 November 2014, Postbank won the award for a company giving the Best Career Start in the prestigious annual awards of Ikonomika Magazine;
- 8 December 2014, Ms. Petia Dimitrova, was named Woman of the Year by GRAZIA Magazine in the Business category.

## SHARE CAPITAL STRUCTURE

As at 31 December 2014 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 B.V., 11.16% by CEH Balkan Holdings Limited and 0.01% by minority shareholders.

## MANAGEMENT BOARD

As at 31 December 2014 the Management Board consisted of the following members:

- Petia Dimitrova – Chairperson and Chief Executive Officer
- Dimitar Shoumarov – Member of the MB, Executive Director and Chief Financial Officer
- Asen Yagodin – Member of the MB and Executive Director
- Jordan Souvandjiev – Member of the MB and Chief Risk Officer

Mr. Asen Yagodin became a Member of the Management Board and Executive Director on 23 December 2014.

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

In 2014 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**

No member of the Management 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**

#### **• Petia Dimitrova**

- ERB Property Services Sofia AD, Bulgaria – Member of the Board of Directors (until 12 February 2014)
- Bulgarian Business Leaders Forum (BBLF), Bulgaria – Member of the Board of Directors (until 3 July 2014)
- American Chamber of Commerce in Bulgaria, Bulgaria – Member of the Board of Directors
- Association of Banks in Bulgaria, Bulgaria – Member of the Management Board
- Confederation of Employers & Industrialists in Bulgaria, Bulgaria – Member of the Management Board
- American University in Bulgaria, Bulgaria – Member of the Board of Trustees

#### **• Dimitar Shoumarov**

- IMO Rila EAD, Bulgaria – Member of the Board of Directors
- IMO Central Office EAD, Bulgaria – Member of the Board of Directors
- IMO 03 EAD, Bulgaria – Member of the Board of Directors
- ERB Property Services Sofia AD, Bulgaria – Member of the Board of Directors (from 12 February 2014 to 14 October 2014)
- ERB Leasing EAD, Bulgaria – Chairman of the Board of Directors (effective as of 24 September 2014)
- Chief Financial Officers Club, Bulgaria – Member of the Management Board

#### **• Asen Yagodin**

- Sports Club DFS-Lokomotiv Sofia, Bulgaria – Member of the Board of Directors
- Bulstrad Life Vienna Insurance Group JSC, Bulgaria – Independent member of the Supervisory Board
- Bulgarian Stock Exchange – Sofia AD, Bulgaria – Chairman of the Board of Directors

#### **• Iordan Souvandjiev**

- IMO Property Investments Sofia EAD, Bulgaria – Deputy Chairman of the Board of Directors and Executive Director
- IMO Central Office EAD, Bulgaria – Deputy Chairman of the Board of Directors and Executive Director
- IMO Rila EAD, Bulgaria – Deputy Chairman of the Board of Directors and Executive Director
- ERB Property Services Sofia AD, Bulgaria – Member of the Board of Directors
- Vinimpeks 21 AD, Bulgaria – Chairman of the Board of Directors

#### **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 2014.**

## SUPERVISORY BOARD

As at 31 December 2014 the Supervisory Board consisted of the following members:

- Theodoros Karakasis – Chairman of the Supervisory Board
- Nikolaos Aliprantis – Member
- Antonios Hassiotis – Member
- Anastasios Nikolaou – Member
- Christina Theofilidi – Member

Mr. Stavros Ioannou, Mr. Evaggelos Kavvalos and Mr. Christos Adam were members of the Supervisory board until 29 August 2014.

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

In 2014 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 2014

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

- **Antonios Hassiotis**
  - Investments AMK EOOD, Bulgaria – sole owner

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

- **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 (until 6 February 2014), Member of the Management Board (effective as of 7 February 2014)
  - ERB Leasing EAD, Bulgaria – Member of the Board of Directors (until 24 September 2014)
  - ERB Property Services Sofia AD, Bulgaria – Chairman of the Board of Directors
  - Bulgarian Retail Services AD, Bulgaria – Chairman of the Board of Directors
  - CEH Balkan Holdings Limited – Member of the Board of Directors

- ERB New Europe Funding B.V., The Netherlands – Managing Director A (until March 2014)
- ERB New Europe Funding II, The Netherlands – Managing Director A (until March 2014)
- Eurobank Ergasias S.A., Greece – Advisor (until March 2014)
- Greek-Serbian Chamber of Commerce – Deputy Chairman of the Board of Directors
  
- **Anastasios Nikolaou**
  - Eurobank a.d. Beograd, Serbia – Member of the Management Board (effective as of 7 August 2014)
  - PJSC “Universal Bank”, Ukraine – Member of the Supervisory Board (effective as of 12 March 2014)
  
- **Christina Theofilidi**
  - Eurobank Ergasias S.A., Greece – General Manager Retail Remedial Management, Member of the Management Committee.
  - Eurobank Financial Planning Services S.A., Greece – Deputy Chairman of the Board of Directors
  - Eurobank Remedial Services S.A., Greece – Member of the Board of Directors
  - ERB Retail Services IFN S.A., Romania – Member of the Board of Directors
  - Eurobank Household Lending S.A., Greece – Member of the Board of Directors and Chief Executive Officer (until 11 July 2014)
  - PJSC “Universal Bank”, Ukraine – Member of the Supervisory Board (until 12 March 2014)
  - Tiresias Bank Information Systems S.A., Greece - Non-Executive Director
  
- **Antonios Hassiotis**
  - Investments AMK EOOD, Bulgaria – Manager
  - Bancpost S.A., Romania – Member of the Board of Directors and Chief Executive Officer (until 1 October 2014)
  - Bancpost Foundation, Romania – Member of the Board of Directors (until 1 October 2014)
  - Eurobank a.d. Beograd, Serbia – Chairman of the Management Board (from 17 January 2014 to October 2014)
  - PJSC “Universal Bank”, Ukraine – Member of the Supervisory Board (from 12 March 2014 to 15 October 2014)
  
- **Stavros Ioannou**
  - Eurobank Ergasias S.A., Greece – General Manager Retail Banking, Member of the Executive Board and the Management Committee (until July 2014)
  - Eurobank Ergasias S.A., Greece – Senior General Manager Group Chief Operating Officer & International Activities, Member of the Executive Board and the Management Committee
  - Eurobank Business Services S.A., Greece – Member of the Board of Directors (until 21 December 2014, Deputy Chairperson of the Board of Directors (effective as of 22 December 2014)
  - Eurolife ERB General Insurance S.A., Greece – Member of the Board of Directors
  - Eurolife ERB Life Insurance S.A., Greece – Member of the Board of Directors
  - Be-Business Exchanges S.A., Greece – Member of the Board of Directors (until 14 January 2014), Chairman of the Board of Directors (effective as of 15 January 2014)
  - Eurobank Household Lending S.A., Greece – Vice Chairman of the Board of Directors (until 21 July 2014)
  - Eurobank Property Services S.A., Greece – Member of the Board of Directors
  - Eurobank Financial Planning Services S.A., Greece – Chairman of the Board of Directors (until 2 October 2014)
  - Eurobank Remedial Services S.A., Greece – Chairman of the Board of Directors (until 1 October 2014)



- Eurolife ERB Insurance Group Holdings S.A., Greece – Chairman of the Board of Directors (effective as of 9 April 2014)
- ERB IT Shared Services S.A., Romania – Chairman of the Board of Directors (until 9 April 2014)
- Eurobank a.d. Beograd, Serbia – Member of the Management Board
- Cardlink S.A., Greece – Deputy Chairman of the Management Board
  
- **Evangelos Kavvalos**
  - Eurobank Ergasias S.A., Greece – General Manager, Member of the Management Committee (effective as of 15 January 2014)
  
- **Christos Adam**
  - Eurobank Ergasias S.A., Greece – General Manager, Chief Risk Officer, Member of the Executive Board and the Management Committee
  - 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 – Chairman of the Board of Directors
  - Eurobank Financial Planning Services S.A., Greece – Member of the Board of Directors
  - Eurobank Household Lending S.A., Greece – Member of the Board of Directors
  - Bancpost S.A., Romania – Member of the Board of Directors
  - Eurolife ERB General Insurance S.A., Greece – Member of the Board of Directors (effective as of 17 February 2014)
  - Eurolife ERB Life Insurance S.A., Greece – Member of the Board of Directors (effective as of 17 February 2014)
  
- **Nikolaos Aliprantis**
  - Eurobank Ergasias S.A., Greece – Assistant General Manager (until 21 July 2014)
  - Eurobank Ergasias Leasing S.A., Greece – Member of the Board of Directors (until 16 July 2014)
  - Eurobank A.D. Beograd, Serbia – Member of the Management Board (until 18 September 2014)
  - PJSC “Universal Bank”, Ukraine – Member of the Supervisory Board (from 12 March 2014 to 29 May 2014)

## 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 2014.

## GROUP STRUCTURE

Eurobank Bulgaria does not have any subsidiaries as at 31 December 2014 and therefore no consolidated financial statements are prepared at this entity level.

## OBJECTIVES FOR 2015

In 2015 the main objectives of the bank will be to maintain its leading position in the market and building a long-term relationship with the clients, based on mutual trust. The aim of the management to answer the continuously increasing customer expectations as well as the need to provide better customer service necessitated a change in the retail banking model. The new model will be aimed at providing specialized services to each customer segment, sale of innovative solutions, rather than simple products, and expansion of the sales channels and customer access. New specialized centres for small business customers, mortgage lending and affluent clients will be opened in the biggest

cities. The training of the employees will be expanded in order to increase their qualification, efficiency and motivation. The alternative sales and service channels will be further developed as also the capabilities of the online banking.

The forecast for 2015 show that the corporate lending will be the fastest growing segment and the bank intends to increase its market share. In 2015 a new structure of Corporate Banking Division will be established and the network of business centres will be expanded.

The decrease of the cost of funds will allow the bank to offer competitive prices on its loans, while at the same time maintaining a prudent risk appetite. The strong capital adequacy and liquidity ratios provide an opportunity to increase the interest earning assets and to improve the profitability of the bank.

Increasing the number of current accounts, attracting new clients and deepening the relationship with the existing ones will play a major role for increasing the fees and commissions income.

Gaining the trust of the clients requires a flawless customer service through multiple channels as well as listening to their opinion. The long-term strategy of the bank remains unchanged – to be the bank of first choice for its customers. The bank will continue to provide 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 the 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.



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**Petia Dimitrova**  
Chairperson of the Management  
Board and Chief Executive Officer



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**Dimitar Shoumarov**  
Member of the Management Board,  
Executive Director and Chief  
Financial Officer<sup>30</sup>

30 March 2015  
Sofia, Bulgaria

## Income statement

Year ended 31 December 31

	2014	2013
Interest and similar income	353,933	370,747
Interest and similar charges	(142,650)	(175,024)
<b>Net interest income</b>	<b>211,283</b>	<b>195,723</b>
Fee and commission income	73,953	73,647
Fee and commission expense	(14,214)	(16,733)
<b>Net fee and commission income</b>	<b>59,739</b>	<b>56,914</b>
Dividend income	619	621
Other operating income	234	179
Net trading income/(expense)	579	(50)
Gains less losses from trading securities	513	526
Gains less losses and impairment of securities available for sale	(1,215)	(4,601)
Repossessed collateral impairment	(568)	(2,236)
Other operating expenses	(126,456)	(125,309)
Deposit Insurance Fund expense	(20,974)	(20,018)
Impairment charge for credit losses	(122,981)	(80,885)
<b>Profit before income tax</b>	<b>773</b>	<b>20,864</b>
Income tax expense	(96)	(2,371)
<b>Profit for the year</b>	<b>677</b>	<b>18,493</b>

The Financial statements were authorized by the management on 30 March 2015.

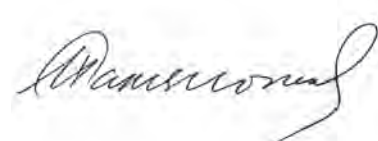


**Petia Dimitrova**  
Chairperson of the Management  
and Chief Executive Officer

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



**Dimitar Shoumarov**  
Member of the Management Board, Board  
Executive Director and Chief  
Financial Officer<sup>30</sup>



**Milka Damianova**  
Registered Auditor

31 March 2015



**Stefan Weiblen**  
PricewaterhouseCoopers Audit OOD

# Statement of Comprehensive Income

Year ended 31 December 31

	2014	2013
<b>Profit for the year</b>	<b>677</b>	<b>18,493</b>
<b>Items that are or may be reclassified subsequently to profit or loss:</b>	<b>(4,468)</b>	<b>7,616</b>

## Available for Sale Securities

-net changes in fair value, net of tax	476	3,448
-transfer of (profit)/loss to net profit on sale	(4,944)	4,168
<b>Items that will not be reclassified to profit or loss:</b>	<b>171</b>	<b>(344)</b>
Change in FV of property, plant and equipment, net of tax	(139)	
Remeasurements of post-employment benefit obligations, net of tax	171	(205)
Other comprehensive (loss)/income for the year	(4,297)	7,272
<b>Total comprehensive (loss)/income for the year</b>	<b>(3,620)</b>	<b>25,765</b>

The Financial statements were authorized by the management on 30 March 2015.



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Chairperson of the Management  
and Chief Executive Officer

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**Milka Damianova**  
Registered Auditor

31 March 2015



**Dimitar Shoumarov**  
Member of the Management Board, Board  
Executive Director and Chief  
Financial Officer<sup>30</sup>



**Stefan Weiblen**  
PricewaterhouseCoopers Audit OOD



# Balance Sheet

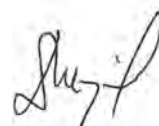
Year ended 31 December 31

	2014	2013
<b>Assets</b>		
Cash and balances with the Central Bank	526,711	700,685
Loans and advances to banks	1,487,226	846,121
Financial assets held for trading	58,794	17,014
Loans and advances to clients	3,833,994	3,882,517
Investment securities available-for-sale	130,514	135,901
Derivative financial instruments	2,365	2,649
Investment property	876	876
Property, plant and equipment	43,140	54,244
Intangible assets	35,009	33,195
Current income tax recoverable	485	1,817
Other assets	19,23	18,381
<b>Total assets</b>	<b>6,138,345</b>	<b>5,693,400</b>
<b>Liabilities</b>		
Deposits from banks	18,860	68,852
Derivative financial instruments	4,557	7,200
Due to clients	5,077,273	4,520,079
Debt issued and other borrowed funds	180,330	240,193
Deferred income tax liabilities	2,344	3,770
Provisions for other liabilities and charges	5,460	2,753
Retirement benefit and other obligations	6,114	3,299
Other liabilities	25,909	26,136
<b>Total liabilities</b>	<b>5,320,847</b>	<b>4,872,282</b>
<b>Shareholders' equity</b>		
<b>Share capital</b>	<b>452,753</b>	<b>452,753</b>
Statutory reserves	282,521	282,521
Retained earnings and other reserves, net	82,224	85,844
Total shareholders' equity	817,498	821,118
<b>Total shareholders' equity and liabilities</b>	<b>6,138,345</b>	<b>5,693,400</b>

The Financial statements were authorized by the management on 30 March 2015.



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Chairperson of the Management  
and Chief Executive Officer



**Dimitar Shoumarov**  
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Registered Auditor  
31 March 2015



**Stefan Weiblen**  
PricewaterhouseCoopers Audit OOD

## Statement of Changes in Shareholders' equity

	Share capital	Property revaluation reserve	Available-for-sale investments revaluation reserve (deficit)	Statutory reserves	Retained earnings and other reserves	Total
<b>Balance at 1 January 2013</b>	452,753	2,374	(3,115)	282,521	60,820	795,353
Net gain recognized directly in OCI	-	-	7,616	-	-	7,616
Impairment of property, plant and equipment	-	(139)	-	-	-	(139)
Remeasurement on post-employment benefit obligations	-	-	-	-	(205)	(205)
Profit for the year	-	-	-	-	18,493	18,493
<b>Total comprehensive income for the year 2013</b>	-	(139)	7,616	-	18,288	25,765
Transfer to retained earnings	-	(4)	-	-	4	-
<b>Balance at 31 December 2013</b>	452,753	2,231	4,501	282,521	79,112	821,118

	Share capital	Property revaluation reserve	Available-for-sale investments revaluation reserve (deficit)	Statutory reserves	Retained earnings and other reserves	Total
<b>Balance at 1 January 2014</b>	452,753	2,231	4,501	282,521	79,112	821,118
<b>Net gain recognized directly in OCI</b>	-	-	(4,468)	-	-	(4,468)
Impairment of property, plant and equipment	-	-	-	-	-	-
Remeasurement on post-employment benefit obligations	-	-	-	-	171	171
Profit for the year	-	-	-	-	677	677
<b>Total comprehensive income for the year 2014</b>	-	-	(4,468)	-	848	(3,620)
Transfer to retained earnings	-	-	-	-	-	-
<b>Balance at 31 December 2014</b>	452,753	2,231	33	282,521	79,960	817,498

The Financial statements were authorized by the management on 30 March 2015.



**Petia Dimitrova**  
Chairperson of the Management  
and Chief Executive Officer



**Dimitar Shoumarov**  
Member of the Management Board, Board  
Executive Director and Chief  
Financial Officer<sup>30</sup>

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**Stefan Weiblen**  
PricewaterhouseCoopers Audit OOD

31 March 2015

# Statement of Cash Flows

Year ended 31 December 31

2014

2013

## Cash Flow from Operating Activities

Interest received	362,743	390,195
Interest paid	(163,223)	(164,062)
Dividends received	619	621
Fees and commissions received	74,208	73,744
Fees and commissions paid	(13,345)	(15,709)
Amounts paid to and on behalf of employees	(57,983)	(59,217)
Net trading and other income received	1,108	1,920
Other operating expenses paid	(66,887)	(75,782)
Tax paid	(1,530)	(2,500)
<b>Cash from operating activities before changes in operating assets and liabilities</b>	<b>135,710</b>	<b>149,210</b>

## Changes in Operating Assets and Liabilities

Net (increase)/decrease in reserve with the Central Bank	(25,817)	2,251
Net (increase) in trading securities	(41,740)	(10,281)
Net (increase)/decrease in loans and advances to clients	(86,207)	66,252
Net (increase)/decrease in other assets	(1,179)	3,287
Net (decrease) in derivatives instruments	(84)	(60)
Net (decrease) in due to other banks	(49,983)	(36,784)
Net increase in amounts due to clients	575,684	92,638
Net increase in other liabilities	878	3,815
<b>Net cash flow from operating activities</b>	<b>507,262</b>	<b>270,328</b>

## Cash Flow From Investing Activities

Purchase of property, plant and equipment and intangible assets	(10,273)	(9,590)
Purchase of investment securities	(43,784)	(17,278)
Proceeds from disposal of property and equipment	2	191
Proceeds from disposal of investment securities	47,965	47,404
<b>Net cash flow (used in)/from investing activities</b>	<b>(6 090)</b>	<b>20 727</b>

## Cash Flow from Financing Activities

Long-term financing received	44,703	55,852
Long-term debt repaid	(104,615)	(83,761)
<b>Net cash used in financing activities</b>	<b>(59,912)</b>	<b>(27,909)</b>
Effect of exchange rate changes on cash and cash equivalents	54	83
<b>Net change in cash and cash equivalents</b>	<b>441,314</b>	<b>263,229</b>
Cash and cash equivalents at beginning of year	1,353,927	1,090,698
<b>Cash and cash equivalents at end of year</b>	<b>1,795,241</b>	<b>1,353,927</b>

The Financial statements were authorized by the management on 30 March 2015.



**Petia Dimitrova**  
Chairperson of the Management  
and Chief Executive Officer



**Dimitar Shoumarov**  
Member of the Management Board, Board  
Executive Director and Chief  
Financial Officer<sup>30</sup>

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**Milka Damianova**  
Registered Auditor



**Stefan Weiblen**  
PricewaterhouseCoopers Audit OOD

31 March 2015



*Success is not the end of your journey, but the  
ability to find fair winds and following seas*







CONTRIBUTION TO  
SUSTAINABILITY

# LETTER TO THE STAKEHOLDERS

## Dear Stakeholders,

Firstly, thank you to everyone who has helped Postbank this year to create and develop innovative products and to grow sustainably – clients, staff, our business partners. This letter is an opportunity to tell you about what is happening here at Postbank and to ask for your continued support as we hurtle headlong into 2015.

On the pages of this edition, we strive to provide transparency and accountability for the actions to perform in response to a commitment to sustainable development. The report also reflects our understanding that ethical and responsible approach to business is a key element in ensuring our long-term success. For us this means to put clients' needs first, to create a stimulating working environment and to demonstrate its concern for the environment, while ensuring that everything we do contributes to stimulate the economy and financial stability of the company and society.



## Sustainable Value for Stakeholders

2014 was another challenging year for the Bulgarian economy. Postbank today is a markedly different bank. We are more resilient, diversified, and innovative, and are operating on a higher plane. Looking forward, we are aware that there is much more to be done. As the banking landscape continues to change and clients behaviours rapidly evolve, we are well aware of the need to remain nimble and agile.

We have embarked on a journey and we are making good progress. We will keep pressing ahead to be

a bank of first choice for individual and corporate clients when they need financial solutions and products, to create sustainable benefits for our clients and be their strategic partners. Given the passion and commitment of our people, we are optimistic about the future. Together with our colleagues we will continue to deliver banking the professional way and entrench our position as a bank focused on creating sustainable value for our clients, partners, and shareholders.

In accordance with your expectations, in 2015 we will not only continue to offer innovative products and services, but will remain true to the best practices. On the following pages you can read more about the main directions in which we focused our efforts to achieve long-term sustainable development as effective corporate governance, compliance with all laws and regulations, taking full responsibility for the quality of our products and services, development of human capital and reducing negative environmental impacts.

## We Invest in Society

In our busy daily round we have not forgotten our responsibility to society. Corporate Social Responsibility is an integral part of our philosophy. That is why last year we continued to implement traditional programs in education, care for the

environment, sports and corporate donation, and social issues of social projects. The major of them in 2014 were Best Start for Every Child – a long-term partnership with UNICEF, the charity relay race Postbank Business Run, the internal program Green Start with Postbank, participation in the international initiative PARK(ing) Day, a partnership with the American University in Bulgaria, and others. We are happy that for another consecutive year we have received many recognitions and award for our activities in the field of Corporate Social Responsibility, as well as for our innovative products and initiatives that we develop.

### We Invest in Our Employees

The constant aspiration for excellence of the Postbank Human Resources made it an integral part in the achievement of the company's goals in 2014. 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 2014 were mainly due to the highly-motivated and devoted workforce. That is why we foster initiative and change, providing proper training and equal career advancement opportunities.

### Expectations for 2015

In 2015 we will continue to pursue our strategy to be the preferred bank, offering the most innovative and highest quality products and services and at the same time to meet the constantly growing expectations of our clients, partners, and employees, thereby creating value for them and for our shareholders.



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



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**Asen Yagodin**  
Executive Director and  
Wholesale Banking Executive,  
Member of the Management Board



The constant efforts to improve the economic environment by holding an open dialogue with stakeholders and the bank's active contribution to 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 Change and contribution to sustainable growth.

## Mission, Vision and Values

### Our Mission

We are a leading, dynamically developing bank, where the personal qualities of all employees are valued and their professional development is encouraged. We share the dreams of our clients and we see our success in the success of the people and businesses we support. We believe in our clients and work with them to find the best personal solutions – solutions for their tomorrow.

### Our Vision

We aspire to be the most reliable, accessible and innovative financial organization in Bulgaria – preferred employer and partner of our clients every step of the way.

### Our Values:



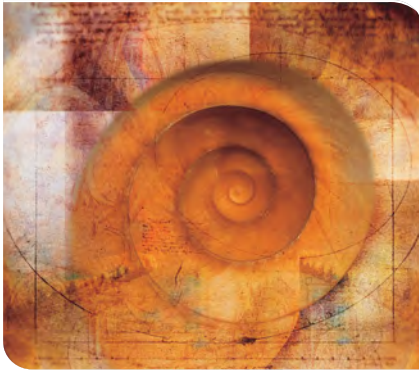
#### MERITOCRACY

Equal opportunities for distinction.



#### RESPECT

... to the colleague, to the client, 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.

## 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, while 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 a 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 2014 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, representing around 90% of all its suppliers.

## Created Direct Economic Value

### SOCIAL PRODUCT

#### The contribution of the Bank to the „Social product“

	2013		2012		2011	
	BGN	EUR	BGN	EUR	BGN	EUR
	Mio	Mio	Mio	Mio	Mio	Mio
Turnover	429	219	441	226	483	247
Interest Expense and Fees & Commissions expense	-157	-80	-192	-98	-221	113
VAT on Added Value of the Bank	-3	-1	-2	-1	-4	-2
Impairment losses	-123	-63	-81	-41	-110	-56
<b>Social Product</b>	<b>147</b>	<b>75</b>	<b>166</b>	<b>85</b>	<b>149</b>	<b>76</b>

#### The „Social product“ and its Distribution

I. Personnel	44.794	23	43	22	43	22
Gross Pay	52	27	51	26	52	27
Employer contribution to social security institutions	7	3	7	4	7	4
Medical, Retirement and other benefits	1	0	1	0	1	1
Contribution to Social Security Institutions (Employer and Employees)	-11	-6	-12	-6	-12	-6
Employees tax	-4	-2	-4	-2	-4	-2
II. Suppliers of Goods & Services	62	32	64	33	65	34
III. Donations and sponsorships	0	0	0	0	0	0
IV. State	39	20	41	21	39	20
Income Tax and various taxes	0	0	2	1	0	0
Value added taxes	3	1	2	1	4	2
Deposit Guarantee and Investors compensation schemes	21	11	20	10	19	9
Contribution to Social Security Institutions (Employer and Employees)	11	6	12	6	12	6
Employees tax	4	2	4	2	4	2
V. Company	1	0	18	9	1	1
Retained Earnings / Reserve	1	0	18	9	1	1
<b>Social Product</b>	<b>147</b>	<b>75</b>	<b>166</b>	<b>85</b>	<b>149</b>	<b>76</b>



## CLIENT SATISFACTION

In 2014 the department for client relations further improved the management of client signals:

- The number of received complaints in 2014 decreased by 4% compared to 2013;
- Over 80% of the signals are answered within 5 days.

During the year, the regular Mystery Shopper research was carried out for Postbank and other commercial banks operating in the market. A Study of client satisfaction among bank clients was also conducted in order to identify the importance of the indicators influencing the level of consumer satisfaction.

Both studies gave strategic guidance for future improvements to increase the level (quality) of service in the financial centres of Postbank. They strengthened the confidence that constant effort in this direction lead to real and measurable improvement of the level of client satisfaction.



**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 the shareholders and other involved parties form the basis of the bank's responsibility.

## Compliance

### Prevention of Money Laundering and Terrorism Financing

To avoid the involvement of the bank in any money laundering or terrorism financing activities and operations, we aim to ensure that every bank operation observes the relevant policy, the requirements of the responsible 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 monitor the accounts of what are known as "politically exposed" clients or their related persons.

### Sanctions

Sanctions are official restrictions on the activities of specific countries, individuals, organisations, and industries, which are designed to prevent weapons proliferation and tackle organized crime and terrorism. The bank maintains systems and controls to comply with all financial sanctions and export controls. In 2014 the bank was challenged to comply with the Ukraine-related sanctions.

### Data Protection

The fair and lawful treatment of our clients' personal information is a key priority for Postbank, and a prerequisite for the achievement of our strategic aims.

The Postbank Data Protection Instruction sets out general rules for dealing with clients' personal data. The rules and regulations connected with data protection issues are freely accessible to all employees via the Intranet.

### Fraud and Corruption Prevention

The prevention of fraud and corruption ensures that Postbank is seen as a reliable and trustworthy partner in all its business activities. The Compliance division and the 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.

The bank maintains high ethical and moral standards 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 for combating abuses. 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.

### Code of Conduct

The Code of Conduct is an internal document that is applied in addition to the requirements of the legal framework and aims 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.

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 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. 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 clients, 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 Bulgarian Association of Advertisers (BAA). Among the organization's objectives are: self-regulation of the messages to consumers, active participation in all processes and projects related to the application of European and world practices in the field of advertising, maintaining an efficient and useful dialogue with the media in order to conduct responsible, honest and transparent advertising policy. BAA provides its members with information about legal, regulatory and production issues, sharing of best practices, and novelties in the technology and trends of advertising communication.

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 had no fines imposed for breach of regulations and voluntary codes of marketing communications for 2014.

In 2014 and early 2015, the financial institution received a number of awards for advertising efficiency:

- EFFIE Bulgaria 2014: Silver in the Services category for the marketing campaign of Saving Mortgage Loan and Silver in the Promotions category for the Falling Star campaign of the MyRewards loyalty scheme. The bank was ranked Number 1 Company and Brand.
- WARC: The advertisement of Saving Mortgage Loan was ranked among the 28 most innovative advertisements in the world.
- PR Prize 2015: Take Now, Pay in Instalments won an award in the Product or Service Campaign category.
- EFFIE Bulgaria 2015: Bronze in the Services category for the marketing campaign of Saving Mortgage Loan.
- BAAwards 2015: Best Marketing Team in the Product Relaunch category in the competition for achievements in marketing communication.

# HUMAN RESOURCES

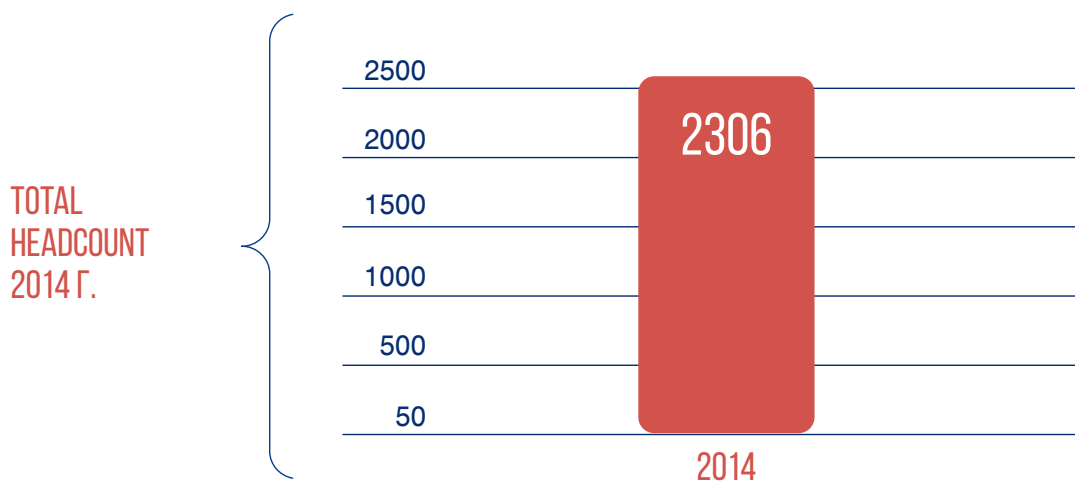
Human Resources – workforce structure, gender and age structure, gender ratio, career development, trainings, qualifications, employee development, freedom of association and collective bargaining, compensations and benefits, health and safety, internal communications.

Labour Safety Committees are organized and operate according to the requirements of Law for Healthy and Safe Labour Conditions.

## Human Resources

The constant aspiration for excellence of the Human Resources Division made it an integral part in the achievement of the company's goals in 2014. 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 2014 were mainly due to the highly-motivated and devoted workforce. That is why the HR Division fosters initiative and change, providing proper training and equal career advancement opportunities.



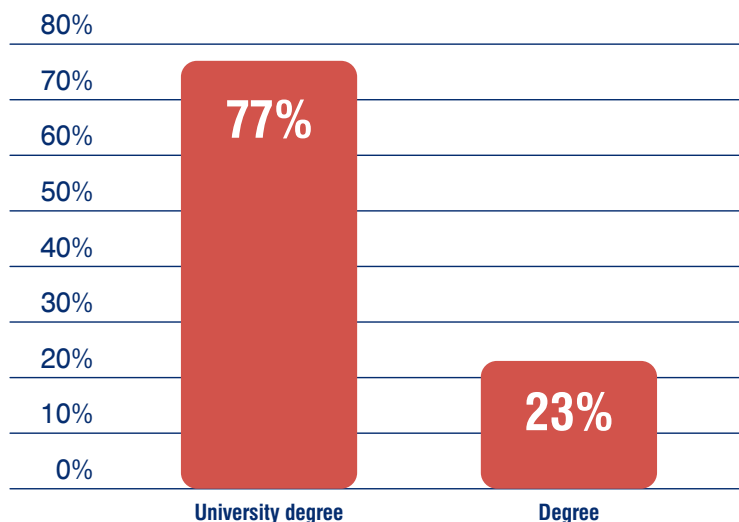
## Recruitment

The recruitment process in Postbank has always been based on principles of high value, such as accuracy, transparency and objectivity in the selection. 2014 was not an exception from following high standards in recruitment. According to the changed situation on the labour market, there were 297 newcomers numbered at the end of the year and 374 internal transfers within the bank structure.

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

As the bank relies on the high professional preparation and skills of its employees, in 2014 77% of the newcomers had a Master's degree.

## EDUCATIONAL LEVEL

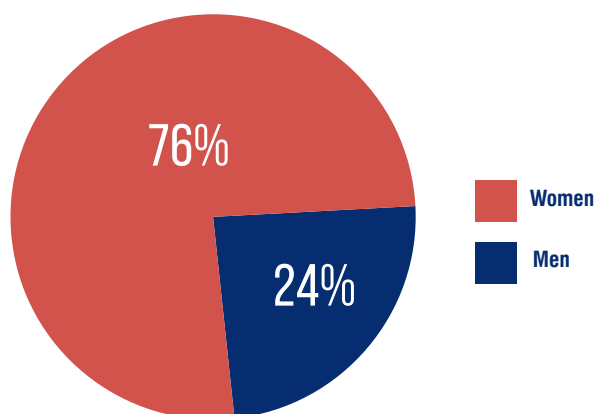


## Gender Ratio

In 2014, according to the gender distribution the percentage of women to all staff was 76%. Thus men presence comprises 24%. The prevalence of female bank employees does not merely reflect their often more suitable qualifications for the service sector job, but also the excellent work-and-life balance that they enjoy in the organization.

Eurobank Bulgaria provides professional opportunities to highly qualified and educated Bulgarian specialists. Only 2 of them are expatriates.

## GENDER RATIO

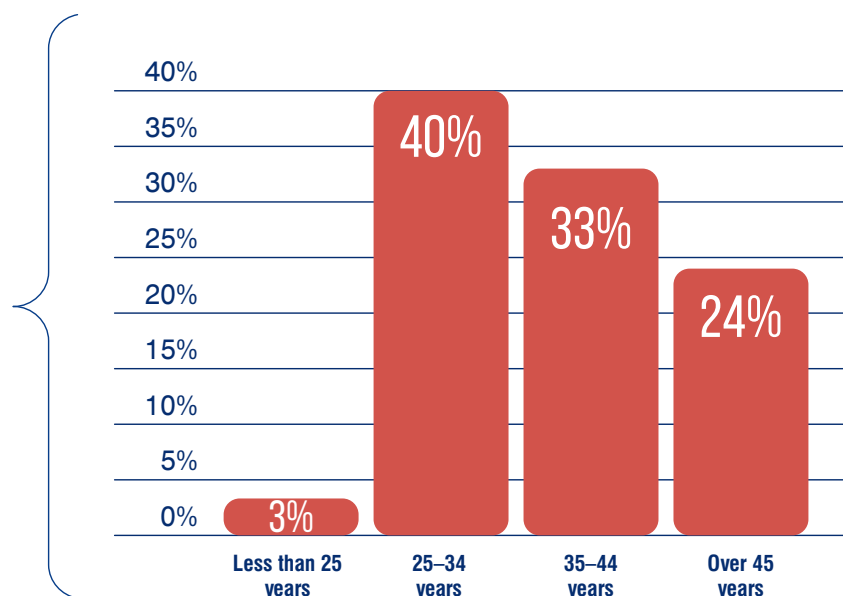




## Age Structure

In 2014 young people under 45 years of age represented 76% of all employees in the bank, as the average age of the staff members was 38.9 years. In the same time bank employees over 45 years of age represent 24% of all employees.

AGE  
STRUCTURE  
2014 Г.



## Professional Training

Constant striving for improvement and increase of professional qualification represents an integral part of the bank's corporate culture and in the same time is a powerful tool for achievement of its business goals.

High level of management and employees expectations toward provided qualification possibilities have been met by delivering a multitude of products, procedures and systems trainings.

Many training initiatives were dedicated to improvement of client service and consultative selling skills as well as improvement of leadership skills of present and potential management staff. The total number of training man-hours in 2014 was 34 692 and the total number of training participations 6 211. The total number of programmes realized in the bank in 2014 was 320 as the Training and Development Department continues enriching not only their content but also the way of implementation. In this regard, apart from the in-class training form, there is a significant increase in e-learning as well as in structured on-the-job trainings.

## Induction Training Programmes

The Training and Development Department continues to be focused on effectiveness of Induction programmes, driven by the fact that they are a powerful tool which ensures continuity and high quality of business processes.

In 2014 901% of the newly appointed employees went through induction programmes and as a direct result they became acquainted to bank products and services, procedures and systems, and started sharing a high level of bank client service standards. The Training and Development Department also strives to meet training needs of employees who have been internally transferred during the year.

They receive group or individual trainings, all of which are delivered by internal trainers.

## Structured Approach for On-the-Job Training

The Training and Development Department has always strived to design training programmes in closest relation to genuine banking practice. As a result in 2014, inseparably from Induction programmes, a structured, purposeful and clear scheme for on-the-job training was developed and implemented.

In this way newly recruited employees are able to put into practice overall theoretical knowledge received so far by following valuable directions given by their experienced colleagues.

Introducing this process into the Induction programme makes the adaptation of newcomers shorter and smoother, which in turn provides the bank with the opportunity to realize a greater benefit from its human resource.

### **Client is Number One / Golden Standard for Client Service**

In 2014 excellent client service continued to be a priority and main focus of many training initiatives. Trainings on client service have been built on the General Golden Standard for Client Service which is to be known and followed by each employee. Rules on client service excellence are in the centre of all Induction programmes as each participant receives a booklet where all rules are described in details and visualized with suitable examples.

### **Implementation of E-learning (Online) Training System**

In 2014 efforts toward developing and implementing an e-learning training system for training of the personnel continued. A test version of the online training system was successfully started. The online training system is SharePoint based, and is administered and supported internally, which makes it very effective in terms of balance between cost and usefulness. Internal administration of the online training system provides the opportunity for its content to be updated quickly, fully customized and related to business needs.

### **Counter Fraud Training – Finalizing**

In 2014 the strategic initiative related to counter fraud awareness and fighting against fraud throughout the Group, which started in 2012, was successfully finalized. In performance of the goals for developing skills on controlling the risk levels, early fraud detection and prevention, all middle management of the bank passed through a one-day Counter Fraud training in 2013, and in 2014 all remaining bank personnel completed the same programme online. The total number of employees who completed the training in 2014 is 2 037 out of the 2 055 initial target, i.e. 99% of all employees have participated and successfully completed the Counter Fraud training programme.

### **Long-term Qualifications**

During 2014 the bank continued the practice to enrol its high performers in internationally recognized qualifications and certification programmes as ACCA, CFA, CIA, CISA, CIMA as well as degrees acquired in Bulgarian institutions. In 2014 the bank provided some of its employees involved in fighting against financial crimes and money laundering with the opportunity to be certified as CAMS (Certified Anti-Money Laundering Specialist) – a worldwide recognized golden standard in the area.

### **International Internship Programme**

For the fourth consecutive year, in 2014 the bank successfully realized an international internship programme along with the North Eastern University in Massachusetts, USA. Interns from different nationalities successfully completed specialized programmes in different bank units as gained experience was valuable and beneficial for both parties.

## Harvard Business School

In 2014 Eurobank participated successfully again in the sixth cycle of the Harvard Business School programme for on-line training intended for middle and senior managers which was realized at group level. The programme aims at providing the managers with important knowledge and skills which will support their transformation into effective leaders through development of their interpersonal and communicational skills, conflict management and motivating skills. The programme consists of 9 modules in which interactive on-line cases, best management practices as well as articles by Harvard Business Publishing are included. In 2014, 25 persons successfully completed the programme.



## Performance Management

The bank's commitment to employees' personal and professional development is one of its major values. In this respect every year each employee is evaluated for its personal performance during the Annual appraisal process, which also supports his/her further purposeful skills development.

The performance management procedure guarantees transparency and equity. Every employee is to be assessed irrespectively to his or her hierarchical level, having in mind the employee's responsibilities and tasks. Moreover, the system assesses not only performance of the tasks but the way they have been achieved, which improves the communication between evaluator and evaluatee and encourages personal and professional development of employees.

In 2014 all employees were assessed and received complete appraisal related to their performance as well as career perspectives. The updated performance development system which was implemented in 2011 supports efficacy and effectiveness of the whole process. The system supports employees to orientate in business spheres where their skills and potential will be of the highest value and in the same time motivates employees to achieve their professional aims.

## 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 strives 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 bank's 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 at Work**

The success and productivity of a business stands on the efficiency of the employees. For this reason ensuring a healthy and safe working environment for each employee is 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. This is due not only to reasons of moral character but also to the conviction of the bank management that establishment of a healthy and safe environment leads to better motivation of the staff and better competitiveness as well.

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 centralized committee covering all Bulgarian entities of Eurobank Bulgaria. The Committee is based in Sofia and is responsible for the head office and branches of the bank.

## 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 of 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 transpose 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 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.

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 Environment Office, positioned as a direct reporting line to the COO, Head of the Central Operation Division.



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**Petia Dimitrova**  
Chairperson of the Management  
and Chief Executive Officer



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



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**Asen Yagodin**  
Executive Director and  
Wholesale Banking Executive,  
Member of the Management Board



## ENVIRONMENT AND SUSTAINABILITY

In 2004, Eurobank became the first banking group in Greece, and remains one of few in Europe, who 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) No 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.

Eurobank participates actively in a series of international initiatives such as the United Nations Environment Programme Finance Initiative (UNEP FI), where it has taken up senior administrative positions, at the Global Steering Committee, the Banking Commission, as well as the Chairmanship of the European Task Force of UNEP FI.

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

In 2012 Postbank was distinguished as the greenest 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 launch of application of environmental risk management procedure in corporate lending. In 2013 and 2014 the bank kept on following its ambition to be pioneering in the environmental agenda for the banking industry in Bulgaria.

The Environment Office implements the bank`s strategy targeting both direct (those related to consumption of resources and production of waste) and indirect (those related to business activities, clients, and suppliers) 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 the 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 centre;
- Paper consumption monitoring in terms of costs and N of sheets used per financial centre;
- Toners consumption monitoring in terms of costs and types and N of toner cartridges per financial centre;
- Coordination of projects related to improvement of efficiencies within the organization that have impact on consumption of resources such as paper, toner, electricity, etc.

Towards the end of the year technical improvements took place which allow for the expansion of reporting of consumption per outlet and per employee in the bank. The implementation of this reporting took place in 2014, and, though fine-tunings are needed and are planned for 2015, it is a significant step forward facilitating the efforts of the Environment Office to manage the implementation of the Environmental Policy in the bank.

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

Apart from that, the bank has incorporated specific environmental criteria in its procurement policy. Thus the indirect environmental effects are spread over the supply chain.

In 2014 a number of improvements took place in the area of environmental management and environmental awareness in the bank.

## **Energy Consumption Monitoring and Analysis in Terms of Costs and KWh**

Following its strategy, as in previous years, the Environment Office 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, and following the efforts from the past three years, they 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 the Premises Department which undertook the task of taking improvement measures. As part of the project for improving energy efficiency in the branches a number of light refurbishments were done across the country with the aim of maintaining the excellent conditions in the outlets and improving them further where possible. The conditions in the HO building, despite the fact that is of high energy class, were subject to in depth analysis targeting the identification of areas of improvement. As a result of it a management decision was taken to place innovative insulation foil on the facade so that microclimate in the building improves and energy is preserved. After placing the foil the cost for heating and cooling decreased and the temperature in the building became more balanced while at the same time the amount of natural light in the premises remained as high as before, which would not have happened with placing blinds or taking other measures.

One important conclusion of the analysis of the efficiency of the building was that the lights inside, which currently are not LED, need to be replaced with LED ones. LED lights have proven to be more efficient than the ones regularly in use. LED lights of different types were installed in certain locations within the HO premises as part of an experiment and the most preferred type of LED was identified by the employees who had the opportunity to work in the locations for some days with the different lights on. The project of replacement of the lights in the HO with LED ones is planned for 2015.

## **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 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 in 2012, special containers for paper were placed in the premises so that separate collection of paper for the purpose of recycling is ensured. This has raised the staff awareness significantly and currently all the employees take care so that paper is separately disposed of. In 2014 there were a few centrally organized campaigns aiming at cleaning the offices from unnecessary paper which has been piling up upon usage. The paper collected during 2014 equals approximately 6 t and was sent for recycling after secure destruction. The quantity collected and recycled equals 70 trees.

## **Toner Consumption Monitoring in Terms of Costs and Types and Number of Toner Cartridges**

In 2013 the bank moved towards the direction of using recyclable toner cartridges for its operations. The toner cartridges are disposed for recycling after use. Collection of information regarding the number of toners used by the bank is one of the activities of the Environment Office.

## **Garbage Collection**

Since Postbank acknowledges the need to strive for preservation of nature, special measures are taken with regard to 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. Separate collection of garbage is practiced across the country in all places where

the local municipalities provide for the necessary infrastructure. Apart from the garbage bins for separate collection of garbage, Postbank collects used batteries and light bulbs. For the used batteries there are special containers placed in the HO building. For the light bulbs the company in charge of the maintenance of the premises of the bank has the responsibility to collect all the used light bulbs from the offices and to report to the HO (Premises Department which on its part provides information to the Environment Office) on this activity. Apart from that, whenever there are renovation activities in outlets of the bank or in the HO, which generate garbage, it is disposed of strictly following the local regulations for the purpose.

These 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.

### Efforts in the Area of Indirect Environmental Impacts

In 2014 Postbank followed its efforts towards improving risk management in its loan portfolio by the incorporation of environmental criteria in the risk assessment. Upon the training of all SBB officers in the Environmental and Social Risk Management Procedure in 2013, training continued to take place using the intranet of the bank where the EBRD training materials as well as in-house produced by the Environment Office materials were placed and access to all employees was ensured.

The useful dialogue established in the bank in order to find the most efficient way to fulfil environmental risk management requirements given the specificities of the local business and the workflow in the bank kept on.

### Indicators

As an important part of the efforts to manage internal resources, since the beginning of 2012 the Environment 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 continued in 2013 and 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, semi-annual analysis is prepared showing consumption per financial centre in terms of kWh in total for the respective centre, kWh per m2, kWh per employee and CO2 emissions. This analysis allows for comparison among the almost 200 financial centres 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/m2 consumption
- Top energy spenders and top energy savers in terms of CO2 emissions.

Using the information from them, deviations from the average energy consumption in the bank 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 used by the bank, so that unnecessary consumption is contained.

As a result of the collection and analysis of data, key indicators are produced revealing the success of the efforts towards the implementation of the environmental policy. They are presented in table 1 below.

INDICATOR	2012	2013	2014	Δ 2014 – 2013	Δ 2014 – 2012
CO2 emissions from electricity consumption, t	7,421	6,096	5,558	-9%	-25%
Water, m3	89,217	81,740	52,646	-36%	-41%
Sheets of paper	37,610,615	34,315,000	32,325,000	-6%	-14%

Table 1. Key Environmental Indicators (2012–2014)

Decrease is evident in paper, water and electricity consumption in the comparison of 2014 to the previous years analysed. 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. Also, in 2014 further decrease was achieved as a result of the installation of water purification machines in the head office premises which replaced the need to supply mineral water.

Electricity consumption has been significantly reduced in 2014 as a result of a number of measures that were implemented in the premises of the bank, as explained above.

For 2015 Postbank has prioritized the following main goals:

- Achieving further resource efficiencies in the form of a decrease of 2% across the various lines (energy, paper, water) through the implementation of a set of measures;
- Enhancing and automating reporting of environmental risk in lending;
- Enriching the existing intranet training materials for the staff on environmental issues important for bankers.

In 2014, no fines related to environmental issues were received by Postbank. In 2015 the bank commits on continuing the efforts pursued until present, caring both for its direct and indirect environmental impacts.



In January 2014, just a month after the launch of its strategic partnership with UNICEF “The Best Start for Every Child”, the bank Postbank announced the total amount of over BGN 100 thousands raised from donations. This is the largest donation amount raised in a month through banking mechanisms available in Bulgaria. The Bank supports the UNICEF project to develop a network of maternal and child healthcare centres to provide family support in taking care of small children. In donating the customers and the employees of Postbank can opt for the preferred amount and method of donation - through ATM, in cash or via the bank’s online banking application, and all transactions related to UNICEF donations are exempt from fees. This long-term partnership has set out as its main objective to establish this model on a national level. At the end of 2014, the amount donated reached BGN 370 thousands.



The two already functioning center for maternal and child health in the regions of Shumen and Sliven, supported by UNICEF and Postbank, provide home visits to pregnant women and parents of children aged up to three years. Nurses

and midwives from the Centers visit families at a convenient time and provide them with health information, advices on safe pregnancy, preparation for childbirth, early childcare, breastfeeding and nutrition, stimulation of intellectual and emotional development and other issues a growing infant.



In June 2014, Postbank became a major partner to the first private corporate relay race Postbank Business Run organised by “Begach” running club, where representatives of 63 companies covered in running a total of 1712 km. The route for all 428 participants ran through Business Park Sofia. Thanks to the initiative, the sum of over BGN 9 thousands was collected for the organizers’ charity cause. The amount was donated to the UNICEF project in partnership with Postbank “The Best Start for Every Child”.



Postbank supported the event, because its concept coincided with the values of financial institution for efficiency, teamwork and responsible behavior. “Begach” running club and the bank were aimed to position is as an annual event and the greatest corporate teambuilding. The Bank’s team proved with Postbank Business Run that sport, charity and corporate culture could fit well together.

In September 2014, Postbank joined for the second consecutive year the international initiative PARKing Day organised by Foundation Credo Bonum. During the fourth and so far largest edition of PARKing Day, the Bank organised



under the motto “For wheels and their people” an art bike atelier at parking spaces in front of its office at Saborna Street. 1Bike’s team transformed a bicycle and gave it its own personality in front of passers-by near the parking lot in front of the bank’s office at Saborna Street. As part of the initiative, the bBank organised a raffle for its Facebook users and gave out a unique bicycle to the lucky winner.

In September again – at the start of the school year, Postbank joined the national road safety campaign “Stop, save the child!” launched by Bulgarian National Television (BNT) and Sofia Municipality. The campaign calls to road users - drivers and pedestrians - to enhanced mutual responsibility and tolerance. Participation in the campaign is a logical continuation of the Bank’s efforts in recent years to draw attention to the significant and socially responsible cause to protect human lives and prevent road accidents.



A modern center, built with the support of Postbank, was opened at the end of the year at the American University in Bulgaria (AUBG) with a special event. The event marked the beginning of a strategic partnership between Postbank and American University in Bulgaria in the field of education. The new hall “Postbank” is used by the students’ organizations and clubs in AUBG and is becoming a key creative space for them. Students of the American University in Bulgaria perform there many extracurricular activities, including club Debate, club “Women in Business” and many others.

Promotion of education and successful young people is an integral part of the corporate philosophy of Postbank. On the other hand, the American University in Bulgaria is one of the best educational institutions in the country, that annually creates well prepared professionals for the business and public life. Both institutions will continue to work together for even better results in benefits not only for the University but for Bulgaria as the education plays a key role in the development of the country.

In December 2014, Postbank contributed to the Christmas decoration of Sofia, by building a beautiful arch in downtown area as a holiday gift to the capital city’s residents and visitors.

During the year, the bank continued its long-standing support and joint work with socially disadvantaged groups to boost their proactive community role. On the occasion of March 1, Postbank traditionally distributed over 10,000 handmade martenitsas as a special gift for customers, partners and employees. Martenitsas are made by socially disadvantaged people traditionally supported by the bBank at holidays such as Baba Marta and Christmas. Foundation Third Age in Rousse and Association “Future for Children with Disabilities” in Kazanlak have been partners to Postbank’s initiative for more than five years, by producing Christmas cards for customers and partners of the Bank



On March 22 - the first Saturday after the official onset of astronomical spring, 70 volunteers took part in two afforestation actions organized by the “Environmental Partnership” with the support of Postbank. The initiative happened thanks to the campaign of the bank on Facebook “Christmas tree of friendship”, which aims to change attitudes to living trees and preserve nature. The project supports the Bank Environmental Partnership Foundation to finance afforestation shares. New Forested areas are near by Vladaia and protected zone “Plana”, not far from Sofia.

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