



POSTBANK FINANCIAL AND SUSTAINABILITY REPORT 2013

**We don't give promises.
We create strategies to fulfill them**

The background of the page is composed of several vertical stripes of varying shades of brown and tan, transitioning from light to dark from left to right. On the far right, there is a large, solid block of a dark brown color that occupies the rest of the page's width.

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**FINANCIAL AND BUSINESS
REVIEW**



**WE DON'T DREAM ABOUT THE FUTURE.
WE CREATE THE FUTURE TODAY**

Letter to the Shareholders



Dear Shareholders,

If we have to describe the year 2013 with just one word, without a doubt it will be – a Recovery. Positive trends were visible in the world, Europe, Bulgaria and most importantly – in Postbank. The importance of these trends should not be underestimated as it shows that we are slowly but steadily overcoming the effects of the crisis and are looking forward to building upon this recovery.

Bulgaria – macroeconomy and banking system

In 2013 the growth of the world economy remained solid, while the economy of the European Union exited the recession. This was positive news for Bulgaria as for another year the export sectors were the driving force of the economic growth pushing the GDP growth from 0.6% in 2012 to 0.9% in 2013. Although the annual growth seems marginal, more importantly, the quarterly data show smooth picking up. The deflation and the unemployment level were the main factors holding back the consumption, but the prospects for 2014 are brighter

as households are expected to increase their long-delayed spending.

The banking system reached some important milestones in the past year. Firstly, the funding gap between the loans and the deposits was closed for the first time in more than five years. Deposits kept rising by more than 8% per year, while the loans increased by 1.1% due to the lower demand and the continuing efforts by the banks to clean their portfolios. Competition on the market remained strong, pushing down the rates of the new loans to levels last seen before the crisis. On its hand, the extra liquidity helped drive down the cost of funds, compensating partially the lower interest income from lending. Secondly, in 2013 there was a notable decrease of the provisions for impairment. Although the cost of risk remains high, this suggests that the quality of the portfolio is stabilizing and further improvements are to be expected in 2014. And last but not least 2013 was the year when the banking system recorded a slight increase in the net profit.

Income, expenses and net profit

In 2013 Postbank achieved a significant financial success and managed to outperform the system on many counts. This success could be attributed to the well formulated strategy, based on preserving the sources of income and control over the costs, including cost of funds and impairment. The interest expenses decreased by more than 15% in 2013 which helped us reverse the trend and record an increase of the net interest income in the last two quarters of the year. We continued to exercise strong control over the costs, decreasing them by close to 6%. The decrease could have been even bigger, but we decided to step up our marketing and advertising expenses to support our sales activities. Most importantly, we managed to reduce the impairment charge for credit losses by more than 26% which had a direct impact on our profit. I am proud to report that the profit attributable to shareholders increased substantially and reached 18.5 million leva in 2013.

Liquidity, lending, CAD

For another year in a row we managed to combine an increase of our deposits base with reduction of the cost of funds and optimization of the product and currency mix. We are entirely self-funded and with a net loans-to-deposits ratio of below 90% have enough resources to support the future expansion of our lending activities. The stable deposit base allows us to turn to the international financial institutions only for the benefit of our clients. In this respect, in 2013 we managed to negotiate with IFC and EBRD trade finance agreements which will allow us to offer our clients better terms for their transactions. Our efforts were rewarded and in 2013 Postbank was the leader in the factoring market with close to 40% market share.

Sales of new loans increased by more than a quarter in the last year. Nevertheless, the excess liquidity on the market is facilitating the early repayments by the clients as well as intensifying the competition between the banks. In some segments the rates of the new lending are reaching levels that might not correctly reflect the risk levels of the current environment. We continued to maintain a prudent level of risk appetite with a clear focus on profitability. Remedial management efforts and the additional provisions set aside in 2013 allowed us to increase the coverage ratio to more than 50%. With a solid capital adequacy ratio of 16.76% we are well positioned to comply with the new prudential requirements regulations.

New business

Postbank held its leading positions in all segments where the bank operates – household lending, debit and credit cards, saving and deposit products, corporate and investment banking, trade finance, to name but a few.

In the retail segment we managed to keep our positions and even increase our market share in household lending by combining a proactive sales approach with competitive products. With products like the Saving Mortgage Loan and the MyRewards loyalty program we aimed at rewarding the customers who actively bank with us, increasing their loyalty and enhancing the image of the Bank. We joined the Student Loans Program of the Ministry of Education and Science which we see as a natural extension of our long-term commitment in the Bulgarian education.

Supporting the local economy is part of our duty as a Bulgarian bank. With regard to this, we continued to extend credit and provide transactional banking services to the Bulgarian companies of all sizes. We were constantly looking for ways to secure new credit and guarantee lines like the agreements with IFC, EBRD and the National Guarantee Fund and transferring the benefits to our clients. In investment banking we scored some serious achievements and have been awarded a number of prestigious international prizes for the quality of our custody services.

Awards & CSR

The latter is just one of a number of recognitions that we received in 2013. Postbank remained committed to support the Bulgarian companies and individuals to achieve their goals, having responsible market behaviour, offering high quality products and managing its impacts responsibly. We continued working on our main objectives in social and environmental fields – the programs Green Start and The NO Project combating the human trafficking. In December we launched a longterm strategic partnership with UNICEF supporting the development of centers for mother and child health in the country. We invested and integrated an innovative donations platform, providing the opportunity for easy donations via our ATMs, cash desks or online banking application.

HR

Last but not least, I would like to thank our employees who are the driving force behind our results. Their commitment and success-driven approach are an indispensable part of our strategy. They are the ones that

make sure that our clients get the impeccable service they deserve and in the same time ensure the flawless performance of our back-office operations. We truly appreciate what they have been doing and I hope that they will continue working with the same spirit in this year. To achieve this, Postbank will continue to invest in its employees, improving their qualification, efficiency and motivation.

Conclusion

In 2014 we will build upon the achievements from the previous year, in accordance with the long-term strategy of the bank. We expect the economic recovery to revive the demand for loans in both the retail and the corporate segments to a point sufficient to compensate the repayment of the existing portfolio. Having sufficient liquidity is a must, but in the same time we will strengthen our efforts to reduce the cost of funds as this will allow us to gain market share in the lending segments while maintaining a prudent level of risk appetite.

The key word in 2014 will be Profitability. We will focus on increasing our income both interest income as well as from fees and commissions. We have built a lean and efficient structure which is well suited to compete in the new reality. We have all we need to make this year better than the last and we are here to deliver.



Petia Dimitrova
Chief Executive Officer

BANK PROFILE



In 2013 Postbank, legally known as Eurobank Bulgaria AD, established itself as a modern universal bank, offering innovative products and technological solutions to its clients. The bank held its leadership position on the market of credit and debit cards, mortgage lending and saving products, as well as in the areas of factoring services for corporate clients, investment banking and custody services offered to local and foreign institutional clients. The bank commands a market share of nearly 10%, a workforce of 2,400 employees and a branch network of over 180 locations countrywide. Postbank is a member of Eurobank Group.

Eurobank Group is a European banking organization with total assets of € 76.0 billion, approximately 18,000 employees and a total network of more than 1,000 branches in Greece and abroad. The Group's dedicated and experienced employees provide customized service across all countries of the Group's presence, supporting client efforts to effectively meet financial challenges.

Eurobank is one of the four pillars of the Greek banking system. It has also established an important presence in retail and business banking in Bulgaria, Romania and Serbia, offers discerning Asset Management services in Cyprus and Luxembourg and is also present in London. Following the successful completion of the € 2,864 million share capital increase in May 2014, 64.6% of common shares are held by institutional and individual shareholders.

Having a banking history of over 23 successful years, Postbank ranks among the leading universal banks in Bulgaria. Total assets of the bank reached BGN 5.7 billion. The past 2013 was very positive for the bank in terms of sales and financial results. Postbank achieved a significant increase in the net profit to BGN 18.5 million.

Important events

In June 2013 the Bulgarian Credit Rating Agency (BCRA) evaluated Postbank's long-term rating at BB+, its short-term rating of B, with stable prospects. This was the bank's third credit evaluation done by BCRA, which allowed the financial institution to successfully continue raising funds both locally and abroad, to finance the Bulgarian businesses and households, thus supporting the country's economy.

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

In January 2013 the financial institution signed a guarantee agreement with the National Guarantee Fund under the Rural Areas Development Program with a limit of BGN 36,5 million. The program is a guarantee mechanism with coverage of up to 80% by the National Guarantee Fund of a portfolio of credits for small and medium enterprises (SMEs). This way the bank has provided liquidity of key importance to SMEs working in the area of agriculture and forestry in Bulgaria.

In July 2013 the bank received EUR 20 million financing under the European Bank for Reconstruction and Development (EBRD) Trade Facilitation Program. With the program the bank continued providing support to Bulgarian companies – exporters and importers, by providing guarantees covering the risks in banking trade finance transactions and short-term financing for pre-export, import and factoring. Postbank also received an additional credit line of EUR 4 million in support of energy efficiency projects of SMEs through the EBRD Bulgarian Energy Efficiency for Competitive Industry Finance Facility (BEECIFF).

New products and innovations

In 2013 Postbank presented for the first time on Bulgarian market the innovative Saving Mortgage Loan, which reduces the mortgage interest rate automatically as clients increase the volume of their savings in the bank. At the same time customers still have the income coming from their resources and can use them completely freely. In addition to this innovation, the Mortgage Lending Division has achieved a 25% growth of its business on an annual basis. It also had an 80% increase in the number of online application for mortgages submitted through the bank's corporate website. During the year the interest rate levels of mortgage and housing loans were historically some of the best ever. As early as October 2012 the bank announced its decision to reduce the interest rate for its mortgage loans for new and existing customers, which respectively led to a decrease in the rate of the monthly instalments of the clients. The bank kept this favourable change in 2013 as a responsible financial partner which helps its clients manage their finances throughout each stage of their life.

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

The financial institution also achieved excellent results in the usage of the online banking application e-Postbank after introducing its entirely renovated version in mid- 2012. After the application's integration, the bank has reported a 45% increase in the number of individual clients who started making transactions via e-Postbank because of its exceptional comfort, speed, safety and lower charges. In November the bank expanded the new application to its corporate clients, as well. In 2013 Postbank offered its clients also the opportunity for a 24-hour access to their bank account with no need to go to one of the offices, have a reliable internet connection or make any compromise with the safety of their money, by introducing the new telephone banking service.

In September the financial institution joined the program for credits leased to university students and Ph.D. candidates backed by the state, by signing a special contract with the Ministry of Education and Science.

In 2013 Postbank was a leader in offering factoring services to corporate clients who are export-oriented or operate on the Bulgarian market. The bank managed to attract both new corporate clients and counter parties of its already existing clients, thereby building a stable and profitable portfolio.

Recognitions

- In January, 2013, for a third consecutive year, Postbank was declared the best bank in Bulgaria in terms of providing custody services to foreign and local institutional clients. The prize was awarded at the annual ranking of the most prestigious magazine in the area of custody services - Global Custodian.
- In March, 2013, the bank received two awards at the prestigious competition for best events Eventex Awards. The prizes were second place in the category “Campaign of the Year 2012” and second place in the category “Audience Award 2012”, both of them for the implementation in Bulgaria of the international The NO Project, supporting the prevention of human trafficking.
- Again in March when Ms. Petia Dimitrova, Chief Executive Director of Postbank, received the first prize in the “Banking” category of the second annual awards of Business Lady Magazine.
- In April the bank was recognized at the fourth edition of the annual PR and communications awards BAPRA Bright Awards. It came third in the most competitive category – “Communication Campaign of the Year” for the opening of its new head office.
- In April 2013 the co-branded credit card of Posbank and IKEA was named the best banking product of 2012 by a prestigious international jury and the best card products of 2012 in an online voting among Facebook users, initiated by b2b Media.
- In May the bank was distinguished for a second consecutive year in the prestigious competition for communication achievements - PR Prize 2013. The financial institution won second place in the category “Project for Corporate Social Responsibility – Business Sector” for implementing in Bulgaria the international The No Project for the prevention of human trafficking.
- In November Postbank topped Forbes Magazine’s chart “The most rapidly developing bank” in the “Mortgage lending” section.
- It was again in November when Ms. Petia Dimitrova, Chief Executive Director of Postbank, received international recognition and was awarded with two silver prizes at the Stevie Awards for Women in Business. Ms. Dimitrova was among the prize winners in the category “Executive Director of the Year for Europe, Middle East and Africa” and the category “Executive Director of the Year in the Service Sector” (for companies with up to 2,500 employees).



FINANCIAL REVIEW



BALANCE SHEET**2013****2012**

Net Loans and Advances to customers	3,882,517	4,035,101
Deposits from clients and firms	4,496,712	4,266,215
Shareholders` Equity	821,118	795,353
Total Assets	5 693,400	5,637,184

PROFIT AND LOSS STATEMENT**(BGN` 000)**

Net Interest Income	195,723	210,035
Net Fee and Commissions Income	56,914	55,067
Net trading Loss/Gain	(4,125)	(3,434)
Other operating income	(1,436)	741
Total Operating Income	247,076	262,409
Total Operating Expense	125,309	132,821
Deposit Insurance Fund	(20,018)	(18,554)
Provisions for impairment	(80,885)	(109,647)
Profit Before Tax	20,864	1,387
Income tax	2,371	261
Profit After Tax	18,493	1,126

KEY FINANCIAL RATIOS

Total Capital Adequacy Ratio	16.76%	17.06%
Net Interest Margin	3.44%	3.73%
Fees& Commissions/OPEX	45%	41%
CoR (provisions/net loans)	2.1%	2.7%
Cost/Income Ratio	50.7%	50.6%
Net Loans/Deposits ratio	86%	95%

Economic situation in Europe

In 2013 the economy of the EU exited the recession, but the growth remained subdued. The stronger than expected growth in the largest economies of the union was good news, while the improving situation in the southern members was enough to bring the full-year GDP growth to a positive territory. The structural reforms and fiscal consolidation implemented by the member states in the last years are beginning to show their effect and helping the economies close the existing internal and external imbalances. The persisting unemployment levels and the slowdown in some key emerging economies suggest that the recovery will be a gradual process. Nevertheless, the forecast is that the EU economy will grow by 1.5% in 2014 and by 2015 there will be no member state with a negative GDP growth.

Economic situation in Bulgaria

The Bulgarian economy was a beneficiary from the improving situation in the EU. The real GDP growth in 2013 was 0.9% and was almost entirely driven by the exports which grew by 7%. The EU countries affirmed their position as the main trading partner and their share increased to more than 60% of the total. The new government tried to support the economy by increasing the spending and revising the budget to a deficit of

1.8% of GDP, however, this was not enough to compensate the decrease in the private consumption. Private consumption was constrained by the persisting unemployment which rose from 12.5 to 13.2% as well as by the deflationary pressures. In 2013 the consumer price index was -1.6%, due to the decline in the prices of food and the administratively regulated prices. The consensus forecasts for 2014 are that the GDP growth will double, helped by the revival of the private consumption.

	2011	2012	2013
GDP growth (%)	1,8	0,6	0,9
Inflation (%)	2,8	4,2	-1,6
GDP per capita (leva)	10 249	10 620	10 743

	2011	2012	2013
Loans to GDP	74%	74%	75%
Deposits to GDP	70%	73%	80%
Loans to Deposits	106%	101%	94%

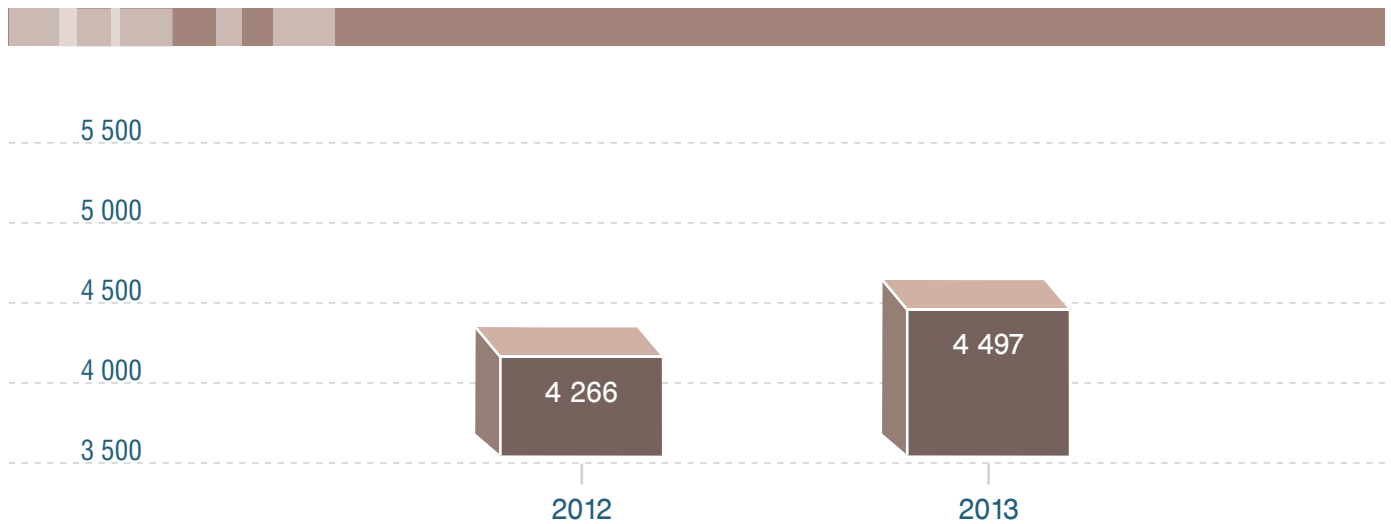
The effects from the crisis continued to be the main factor affecting the performance of the Bulgarian banks in the past year. With the demand for loans remaining weak, the banks further improved their liquidity position and closed the gap between the loans and the deposits. The strong competition, the quality of the lending portfolios and the inflow of new deposits continued to put a pressure on the total income of the banks which decreased by 3% in 2013. Nevertheless, encouraging signs were visible that the system is close to overcoming the problems from the past. Provisions for impairment continued their downward trend which helped the banking system record its first increase of the net profit in the last five years. With liquidity and capital adequacy ratios remaining high, the banks are better prepared to increase their lending operations and improve their efficiency ratios.

Liquidity

Postbank continued to successfully implement its strategy of increasing deposits from clients with a focus on the retail deposits. Liquidity ratios further improved and the bank has sufficient reserves to be employed in its lending activities. The bank is fully self-funded and has one of the lowest loans-to-deposits ratios among peer banks. Throughout the year emphasis was placed on the reduction of the cost of funds and optimizing the currency and the product mix. As a result, the interest expenses were reduced by more than 12 million leva compared with 2012, combined with more than 230m leva increase of client deposits.

CLIENT DEPOSITS

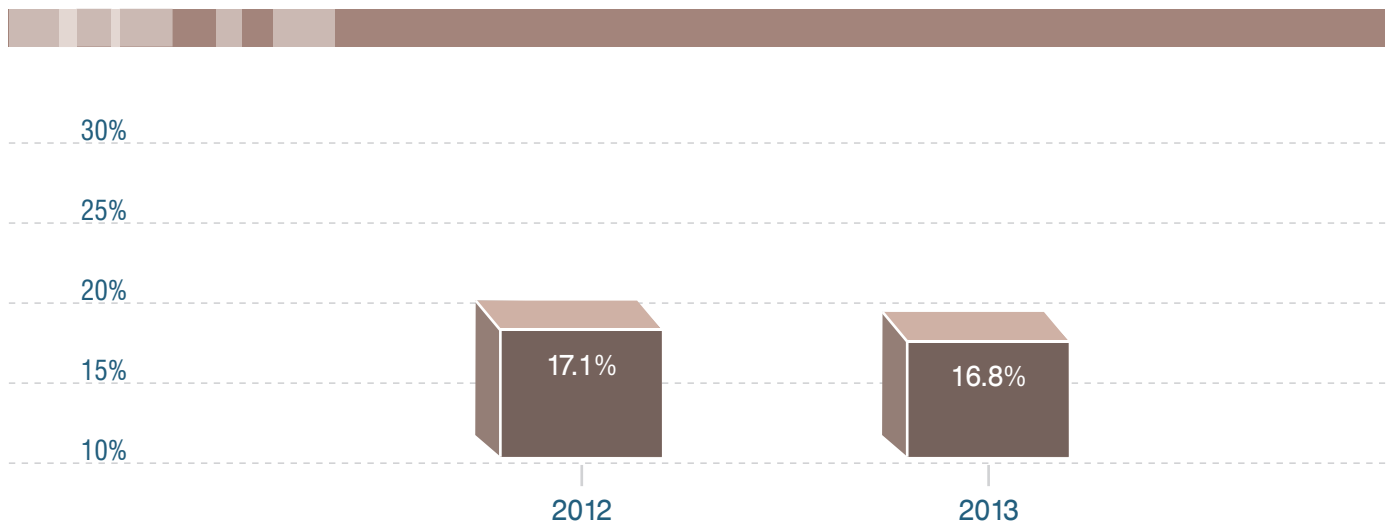
(million BGN)



Capital adequacy

The capital adequacy remained well above the regulatory minimum, reaching 16.8% as of the end of 2013. Postbank continued to optimize the risk profile of the bank, improving the collateral structure, reducing low-yielding higher-risk exposures and building up the secured retail portfolio. Postbank had enough high-quality capital to cushion the effect from the additional specific provisions as per Ordinance No. 9 of BNB. In 2014 the capital base will be strengthened by the capitalization of the net profit as well as by the introduction of the new capital adequacy regulations.

CAPITAL ADEQUACY RATIO



Operating Income

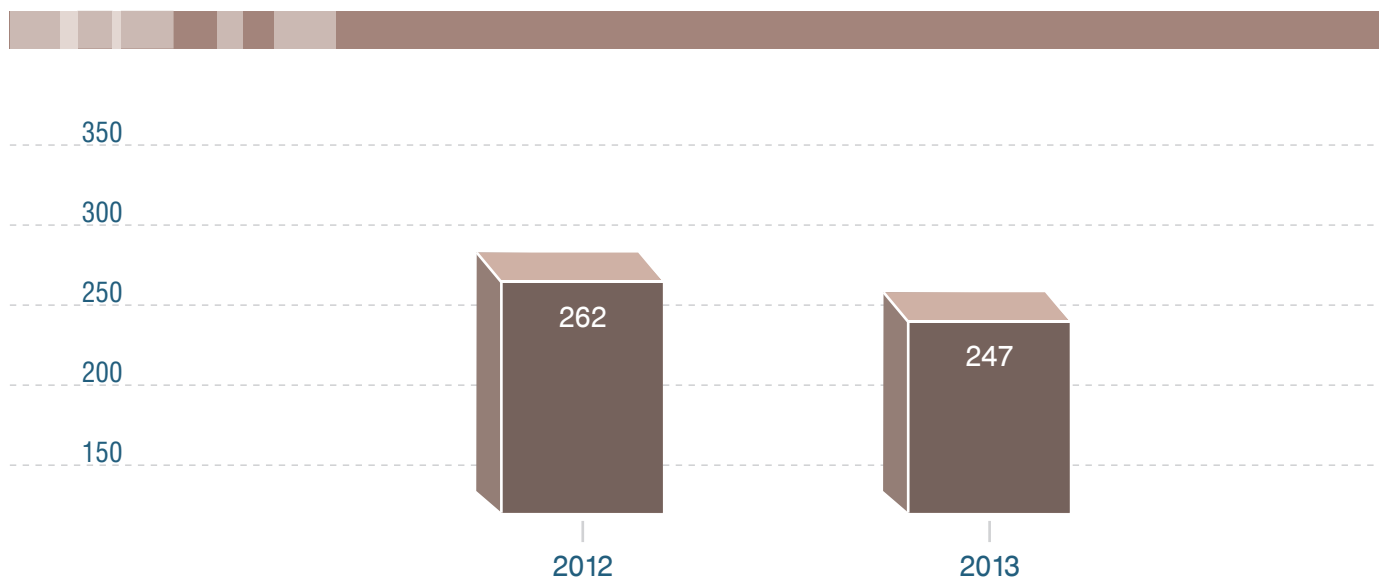
Although net interest income declined by 7% to 195 million leva, Postbank reached an important milestone in the middle of 2013. In the last two quarters of the year the net interest income presented an upward trend, supported by decreasing cost of funds and by the income from the new business. Competition remained intense, driving down the yields and further compressing the net interest margins of the banks. As one of the banks with established lending portfolios, Postbank was affected by this trend, however, the rising sales of new loans cushioned its effect.

One of the milestones in Postbank's strategy is emphasizing on the transactional banking services and exploring new sources of income. In line with this strategy, net fees and commissions income increased by 3% YoY,

mainly coming from the sales of auxiliary services. The number of clients who have their main service account with Postbank increased which brought higher income from cash operations and money transfers. Net F&C already covers 45% of the operating expenses of the bank – 4 pp improvement compared with the previous year.

TOTAL OPERATING INCOME

(million BGN)

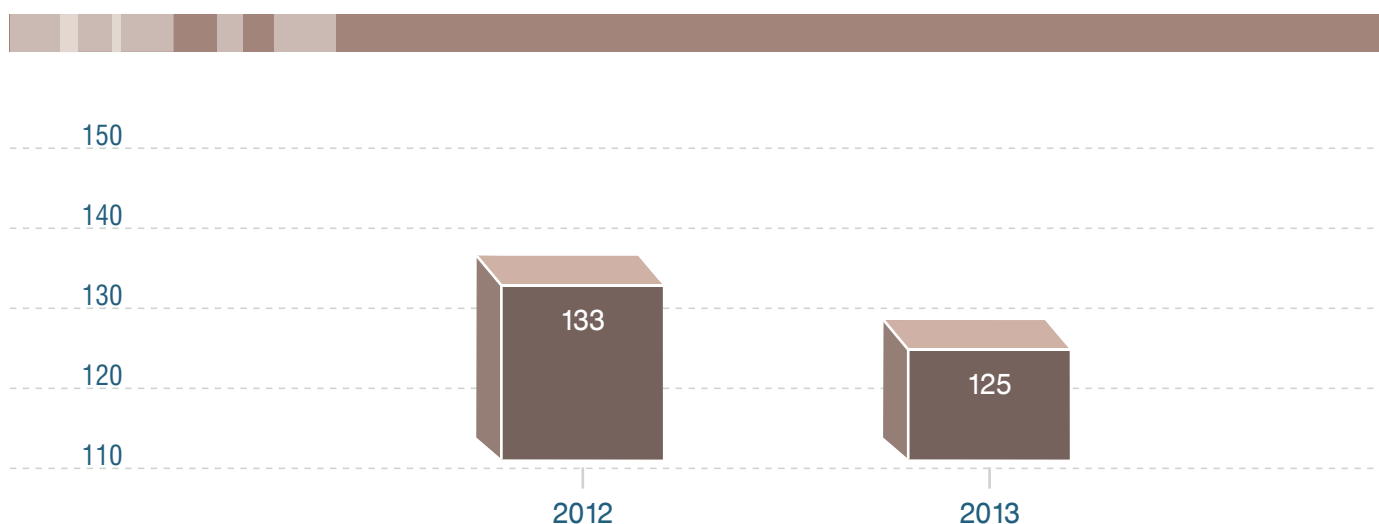


Operating Expenses

Postbank further reduced the operating expenses in 2013 by more than 7.5 million leva through effective cost control and various initiatives which affected almost every cost line. On the other hand, spending on marketing activities was increased in order to enhance the image of the bank and to support the sales campaigns throughout the year. Cost-to-income ratio remained flat at about 51% despite the pressure on the income side.

OPERATING EXPENSES

(million BGN)

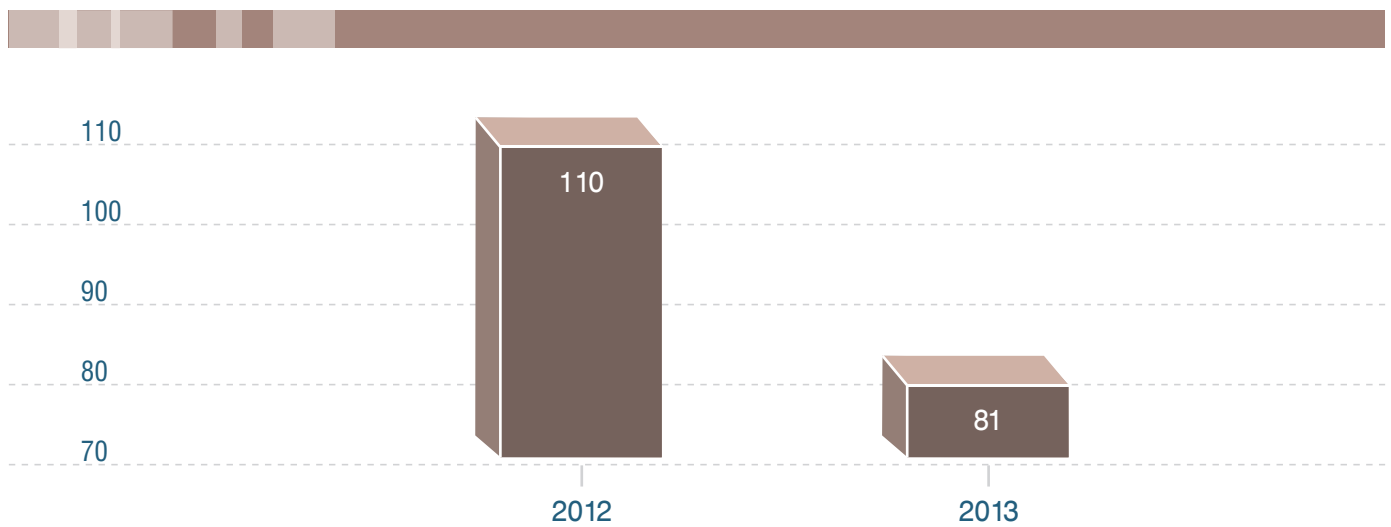


Provisions for impairment and portfolio quality

The remedial management efforts continued to pay off. Efforts were focused on supporting the clients with temporary difficulties, offering them relief on their repayment schedules, as well as increasing the recovery of the nonperforming loans. As a result, in the last two year provisions for impairment are steadily decreasing and in 2013 they fell by more than 25% to 81 million leva. In the same time the 90+ coverage ratio improved by more than 4 pp and stands in line with the market average, even taking into consideration the write offs performed during the year.

PROVISION FOR IMPAIRMENT

(million BGN)



MANAGEMENT AND SHAREHOLDERS

Shareholders' Structure

As at 31 December 2013 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

Members of Supervisory and Management Boards (as of 31 December 2013)

Supervisory Board

Mr. Theodoros Karakasis – Chairman of the Supervisory Board;
 Mr. Stavros Ioannou – Deputy Chairman of the Supervisory Board;
 Mr. Evaggelos Kavvalos – Member of the Supervisory Board;
 Mr. Christos Adam – Member of the Supervisory Board
 Mr. Nikolaos Aliprantis – Member of the Supervisory Board

Management Board

Mrs. 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. Iordan Souvandjiev – Member of the Management Board and Chief Risk Officer.

BUSINESS OVERVIEW



Retail Banking

Branch Network

The bank continued optimizing its branch network, mainly through the relocation and merging of branches, while retaining its footprint and improving client servicing. As of the end of 2013 the bank operated 182 branches in 92 cities (51 locations in and 131 outside the capital) covering more than 75% of the population in the country.

Alternative Channels

In October 2013 the bank launched a new internet banking platform for corporate clients, which includes new functionalities and options addressing the business needs and scope of that client segment. At the same time, Postbank started offering and issuing Qualified Electronic Signatures (QES) to provide its e-banking users with higher security and convenience.

Individual Deposits

The bank continued to offer innovative products addressing the present needs of its clients. In 2013 it launched Active Money Savings Account, whose uniqueness in offering both flexibility and high yield helped it become quickly the leading product in its category. As a result, the bank managed to attract significant volumes and defend its market share while further reducing its 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 2013. The bank implemented a light on-boarding program for its affluent clients, which together with the large number of branches (90) with designated highly experienced Personal Banking Advisors, placed the financial institution in very advantageous competitive position as it helped in offering clients maximum flexibility and in building trust. One of the greatest benefits 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.



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Postbank
Решения за личното управление

Персонално банкиране

Ние знаем как пиете кафето си, защото познаваме Вас и Вашите нужди

Ние Ви познаваме лично, защото сме Ваши за нас. Не Ваше разположение в офиса споделяме с клиентите. Персонално банкиране, когато Ви предлагат бързо индивидуално обслужване и професионални съвети, съобразени с Вашите конкретни финансови нужди и изисквания.

Банкиране с персонално отношение

От работата "Персонално банкиране" може да се възползват само клиентите с индивидуално обслужване, които имат договор за депозитна сметка.

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Postbank
Решения за личното управление

Group Sales

In 2013 Group Sales continued expanding its client base both by attracting new clients and by retaining the existing ones, which was achieved through offering them the most suitable financial solutions, appropriate for their needs. The significant number of presentations and the "Postbank Days" events at the offices of corporate clients, in accordance with Group Sales philosophy of being close to the client, were among the key factors that contributed to the successful cross-sales and to the notable increase of the deposit base.

Consumer Lending and Cards

Consumer Loans

During 2013 the main focus in this business area was to generate new business, increase the market share and remain as key choice in the customers' shopping list. This strategy was heavily supported since the very beginning of the year through the launch of a mass ATL campaign based on the newly created concept of "a tailor made consumer loan". The promo offer of the campaign was "2% lower interest rate for the first 2 years", the first wave of which was launched for the period 15/02 – 15/04/2013. The campaign's second wave, though amended (2% lower interest for the first year), was launched for the period 1/10 – 31/12/2013. The successful outcome of the campaign, mainly of the first wave, was the major contributor to the 14% increase in the disbursed amounts in 2013 compared to 2012.

Following its policy of socially responsible institution, in September 2013 Postbank became the 4th bank in the country to join the Lending Program for Students, a specialized credit product granted according to the "Student and Doctoral-Candidate Loan Act" under the Ministry of Education, with financial state guarantee.

Key promo ATL campaigns such as the two described above, a variety of cross selling activities and the enhancement of the internal Telemarketing as an alternative to the Branch Network sales channel contributed to the overall improvement of all key performance indicators in the field of consumer loans.

Cards

In 2013 Postbank continued to follow the proved-to-be-successful strategy in growing customers' awareness on the usage of the credit cards. This strategy redesigned and put in place in 2012 was deployed with consistency throughout the whole 2013. The concept to communicate an attractive offer to our customers on a quarterly basis was fully in line with the above mentioned strategy.

Starting on February 11 and till April 11 we offered 10% cash back to all our cardholders making purchase at the PICCADILLY hyper market chain, followed by a similar joint campaign with IKEA for the period 15/07 – 15/08/2013 offering 5% cash back.

The year ended with a campaign with another key merchant, hyper markets FANTASTICO, offering 5% cash back for the period 1/11/ - 15/12/2013.

Another major development in 2013 was the implementation of "Universal limit" – a new functionality where all credit cards could use one and the same credit limit for regular purchases, purchases on installments and cash withdrawals. Due to the implementation of the universal limit we have transferred the old installment limit of over 44,000 Visa and EuroLine American Express cards to the existing credit limits which lead to a huge increase in turnovers with credit cards.

Apart from the purely spend stimulation campaigns associated with the participation of key merchants a major event also took place in 2013: the re-

launch of the “MYREWARDS” Loyalty Program for Postbank’s credit cards. For the period 19/04 – 19/06/2013 a mass ATL campaign was deployed to increase the awareness on the program, giving at the same time the chance to the customers to gain double MYREWARDS points for the campaign period. Since March 2013 two key partners of Postbank – EKO petrol stations and bookstores Orange participated in MyRewards program with one additional point to each spent lev.

Last but not least in 1/07/2013 a campaign that stimulated the issues of the new credit cards was launched: New customers had the chance to take their new AMEX Green and/or VISA Classic with 0% interest rate for the first 3 months.

All above presented initiatives contributed to a very successful 2013 compared to 2012:

- 43% increase in the number of newly issued credit cards
- 21% increase in spending with credit cards

Acquiring

In 2013 Postbank managed to sustain growth in POS acquiring turnover volumes increasing them by 15% compared to 2012. The same increasing trend was valid for the generated commission income which was improved by 13%.

Acquiring business is deploying a more focused approach towards the so-called key merchants, operating mainly in big cities, with established retail chains, presence in the big malls and in main commercial streets.

Further expansion of the AMEX acceptance remains a key element of our acquiring strategy. For that purpose as well as for the overall business optimization the developments of other POS share agreements remain among our major priorities for the years to come.

Auto Business

Auto business activity in 2013 was equally, if not more, challenging compared to the previous year. New car sales in the country remained stable for some years now at the level of approx. 23,000 units.

In the beginning of the year new pricing strategy was approved and implement, aiming to align our leasing offers to the market conditions and demand. Going forward for increase of sales and new business, 15 new cooperation agreements with official car dealers in the country were signed and another 3 with official importers for Bulgaria, including Hyundai (Industrial Commerce) and Suzuki (Mirkat). Meanwhile a parallel process for activating the not so active car dealers with existing cooperation agreements was in place. The continue efforts started back in 2012 for increasing the new business share within the Banks’ Branch Network gave its’ results, as during 2013 the share of total disbursements coming from this channel reached 15%. In order to support the new business generation and increase the coverage in the country four new branches of ERB Leasing were registered in the cities of Blagoevgrad, Gabrovo, Haskovo and Sliven. With those four new locations the total number of branches became twelve. The regular events related to the car business were held, namely “Sofia Motor show” in Jun’13 and “International Plovdiv Fair” in Sep’13 on which Auto Business participated traditionally.

Our consistent policies in the market, the competitive products we develop and excellent customers’ service combined with the dedication of the personnel contributed to the continuous success compared to 2012:

- 29% increase in the disbursed volumes
- 15% increase in the outstanding balances.

Remedial Management

Following the trend of the last several years in 2013 the main focus continued to be the remedial management of the portfolio and further improvement of the portfolio quality. The economic environment that Consumer

Lending was operating in determined the strategy and the processes to be focused on: implementing new approaches for helping customers who were facing difficulties in repaying their obligations, controlling the delinquencies by strengthening the collection and recovery efforts towards overdue customers and minimizing expenses. These strategies and tactics led to the improvement in portfolio quality, decreasing in remedial expenses with 20% YoY (from 3.1 mln to 2.5 mln) and the total provisions charge was reduced by 22 % YoY (from 15.5 mln to 12.0 mln) and by 38 % versus 2011 (from 19.6 mln to 12.0 mln).

Mortgage Lending

Real estate market

During the past we have observed a trend of a slight decrease in property selling prices and the gradual reduction of interest rates on mortgage loans. Despite these seemingly favourable conditions for the revival of the mortgage lending market, according to statistics of the Central Bank, in 2013 this business segment decreased by 0.6% YoY and comes to nearly 9.39 billion BGN.

Despite the decreasing market, Postbank was able to make significant progress in terms of mortgage lending business. It is the only financial institution among the market leaders - the top four banks per mortgage market share (holding nearly 60% of the total mortgage lending market), which achieved a positive result on an annual basis. Postbank has increased by 2% its market share for 2013. This result is achieved thanks to the significant growth of new business, which was generated during the year. In 2013 the volume of newly disbursed loans was increased by 25% compared to 2012.

Product Innovations

Postbank is aiming to be closer to its customers and to offer them maximum flexibility and favourable financial solutions. That is why in 2013 the bank undertook the challenge to step out from the conservative market of banking products. The goal was to create an innovative type of mortgage loan that is not only attractive and innovative, but also gives added value to the borrowers. As a result, after extensive studies of the attitudes of customers and considering the latest market trends, in 2013 the bank presented for the first time in Bulgaria and Eastern Europe a new type of product - „Saving Mortgage Loan“. Innovations implemented in this lending product provide borrowers with great benefits. Due to its unique functionality, our customers are able to personally reduce their interest rate and pay less. The only requirement for the interest rate discount is to keep some funds in Postbank accounts. The borrower has no additional obligations for the usage of the loan functionality - the interest rate discount for the month and the corresponding decrease of the monthly instalment are calculated and applied automatically.



Enhancement of Online Services

Postbank is among the first financial institutions in Bulgaria, that provided to its customers online application form for mortgage loans. In 2013 the Bank launched an enhanced online applications service. Users can apply for mortgage loan with just three easy steps at any time without visiting a bank office. Completion of the application takes only few minutes and the client doesn't have to provide any documents. In a very short period of time the new platform was able to establish itself as one of the preferred channels for mortgage loan application. This is confirmed by the very successful results - in 2013 Mortgage Lending Division registered 80% growth in online applications submitted through the corporate website of Postbank.

High Quality Service

Important part of Mortgage Lending Division's strategy is to provide not only financial solutions, but also high quality customer service, expertise, professional and comprehensive consultations. That is why, Postbank is the only bank in Bulgaria, which has invested in a specialized network of more than one hundred Mortgage Lending Specialists, who work in our branch network throughout the country. Postbank's customers have the advantage to be attended and consulted by experts with in-depth knowledge for mortgage lending business. These professional mortgage advisors are available in the branches of the bank and via e-mail at moidom@postbank.bg.

Better Solutions

Postbank aims to offer to its customers better conditions, flexibility and freedom with improved options for personal control. Therefore, in 2013 Mortgage Lending Division focused on enriching the product range with innovative solutions, developed modern and convenient channels of communication with customers and introduced better terms for borrowers.

During the past year, interest rates on home equity and mortgage loans were most favorable from historical point of view. Back in October 2012 the bank announced a reduction of interest rates on housing loans, valid both for new and existing customers, which consequently led to a decrease in the amount the loan repayment installments. As a responsible financial partner, supporting its clients throughout their life time, Postbank continued to maintain this favorable policy in 2013.

Small Business Banking

In 2013, the main goal of Postbank's Small Business Banking Division has been to strengthen our leading role of the bank for small businesses. We focused on numerous small enterprises, because we are fully aware that they are jobs creators, economic value added engines, and innovators.

We work closely with our clients to fully understand the opportunities, challenges and issues that they face. Our credit technology is based on a detailed credit risk analysis. Whilst putting more efforts to know our customers and to maintain long-term relationships with them, we develop our abilities to support them not only when the economy is prospering, but also during times of economic downturn and recovery.

We offer to our clients a wide range of banking services, such as cash management, payments, documentary business, payroll support, POS, debit cards, etc. Such variety of lending and non-lending products helps our clients to be more efficient, to strengthen their competitiveness and to enhance their market positioning.

In the lending area, in 2013 we successfully introduced specialized products that are designed for farmers, doctors, dentists, pharmacists and medical clinics. Besides, the bank has signed an agreement with



the National Guarantee Fund that aims at encouraging farmers in modernization of their business facilities. On the other hand, the bank continuously developed its business in the field of deposits introducing special current accounts of small businesses.

In 2014, we will continue our efforts in developing long-lasting relationship with our clients in order to support their stability and to accelerate their recovery. Throughout the year, we will concentrate on introduction of customized factoring solutions, specifically structured for small businesses. Thus, we believe that we would be in a position to extend better services and enriched product mix to farmers. In parallel, we are committed to provide our less experienced colleagues with various learning opportunities in order to improve their professional expertise. Thus, we will maintain a motivated team and will aim at providing higher quality service. Moreover, the bank will maintain its long-term relationships with existing business clients and strive to attract new ones.

Wholesale Banking

Corporate Banking

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

In 2013 the Bulgarian economy continued to be adversely influenced by the international financial crisis but started showing signals of recovery. CBD acted in a prudent and responsible manner by proactively supporting the Bulgarian corporates, while undertaking prompt and efficient measures in order to diminish the consequences of the crisis upon its clients and business.

In 2013 the Division focused on new business development by establishing and expanding its collaboration with existing and new clients, increasing cross sales and re-examining corporate relationships based on their return on risk assets. During the year, CBD granted new loans to new and existing clients from various industries, mainly to export-oriented companies and capitalized on Eurobank's extensive presence in the Balkan region and knowledge of the market.

A lot has been done by Corporate Transaction Banking as main contributor of non-interest related income for the Division. Several projects have been completed in relation to optimization of cash collection and enhancement of customers' transactions. Accordingly, the volume of current account balances and the number of corporate deposits have increased as well.

In 2013, the factoring business of Postbank, under the umbrella of Corporate Transaction Banking, continued to expand. The bank managed to become the largest factor in Bulgaria with more than 39% market share. This achievement was acknowledged in the 2013 Annual Report of Factors Chain International (FCI). The bank retained its leading position in offering corporate clients a full range of innovative and standard factoring services such as: recourse and non-recourse domestic and international factoring, collection services, reverse factoring, back-to-back factoring, invoice discounting forfeiting and a new product for receivables management.

Currency exchange



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In order to further assist the growth of export oriented businesses, the bank established the Association of the Bulgarian Exporters, legally registered in December 2011, with main goal - to promote the Bulgarian exports in the international markets and to improve the exporting skills and market entry success of local companies. The mission of the new organization is to identify and develop opportunities for Bulgarian exports, monitor international demand for local products, and establish new agreements with trading partners at various parts of the world. The Association continued to grow in 2013 providing various services to its members and organizing specialized events (incl. international).

In 2013, the portfolio quality continued to be one of the Division's main focuses. In this respect, Corporate Monitoring role was transferred to CBD with the purpose to identify early signals and possible areas of concern, discussing alternative plans with clients and supporting their business through loan re-scheduling or restructuring, despite of the new business.



As a result, Postbank's problematic corporate banking loans remained for a consecutive year at levels below the market average and the portfolio quality stabilized.

Major role in Corporate Banking Division is dedicated to Corporate Loan Administration. Currently the Department, fully centralized and based in Sofia, supports successfully the operations of one Large Corporate Unit and seven Business Centers. The Department ensures timely and proper

management of all credit deals of the division, including collaterals management, uniformity in the processes and better control of operations.

CBD's main priority for 2014 is to further enhance new business development, mainly through export-oriented companies, in order to support the export- economic policy of Bulgaria, a critical pillar in creating sustainable economic recovery and growth. In addition, the close monitoring of the portfolio quality and the solid effort to increase the operational efficiency will continue to be part of the Division priorities in 2014.

Capital Markets

Despite the challenging environment, Capital Markets preserved stable performance throughout 2013. Main focus remained on the strategic targets – preserving stable liquidity, securing the balance sheet and protecting market shares in terms of treasury products and services provided to clients.

Asset-Liability Management (ALM)

Among the core targets successfully followed by ALM unit were the restructuring of the deposit base tenor and currency mix, cost of funds optimization and exploration of wholesale funding opportunities. ALM/Treasury effectively managed the bank's overall risk exposures concerning its balance sheet structure and liquidity position. The prudent liquidity management provided for stable liquidity reserves during 2013. All liquidity ratios were preserved well above the regulatory thresholds throughout the year.

The main challenge for the bank, as well as for the whole banking sector, remained the utilization of the accumulated liquidity for extending new lending to clients.

In terms of external funding, the bank negotiated a new energy efficiency credit line for companies and structured a Trade Facilitation Program with the European Bank for Reconstruction and Development. The Trade Finance Facility signed with International Finance Corporation (part of World Bank Group) in 2012 was actively utilized throughout the past year.

Treasury Sales

Derivative business continued to improve in 2013 both with respect to FX and IR derivatives. Volume wise the FX forward deals increased by 33% yoy, whereas IR hedge deals grew by 30% yoy (€ 26 mln. in 2013 vs. € 20 mln in 2012).

In terms of bond sales to institutional clients, the bank kept its leading positions, successfully assisting local insurance companies to close their first investments in Eurobonds. For local government bonds, the bank rated among top intermediaries servicing Insurance companies.

On the Institutional deposit market, the bank substantially increased its market share to 7.23% as of Dec 2013 (referring to Dec 2012 - 5.20%) concurrently improving its CCY mix.

Trading, Brokerage & Investment Banking Department

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

The unit actively managed the size and the risk of the bank's fixed income portfolio, seizing substantial trading gains and capitalizing interest income. During the year, the Trading desk managed to increase the flows from foreign government and corporate bonds, leveraging on its trading lines and contacts with leading international banks and brokers. The bank was one of the most active players on the interbank money market (both in deposits and repo deals) with around 5% market share.

Postbank emerged as one of the most recognizable names on the Bulgarian Stock Exchange (BSE) with its 15-year

Capital markets



Защита за Вашия бизнес

Промените във валутните курсове и лихвения ниво 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
- Индивидуално разработени деривативни продукти
- Управление на лихвения и валутен риск

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history as an active investment intermediary in the country. The bank managed to double its turnover to over €7 mln and was the most active banking institution on BSE-Sofia in terms of deals traded last year. The bank preserved its leading position for market making activities on the stock exchange. The Investment Banking unit carried out two debt origination projects throughout 2013 accounting for 9% of this market.

Custody

In 2013, 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 – safekeeping of all types of local and foreign securities with access to more than 100 international markets.

The bank increased its clients' assets under custody by 16% in line with the growing client base and increased capital markets activity.

Postbank became the sole provider of custody services for the local market to the biggest European Central Securities Depository – Clearstream Banking Luxembourg.

The bank received an international recognition for service quality by reputable industry surveys (Global Custodian) - "top rated" prize for several consecutive years.

Mutual Funds

Net Sales of Luxembourg Mutual Funds, distributed through the bank's branch network increased by 276% and consequently retail sales' fees from Mutual Funds increased by 117% in 2013. Total of €2.04mln were attracted in deposits combined with Mutual Funds investments, as bundle products proved the preferred investment vehicle for retail investors.



Other Subsidiaries of Eurobank in Bulgaria

ERB Leasing and EFG Auto Leasing

ERB Leasing and ERB Auto Leasing provide full range of leasing products for purchase of passenger and commercial vehicles, equipment, machinery and real estate to corporate and retail clients. The products are designed to 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 portfolio increased over the past few years to 50%, followed by the traditional commercial and passenger vehicles with 28% increase, and industrial equipment with 22% increase.

During 2013, the leasing market decline was less compared to the previous years due to faster repayments. Additionally, the new business for the year registered an increase of 13% compared to 2012 which shows a positive trend. Leasing companies started to increase the new business volumes steadily, and at the same time continued their efforts to preserve the portfolio's quality and profitability, while increasing the efficiency of their operations. In a stagnated leasing market, ERB Leasing managed to preserve its solid position, based on the strong cooperation and support from Postbank and Eurobank Ergasias Leasing, as well as the efficiency and competency of its personnel. During 2013 ERB Leasing succeeded to increase the new business volume twice compared to 2012 and entered 2014 with even more ambitious plans for further business development and growth in support of the business strategy and market expectations.

Looking at challenges as an opportunity, ERB Leasing will enter 2014 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.

GOVERNANCE STRUCTURE AND RISK MANAGEMENT



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

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

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 Statutes 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 at the same are present and/or represented shareholders holding more than half of the total number of the shares of the bank. 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 and Supervisory Board

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, customers 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 statutes.

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 at December 31, 2013 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 .

Mrs. 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. Iordan Souvandjiev – Member of the Management Board and Chief Risk Officer.

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

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, customers and employees. The Supervisory Board controls the organization and the management of the implementation of the resolutions of the General Meeting of Shareholders, appoints and revokes appointment of the members of the Management Board, approves certain major transactions and resolutions of the Management Board, verifies and approves the Annual Financial Statement, the annual report and the draft on distribution of profit and resolves to call the annual regular general shareholders' meeting, as well as other functions and responsibilities provided by the law and statutes.

The Supervisory Board 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 at December 31, 2013 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. Stavros Ioannou – Deputy Chairman of the Supervisory Board;

Mr. Evaggelos Kavvalos – Member of the Supervisory Board;

Mr. Christos Adam – Member of the Supervisory Board;

Mr. Nikolaos Aliprantis – Member of the Supervisory Board

Mr. Stavros Ioannou became a Member and Deputy Chairman of the Supervisory Board on January 11, 2013.

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:

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

Corporate Governance

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

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 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..

Risk Management

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

Credit Risk

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

To manage and control credit risk, different structures and bodies are established with specific responsibilities:

- Risk Committee – responsible for strategic decisions and country risk management.
- Country Credit Committee and Regional Credit Committee – responsible for Credit Approval Process decisions.
- Credit Committee – responsible for provisioning management and deteriorated loans management decisions as well as approval of loan restructurings
- Loans and Product Committee – responsible for approval of products' risk parameters.
- NPL Committees – responsible for Non-performing loans management.
- Operational Risk Committee - responsible to provide oversight of actual operational risk exposure and management and the processes implemented to assess, monitor and mitigate operational risk.

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

Market Risk

Market Risk Department is the unit responsible for the independent identification, assessment, monitoring and control of the bank's exposure to market risks, aiming to keep the potential financial losses from adverse changes in market variables such as interest or foreign exchange rates and equity prices within acceptable levels. The bank's Market Risk Policy and the related procedures apply to the control of market risks, arising from all of the bank's assets, liabilities and off-balance sheet positions, therefore covering both trading and non-trading activities that generate market risk. In 2013, the process of measuring, monitoring, analyzing, 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 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 customers.

Liquidity Risk

Liquidity risk is the risk that the bank would not be able to fund increases in assets or meet obligations at a reasonable cost or at all; for financial assets the risk is that an instrument cannot be sold or otherwise exchanged for its full market value. Prudent liquidity risk management and appropriate supervision and control are essential elements for the effective management of the bank. The bank aims to effectively manage its liquidity risks and maintain sufficient liquidity buffers to withstand potential stress events. The ultimate responsibility for liquidity management lies with the Assets and Liabilities Committee (ALCO). In 2013, 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 stood at 34.19% at the end of the year, well above the minimum levels required by the Central Bank. The positive outlook of the bank’s liquidity position has also been emphasized by the results from the regular monthly performed stress tests for liquidity risk, showing that the bank has built a strong capacity to withstand extremely adverse liquidity risk scenarios.

Operational Risk

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

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

Since its establishment in 2012, the Operational Risk Committee has provided continuous oversight of actual operational risk exposure and management, and the processes implemented to assess, monitor and mitigate operational risk. Regular meetings were convened with the participation of Bank senior management.

In 2013, further steps were undertaken by the Bank to ensure effective and proactive management of operational risk, specifically in the area of fraud risk management. The counter fraud and risk awareness culture has been re-enforced through specialized trainings.

2013 was a year of further advances in the management of operational risk event through its whole life cycle aiming at minimization of the impact and mitigation of further implications of operational risk events; reduction of future exposure to similar events through improvement of the relevant control environment; greater risk awareness and better understanding of the risk event consequences.

No operational losses that could expose the Bank to significant risk occurred in 2013.

Basel II

In accordance with the Eurobank Group’s roll-out plan and in view of the commitment of the Bank for continuous enhancement of the Risk Management, Basel II Programme activities’ continued in 2013 in alignment with the Group’s standards and best practices.

APPENDIX 1

Independent auditor's report

To Shareholders of the Eurobank Bulgaria A



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 2013 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

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Eurobank Bulgaria AD as of 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

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



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

In our opinion, the Annual Report set out on pages 1 to 10, is consistent with the accompanying financial statements of the Bank as of 31 December 2013.

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

Milka Damianova
Registered Auditor

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

Stefan Weiblen
PricewaterhouseCoopers Audit OOD

31 March 2014.
Sofia, Bulgaria

ANNUAL DIRECTORS' REPORT

ANNUAL DIRECTORS' REPORT

The management presents the annual Directors' report as of 31 December 2013.

BUSINESS DESCRIPTION

Eurobank Bulgaria AD (the Bank or Postbank) provides retail, corporate banking and investment banking services in Bulgaria. Its Head Office is located in Sofia. The address of its registered office is as follows: 260 Okolovrasten pat Str, 1766 Sofia, Bulgaria.

BUSINESS OVERVIEW

Development and results from the business activity

The past 2013 was positive for the Bank in terms of sales and financial results. Postbank achieved a significant increase in the net profit to BGN 18.5 million. This success could be attributed to the well-formulated strategy, based on preserving the sources of income and control over the costs, including cost of funds and impairment. The achievement is even more important in light of the challenging macroeconomic environment and the ongoing issues faced by the Bulgarian banking sector.

The world economy began its effective recovery in 2013, although the growth forecasts were revised downwards several times throughout the year. One of the reasons was the slow recovery of the economies of the European Union countries. In the second half of 2013, the EU exited the recession, but the growth remained close to zero. Nevertheless, the analysts' consensus is that the recovery will accelerate in the current year, however, with a slower pace than initially expected.

The EU countries remain the main trading partner of Bulgaria and their stagnant domestic demand affects Bulgaria's exports and GDP. The exports were driving the economic growth in 2013, rising by 6.8%, while imports were up by 1.3%. GDP grew by 0.9% which is only slightly higher than the growth in 2012 (0.6%). The weak demand and the lack of investments are outlined as the main factors, contributing to the low growth.

The efforts by the government to support the economy through increasing the budgetary expenses called for a revision of the budget in the middle of 2013 and an increase of the deficit to 1.8% (vs. 0.5% initially). For 2014, the government plans a deficit of 1.8% which leaves only a marginal buffer in case the optimistic forecasts for increasing the revenues are not fulfilled. Deflationary pressures in the second half of 2013 resulted in lower indirect tax revenues and their effect will continue to be felt in the first half of 2014.

The lower pace of the economic recovery affected the demand for loans and the quality of the assets of the banks. The stability of the system is beyond doubt – the system as a whole is profitable which allowed the banks to set aside additional BGN 1 billion as provisions for impairment. The share of the nonperforming loans stopped rising and the coverage ratio already stands at 50%. As of the end of 2013 the total capital adequacy of the system is 16.85% and the liquidity ratio – 27%, well above the required and the recommended limits. The excess liquidity in the system drove the deposit rates down, but it was not enough to compensate the decrease of the interest income. On the other hand, the lower provisioning charge allowed the banks to show marginally higher profit than in 2012.

In 2013 Postbank achieved a significant financial success and managed to distinguish itself from the competition, having the highest year-on-year increase of the net profit. Despite the challenging economic environment, the profit of BGN 18.5 million is a proof that the strategy is successful.

Developing innovative products and services and emphasizing on quality, the Bank holds stable market position and builds long-term relations of cooperation and trust with its customers. The Bank provides a broad range of banking services to local and international customers through its nationwide branch network. Postbank is present in 184 retail network locations and employs 2,567 people.

The rising deposit base was in the foundation of the growth in assets to BGN 5.7 billion as of 31 December 2013. The Bank is almost fully exclusively financed by deposits from clients (BGN 4.5 billion as of 31 December 2013) which constitute over 90% of total attracted funds. This guarantees both comfortably high liquidity ratio (32.3%) as well as a stable buffer for future expansion on the lending side. In the same time, costs of funds decreased by 7% which helped compensate the decline in the interest income on an annual basis. What is more, an important milestone was reached in the middle of 2013, when the net interest income changed direction and showed two subsequent quarters of growth.

The gross loan portfolio declined slightly by 2% to BGN 4.3 billion, due to the lower demand of loans from corporate clients. On the other hand, the loans to individuals and households rose by 1% which strengthened the positions in the segment. The balance sheet was further fortified by another BGN 80.9 million set aside as provisions for impairment of loans.

Net fees and commissions income rose by 3% to BGN 56.9 million and already make 23% of the total operating income of the Bank. Increasing the share of the fees and commission income is an important part of the strategy to provide more transactional services to the clients. The excess liquidity in the market will put a pressure on the interest margins and will increase the importance of the noninterest sources of income.

The efficiency ratios were also stable in 2013. Cost-to-income ratio reached 59%, due to strong cost control, efficiency gains and focus on alternative sales channels.

Postbank has sufficient capital to maintain more than adequate cover of its risk-weighted assets. As of 31 December 2013 the capital base (calculated in accordance to the Capital Adequacy Ordinance 8 of the Bulgarian National Bank) reached BGN 595 million. The capital adequacy ratio of 16.76% is significantly higher than the 12% minimum set by the Bulgarian National Bank. Retaining the net profit will additionally strengthen the capital base in the important 2014 when the new EU capital adequacy Directive and Regulation come into force.

Important events that have occurred during the financial year

In 2013 Postbank established itself as a modern bank, offering innovative technological solutions and products to its clients. The Bank held its leadership position on the market of credit and debit cards, mortgage lending and saving products, as well as in the areas of factoring services for corporate clients, investment banking and custody services offered to local and foreign institutional clients.

In June 2013 the Bulgarian Credit Rating Agency (BCRA) evaluated Postbank's long-term rating at BB+, its short-term rating of B, with stable prospects. This was the Bank's third credit evaluation done by BCRA, which allowed the financial institution to successfully continue raising funds both locally and abroad, to finance the Bulgarian businesses and households, thus supporting the country's economy.

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

In January 2013 the financial institution signed a guarantee agreement with the National Guarantee Fund under the Rural Areas Development Program with a limit of BGN 36.5 million. The program is a guarantee mechanism with coverage of up to 80% by the National Guarantee Fund of a portfolio of credits for small and medium enterprises (SMEs). This way the Bank has provided liquidity of key importance to SMEs working in the area of agriculture and forestry in Bulgaria.

In July 2013 the Bank received EUR 20 million financing under the European Bank for Reconstruction and Development (EBRD) Trade Facilitation Program. With the program the Bank continued providing support to Bulgarian companies – exporters and importers, by providing guarantees covering the risks in banking trade finance transactions and short-term financing for pre-export, import and factoring. Postbank also received an additional credit line of EUR 4 million in support of energy efficiency projects of SMEs through the EBRD Bulgarian Energy Efficiency for Competitive Industry Finance Facility (BEECIFF).

New products and innovations

In 2013 Postbank presented for the first time on Bulgarian market the innovative Saving Mortgage Loan, which reduces the mortgage interest rate automatically as clients increase the volume of their savings in the Bank. At the same time customers still have the income coming from their resources and can use them completely freely. In addition to this innovation, the Mortgage Lending Division has achieved a 25% growth of its new business on an annual basis. It also had an 80% increase in the number of online application for mortgages submitted through the Bank's corporate website. During the year the interest rate levels of mortgage and housing loans were historically some of the best ever. As early as October 2012 the Bank announced its decision to reduce the interest rate for its mortgage loans for new and existing customers, which respectively led to a decrease in the rate of the monthly instalments of the clients. The Bank kept this favourable change in 2013 as a responsible financial partner which helps its clients manage their finances throughout each stage of their life.

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

The financial institution also achieved excellent results in the usage of the online banking application e-Postbank after introducing its entirely renovated version in mid- 2012. After the application's integration, the Bank has reported a 45% increase in the number of individual clients who started making transactions via e-Postbank because of its exceptional comfort, speed, safety and lower charges. In November 2013 the Bank expanded the new application to its corporate clients, as well. In 2013 Postbank offered its clients also the opportunity for a 24-hour access to their bank account with no need to go to one of the offices, have a reliable internet connection or make any compromise with the safety of their money, by introducing the new telephone banking service.

In September 2013 the financial institution joined the program for credits leased to university students and Ph.D. candidates backed by the state, by signing a special contract with the Ministry of Education and Science.

In 2013 Postbank was a leader in offering factoring services to corporate clients who are export-oriented or operate on the Bulgarian market. The Bank managed to attract both new corporate clients and counter parties of its already existing clients, thereby building a stable and profitable portfolio.

Sustainable Development

In April 2013, for a sixth consecutive year, more than 200 employees of Postbank took care of the beauty of the Pancharevo lake and cleaned the area around the dam wall – one of the most polluted places of the municipality of Pancharevo, according to ecology experts.

In June 2013 an information campaign called PLAY 4 CHANGE started, aiming to prevent human trafficking for sexual exploitation. The campaign was organized by the National Commission for Combating Trafficking in Human Beings and Postbank, and was a natural continuation of the partnership between the two institutions which started back in 2012 with the implementation of the international project The No Project, directed towards prevention of human trafficking in Bulgaria.

In August 2013 Postbank started the PARK in Green project, creating a special area in Sofia's South Park, which offered people an opportunity to have some rest and entertainment in the nature. The project was part of the Bank's commitment to realizing initiatives in favour of the community.

In September 2013 the Bank joined the United Nations Environment Programme Financial Initiative (UNEP FI). The initiative involves more than 200 institutions from more than 40 countries, including banks, insurance companies and investment funds and is a unique form of partnership, contributing to the timely and constructive analysis of global, ecological and social problems in the light of sustainable business development. By joining the programme Postbank has committed to integrating solutions to urgent ecological problems in all areas of its activities.

In September 2013 the Bank also joined the global initiative PARK(ing) Day, renovating two parking places in the centre of Sofia and turning them into nice, comfortable places for relaxation by equipping them with comfortable furniture and an open library.

In October 2013 the institution joined the national initiative Professionals at Schools as part of the XII Days of Volunteering 2013, experts from the Bank, together with managers and specialists from other leading companies, taught students in more than 30 schools in the country.

Postbank also joined the Open Your Eyes campaign organized by Four Paws Foundation, which helps people with impaired eyesight have access to public places together with their guide dogs. In 2013 the doors of all offices of Postbank all over the country had the campaign's green sticker which shows that the institution supports the blind and their guide dogs are welcome in all offices of the Bank.

In December 2013 Postbank and UNICEF started a mutual strategic partnership called Best Start for Every Child. The Bank supports UNICEF's project for the development of centres for mother and child health which will assist families taking care of their small children. The donors - clients and employees at Postbank, can choose the amount they wish to donate and the way they wish to make the donation – at an ATM machine, at a cash desk or via the Bank's online banking application. All transactions related to donations to UNICEF are free of all charges and fees.

Some of the most significant achievements/awards of the Bank in 2013 are:

- In January 2013, for a third consecutive year, Postbank was declared the best bank in Bulgaria in terms of providing custody services to foreign and local institutional clients. The prize was awarded at the annual ranking of the most prestigious magazine in the area of custody services - Global Custodian.
- In March 2013, the Bank received two awards at the prestigious competition for best events Eventex Awards - second place in the category "Campaign of the Year 2012" and second place in the category "Audience Award 2012", both of them for the implementation in Bulgaria of the international The NO Project, supporting the prevention of human trafficking.

- Again in March 2013 Petia Dimitrova, Chief Executive Director of Postbank, received the first prize in the “Banking” category of the second annual awards of Business Lady Magazine.
- In April 2013 the Bank was recognized at the fourth edition of the annual PR and communications awards BAPRA Bright Awards. It became third in the most competitive category – “Communication Campaign of the Year” for the opening of its new head office.
- In April 2013 the co-branded credit card of Postbank and IKEA was named the best banking product of 2012 by a prestigious international jury and the best card products of 2012 in an online voting among Facebook users, initiated by b2b Media.
- In May 2013 the Bank was distinguished for a second consecutive year in the prestigious competition for communication achievements - PR Prize 2013. The financial institution won second place in the category “Project for Corporate Social Responsibility – Business Sector” for implementing the international The No Project for the prevention of human trafficking in Bulgaria.
- In November 2013 Postbank topped Forbes Magazine’s chart “The most rapidly developing bank” in the “Mortgage lending” section.
- It was again in November 2013 when Petia Dimitrova, Chief Executive Director of Postbank, received international recognition and was awarded with two silver prizes at the Stevie Awards for Women in Business. Ms Dimitrova was among the prize winners in the category “Executive Director of the Year for Europe, Middle East and Africa” and the category “Executive Director of the Year in the Service Sector” (for companies with up to 2,500 employees).

SHARE CAPITAL STRUCTURE

As at 31 December 2013 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 2013 the Management Board consisted of the following members:

- Petia Dimitrova – Chairperson and Chief Executive Officer
- Dimitar Shoumarov – Member and Executive Director
- Iordan Souvandjiev – Member

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

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

In 2013 the members of the Management Board did not receive remunerations from the Bank in their capacity of Management Board members.

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

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

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

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

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

4.1. Partners with unlimited liability

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

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

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

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

- **Petia Dimitrova**
 - Bulgarian Retail Services AD, Bulgaria – Chairperson of the Board of Directors and Executive Director (until 19.07.2013)
 - ERB Property Services Sofia AD, Bulgaria (former name EFG Property Services Sofia AD, date of change 25.03.2013) – Member of the Board of Directors
 - IMO Property Investments Sofia EAD, Bulgaria – Member of the Board of Directors and Executive Director (until 04.02.2013)
 - IMO Rila EAD, Bulgaria – Deputy Chairperson of the Board of Directors and Executive Director (until 24.06.2013)
 - IMO Central Office EAD, Bulgaria – Deputy Chairperson of the Board of Directors and Executive Director (until 06.06.2013)
 - IMO 03 EAD, Bulgaria – Member of the Board of Directors and Executive Director (until 07.06.2013)
 - ERB Leasing EAD, Bulgaria (former name EFG Leasing EAD date of change 01.02.2013) – Member of the Board of Directors (until 01.02.2013)
 - Bulgarian Business Leaders Forum (BBLF), Bulgaria – Member of the Board of Directors
 - American Chamber of Commerce in Bulgaria, Bulgaria – Member of the Board of Directors
 - State-owned enterprise Communicative construction and rehabilitation, Bulgaria – Member of the Board of Directors (until 03.04.2013)
 - Confederation of Employers & Industrialists in Bulgaria, Bulgaria – Member of the Management Board (effective as of 05.12.2013)
- **Dimitar Shoumarov**
 - IMO Rila EAD, Bulgaria – Member of the Board of Directors (effective as of 24.06.2013)
 - IMO Central Office EAD, Bulgaria – Member of the Board of Directors (effective as of 06.06.2013)
 - IMO 03 EAD, Bulgaria – Member of the Board of Directors (effective as of 07.06.2013)
- **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 (former name EFG Property Services Sofia AD, date of change 25.03.2013) – Member of the Board of Directors
- **Anthony Hassiotis**
 - Bancpost S.A., Romania – Chief Executive Officer
 - ERB Leasing EAD, Bulgaria (former name EFG Leasing EAD date of change 01.02.2013) – Member of the Board of Directors (until 01.02.2013)
 - Investments AMK EOOD, Bulgaria – Manager
- **Ioannis Vouyioukas**
 - ERB Leasing EAD, Bulgaria (former name EFG Leasing EAD date of change 01.02.2013) – Chairman of the Board of Directors and Executive Director (until 01.02.2013)
 - ERB Auto Leasing EOOD, Bulgaria (former name EFG Auto Leasing EOOD date of change 10.06.2013) – Manager (until 10.06.2013)

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 2013.

SUPERVISORY BOARD

As at 31 December 2013 the Supervisory Board consisted of the following members:

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

Stavros Ioannou became a Member and Deputy Chairman of the Supervisory Board on January 11, 2013.

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

In 2013 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 2013

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

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

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

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

4.1. Partners with unlimited liability

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

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

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

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

- **Theodoros Karakasis**
 - Bancpost S.A., Romania – Deputy Chairman of the Board of Directors
 - ERB Retail Services IFN S.A., Romania – Member of the Board of Directors
 - ERB Leasing IFN S.A., Romania – Member of the Board of Directors
 - Eurobank Property Services S.A., Romania – Chairman of the Board of Directors
 - ERB Property Services d.o.o. Beograd, Serbia – Chairman of the Supervisory Board
 - Eurobank A.D. Beograd, Serbia – Chairman of the Management Board
 - ERB Leasing EAD, Bulgaria (former name EFG Leasing EAD date of change 01.02.2013) – Member of the Board of Directors
 - ERB Property Services Sofia AD, Bulgaria (former name EFG Property Services Sofia AD, date of change 25.03.2013) – Chairman of the Board of Directors
 - Bulgarian Retail Services AD, Bulgaria – Chairman of the Board of Directors (effective as of 19.07.2013)
 - CEH Balkan Holdings Limited – Member of the Board of Directors
 - ERB New Europe Funding B.V., The Netherlands – Managing Director A (effective as of 01.02.2013)
 - ERB New Europe Funding II, The Netherlands – Managing Director A (effective as of 01.02.2013)

- Eurobank Ergasias S.A., Greece – Advisor
 - Greek-Serbian Chamber of Commerce – Deputy Chairman of the Board of Directors
 - Hellenic-Romanian Chamber of Commerce and Industry – Member and Secretary General of the Board of Directors (until December 2013)
- **Stavros Ioannou**
 - Eurobank Ergasias S.A., Greece, General Manager Retail Banking (as of 02.08.2013), Member of the Executive Board and the Management Committee
 - Eurobank Business Services S.A., Greece – Member of the Board of Directors (effective as of 11.09.2013)
 - Eurolife ERB General Insurance S.A., Greece – Member of the Board of Directors (effective as of 16.09.2013)
 - Eurolife ERB Life Insurance S.A., Greece – Member of the Board of Directors (effective as of 16.09.2013)
 - Be – Business Exchanges S.A., Greece – Member of the Board of Directors
 - Eurobank Household Lending S.A., Greece – Vice Chairman of the Board of Directors (effective as of 29.11.2013)
 - Eurobank Property Services S.A., Greece – Member of the Board of Directors (effective as of 29.11.2013)
 - Eurobank Financial Planning Services S.A., Greece – Chairman of the Board of Directors (effective as of 04.12.2013)
 - Eurobank Remedial Services S.A., Greece – Chairman of the Board of Directors (effective as of 04.12.2013)
 - New TT Hellenic Postbank S.A., Greece – Member of the Board of Directors (from 30.09.2013 until 27.12.2013)
 - Bancpost S.A., Romania – Member of the Board of Directors (until 12.12.2013)
 - ERB IT Shared Services S.A., Romania – Chairman of the Board of Directors
 - Eurobank a.d. Beograd, Serbia – Member of the Management Board
 - Cardlink S.A., Greece – Deputy Chairman of the Management Board (effective as of 27.02.2013)
- **Evangelos Kavvalos**
 - Eurobank Ergasias Leasing S.A., Greece – Member of the Board of Directors (until 02.12.2013)
 - Eurolife ERB General Insurance S.A., Greece – Member of the Board of Directors (from 10.04.2013 to 02.12.2013)
 - Eurolife ERB Life Insurance S.A., Greece - Member of the Board of Directors (until 02.12.2013)
 - Eurobank Factors S.A., Greece – Member of the Board of Directors (until 02.12.2013)
 - ERB Insurance Services S.A., Greece – Member of the Board of Directors (until 02.12.2013)
 - PJSC „Universal Bank“, Ukraine – Member of the Supervisory Board (until 02.12.2013)
 - Eurobank A.D. Beograd, Serbia – Member of the Management Board (until 02.12.2013)
 - Eurobank Ergasias S.A., Greece – General Manager, Member of the Management Committee
 - Unitfinance S.A., Greece - Member of the Board of Directors (until 02.12.2013)
- **Christos Adam**
 - Eurobank Ergasias S.A., Greece – General Manager, Chief Risk Officer, Member of the Executive Board and the Management Committee (General Manager as of 05.11.2013)
 - 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 (Chairman as of 29.11.2013)

- Eurobank Financial Planning Services S.A., Greece – Member of the Board of Directors
 - Bancpost S.A., Romania – Member of the Board of Directors (effective as of 12.12.2013)
-
- **Nikolaos Aliprantis**
 - Eurobank Ergasias S.A., Greece – Assistant General Manager
 - Eurobank Ergasias Leasing S.A., Greece – Member of the Board of Directors
 - Eurobank Factors S.A., Greece – Member of the Board of Directors (until 04.06.2013)
 - Eurobank A.D. Beograd, Serbia – Member of the Management Board

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

The Bank has not entered into contracts specified in Article 240b, paragraph 1 of the Commerce Act during 2013.

GROUP STRUCTURE

Eurobank Bulgaria does not have any subsidiaries as at 31 December 2013 and therefore no consolidated financial statements are prepared at this entity level.

OBJECTIVES FOR 2014

The positive macroeconomic outlook for 2014 gives a reason to expect an improvement in the financial results. The goals for 2014 will build upon the achievements from the previous year, in accordance with the long-term strategy of the Bank. The economic recovery will revive the demand for loans to a point which will be able to compensate the repayment of the existing portfolio, mostly in the corporate segment.

Maintaining a prudent level of risk appetite requires the existence of products with competitive pricing. The Bank will continue to attract deposits, but the focus will be on diversifying the product mix and optimizing the cost of funds. Alternative sources of external funding from local and foreign financial institutions will be actively sought after.

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. To achieve this goal, Postbank will continue to invest in its employees, improving their qualification, efficiency and motivation.

The long-term strategy of the Bank remains to be the Bank of first choice, providing the most innovative and suitable products and quality services while meeting the constantly evolving expectations of our customers thus creating value for them and the shareholders.

MANAGEMENT RESPONSIBILITIES

The Directors are required by Bulgarian law to prepare financial statements each financial year that give a true and fair view of the financial position of the company as at the year end and its financial results. The management has prepared the enclosed financial statements in accordance with IFRS.

The Directors confirm that suitable accounting policies have been used.

The Directors also confirm that the legislation applicable for banks in Bulgaria has been followed and that the financial statements have been prepared on a going concern basis.

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



Petia Dimitrova

Chairperson of the Management Board
and Chief Executive Officer



Dimitar Shoumarov

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

28 March 2014
Sofia, Bulgaria

FINANCIAL STATEMENTS

INCOME STATEMENT

	Notes	Year ended 31 December	
		2013	2012 *
			(restated)
Interest and similar income	1	370,747	417,207
Interest and similar charges	1	(175,024)	(207,172)
Net interest income		195,723	210,035
Fee and commission income	2	73,647	68,922
Fee and commission expense	2	(16,733)	(13,855)
Net fee and commission income		56,914	55,067
Dividend income		621	572
Other operating income	3	179	169
Net trading income	4	(50)	142
Gains less losses from trading securities	12	526	(84)
Gains less losses and impairment of securities available for sale	14	(4,601)	(3,492)
Repossessed collateral impairment	V.1.6.	(2,236)	-
Other operating expenses	5	(125,309)	(132,821)
Deposit Insurance Fund expense		(20,018)	(18,554)
Impairment charge for credit losses	7	(80,885)	(109,647)
Profit before income tax		20,864	1,387
Income tax expense	8	(2,371)	(261)
Profit for the year		18,493	1,126

* Certain amounts shown here do not correspond to the 2012 financial statements (refer to Note 25).

The Financial statements were authorized by the management on 28 March 2014.

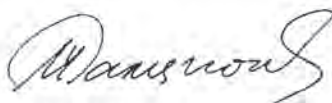


Petia Dimitrova
Chairperson of the Management
Board and Chief Executive Officer



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

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



Milka Damianova
Registered Auditor
31 March 2014



Stefan Weiblen
PricewaterhouseCoopers Audit OOD

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December	
		2013	2012 *
			(restated)
Profit for the year		18,493	1,126
Items that are or may be reclassified subsequently to profit or loss:		7,616	6,759
Available for sale securities:			
- net changes in fair value, net of tax	9	3,448	8,944
- transfer of loss /(profit) to net profit on sale	9	4,168	(2,185)
Items that will not be reclassified to profit or loss:		(344)	365
Change in FV of property, plant and equipment, net of tax		(139)	
Remeasurements of post-employment benefit obligations, net of tax		(205)	365
Other comprehensive income/(loss) for the year	9	7,272	7,124
Total comprehensive income for the year		25,765	8,250

* Certain amounts shown here do not correspond to the 2012 financial statements (refer to Note 25).

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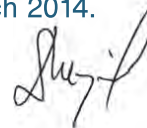
BALANCE SHEET

	Notes	As at 31 December	
		2013	2012
Assets			
Cash and balances with the Central Bank	10	700,685	618,214
Loans and advances to banks	11	846,121	667,614
Financial assets held for trading	12	17,014	6,607
Loans and advances to customers	13	3,882,517	4,035,101
Investment securities available-for-sale	14	135,901	174,899
Derivative financial instruments	20	2,649	7,049
Investment property	15	876	876
Property, plant and equipment	16	54,244	59,442
Intangible assets	17	33,195	31,826
Current income tax recoverable		1,817	2,709
Other assets	18	18,381	32,847
Total assets		5,693,400	5,637,184
Liabilities			
Deposits from banks	19	68,852	105,686
Derivative financial instruments	20	7,200	14,274
Due to customers	21	4,520,079	4,413,218
Debt issued and other borrowed funds	22	240,193	268,922
Deferred income tax liabilities	23	3,770	3,985
Provisions for other liabilities and charges	24	2,753	2,185
Retirement benefit obligations	25	3,299	2,644
Other liabilities	26	26,136	30,917
Total liabilities		4,872,282	4,841,831
Shareholders' equity			
Share capital	27	452,753	452,753
Statutory reserves		282,521	282,521
Retained earnings and other reserves, net		85,844	60,079
Total shareholders' equity		821,118	795,353
Total shareholders' equity and liabilities		5,693,400	5,637,184

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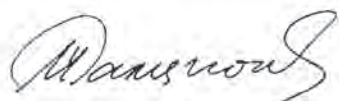


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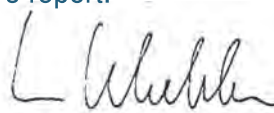


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31 March 2014

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
Balance at 1 January 2012	452,753	2,376	(9,874)	282,521	59,327	787,103
Adjustments due to retrospective application of IAS 19 Revised						
- effect on IS	-	-	-	-	(65)	(65)
Adjustments due to retrospective application of IAS 19 Revised						
- effect on OCI	-	-	-	-	65	65
Balance at 1 January 2012 (restated)	452,753	2,376	(9,874)	282,521	59,327	787,103
Net gain recognised directly in OCI	-	-	6,759	-	-	6,759
Remeasurement on post-employment benefit obligations	-	-	-	-	365	365
Profit for the year	-	-	-	-	1,126	1,126
Total comprehensive income for the year 2012	-	-	6,759	-	1,491	8,250
Transfer to retained earnings	-	(2)	-	-	2	-
Balance at 31 December 2012	452,753	2,374	(3,115)	282,521	60,820	795,353
Net gain recognised 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
Total comprehensive income for the year 2013	-	(139)	7,616	-	18,288	25,765
Transfer to retained earnings	-	(4)	-	-	4	-
Balance at 31 December 2013	452,753	2,231	4,501	282,521	79,112	821,118

* Certain amounts shown here do not correspond to the 2012 financial statements (refer to Note 25).

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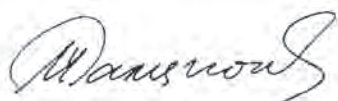


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STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2013	2012
Cash flow from operating activities		
Interest received	390,195	434,430
Interest paid	(164,062)	(217,230)
Dividends received	621	572
Fees and commission received	73,744	67,605
Fees and commission paid	(15,709)	(13,267)
Amounts paid to and on behalf of employees	(59,217)	(60,204)
Net trading and other income received	1,920	(37)
Other operating expenses paid	(75,782)	(77,510)
Tax paid	(2,500)	-
Cash from operating activities before changes in operating assets and liabilities	149,210	134,359
Changes in operating assets and liabilities		
Net decrease in reserve with the Central Bank	2,251	14,268
Net (increase) in trading securities	(10,281)	(5,056)
Net decrease/(increase) in loans and advances to customers	66,252	(585)
Net decrease/(increase) in other assets	3,287	(10,642)
Net (decrease)/increase in derivatives instruments	(60)	66
Net (decrease)/increase in due to other banks	(36,784)	13,657
Net increase/(decrease) in amounts due to customers	92,638	(300,588)
Net increase/(decrease) in other liabilities	3,815	(210)
Net cash flow from/(used in) operating activities	270,328	(154,731)
Cash flow from investing activities		
Purchase of property, plant and equipment and intangible assets (Notes 16, 17)	(9,590)	(8,299)
Purchase of investment securities (Note 14)	(17,278)	(56,969)
Proceeds from disposal of property and equipment	191	-
Proceeds from disposal of investment securities (Note 14)	47,404	42,690
Net cash flow from/ (used in) investing activities	20,727	(22,578)
Cash flow from financing activities		
Repayments of issued debt securities	-	(40,000)
Long-term financing received	55,852	14,780
Long-term debt repaid	(83,761)	(44,677)
Net cash used in financing activities	(27,909)	(69,897)
Effect of exchange rate changes on cash and cash equivalents	83	356

(Continued on the next page)

Year ended 31 December

	2013	2012
Net change in cash and cash equivalents	263,229	(246,850)
Cash and cash equivalents at beginning of year	1,090,698	1,337,548
Cash and cash equivalents at end of year (Note 28)	1,353,927	1,090,698

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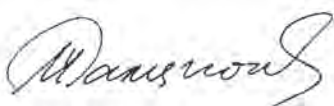


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Registered Auditor
31 March 2014



Stefan Weiblen
PricewaterhouseCoopers Audit OOD



CONTRIBUTION TO SUSTAINABILITY



**WE DON'T DREAM ABOUT THE FUTURE.
WE CREATE THE FUTURE TODAY**



Letter to Stakeholders



Dear Stakeholders,

On the pages of this report we will once again demonstrate that Postbank team strives to achieve its performance objectives while conducting the business in a responsible manner. Sustainable development integrates our core values of quality, effectiveness, social contribution and respect for people and the environment, which are fundamental to our success.

At Postbank we recognize that stakeholders have different perspectives, and we seek to establish positive and productive engagement to hear their views, find common ground and identify viable solutions. Therefore, this report is intended to serve as a channel of dialogue and as an invitation to all our stakeholders to participate in an open and constructive exchange of views about the topics discussed here.

Focused in creating sustained value for our CLIENTS and PARTNERS

At the core of our performance in 2013 were the actions for developing innovative products and services for our clients and emphasizing on the quality. Our primary goal to be a trusted and preferred financial partner of the clients in a long term was supported by constant efforts and investments to improve the service quality and the products. Our innovative mortgage lending products, competitive saving solutions, loyalty program for card holders, and best performing factoring and custody services are some of the successful steps in this direction. Enormous constant efforts are directed towards the provision of cutting edge banking systems and solutions which are highly secure, reliable and at the same time user-friendly. This has secured Postbank's top position among the most technologically advanced market players in the financial segment.

Making the right decisions to support the ECONOMY

Postbank operations in 2013 generated considerable economic value in the local community through our financing activities, purchasing activities, hiring practices, tax and social security payments, etc.

The past 2013 was positive for the bank in terms of sales and financial results. Postbank achieved a significant increase in the net profit to BGN 18.5 million. The achievement is even more important in light of the still challenging macroeconomic environment.

Earning greater respect for our SOCIAL activities

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

The bank is very active in the area of corporate social responsibility and traditionally implements a number of socially important projects in education, child and youth care, sports and corporate donations. The major of them in 2013 were The NO Project combating the human trafficking and the launched long-term partnership with UNICEF, entitled "Best Start for Every Child".

Caring for the ENVIRONMENT

Postbank's strong environmental record is essential to our success. Reflecting that commitment, we strive to minimize ours and clients' negative impacts on nature and protect resources.

Postbank's specially designated Environmental Office follows its strategy targeting both direct (those related to internal consumption of resources) and indirect (those related to core banking activities and customers) environmental impacts. These two wings of the strategy are supported by a number of projects dealing with the specificity of the subject. As far as the indirect environmental impacts are concerned, the Environment Office pursues the implementation of Environmental and Social Risk Management Procedure in the evaluation on loans.

Achieving the best-ever performance of our EMPLOYEES

In order to contribute to the bank's business development we stayed committed to creating and sustaining an open environment of skills improvement and rewarding the performance of our people. The good results of our bank in 2013 were mainly due to the highly-motivated and devoted employees.

On the following pages of the report you can also read about the other fundamental components of our sustainability efforts, such as the effective corporate governance, compliance and product liability, service quality and responsible conduct.



Sincerely,
Dimiter Shoumarov

Executive Director and Chief Financial Officer

GUIDING PRINCIPLES AND BELIEFS



The constant efforts for improvement of the economic environment by holding an open dialogue with stakeholders and the bank's active contribution - 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 ensures the organization's transparency;
- Social contribution in key activities of the local community;
- Care for the environment to cope with climate changes and contribution to sustainable growth.

Mission, Vision and Values

Our Mission

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 customers every step of the way.

Our Values:

Meritocracy

Equal opportunities for distinction

Respect

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

Quality

We aim at excellence in everything we do

Teamwork

Success comes easier when we work as a team

Trust

When it exists, we achieve the impossible

Social Contribution

Our social contribution goes hand in hand with our business activity

Effectiveness

We always strive to accomplish the goals we set

Creativity

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

Open and Transparent Relations

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

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

Customers

- Network of more than 180 branches in 92 cities and 2,400 employees
- Client Relations Department in the Head Office
- 24-hour Client Service Center at tel. 0700 18 555
- The corporate website of the bank at: www.postbank.bg
- Monthly newspaper “Banking Stories” with 15,000 copies circulation in HO and branches
- Social media presence: Facebook, LinkedIn, Google+, YouTube
- The Head Office at 260 Okolovrusten Pat Blvd., Sofia
- Meetings with bank’s representatives
- Press Centre: <http://mediacenter.postbank.bg/>

Shareholders and Investors

- Annual Meeting of Shareholders
- Organized meetings
- System for disclosure of regulated information
- Press Centre: <http://mediacenter.postbank.bg/>

Employees

- HR Department
- Regular meetings
- Meetings of the Branch Network Division
- Annual performance attestations
- Internal project for environment-friendly conduct entitled Green Start with Postbank
- Monthly newspaper “Banking Stories” with 15,000 copies circulation in HO and branches
- Internal electronic and printed newsletter Our Bank
- Messages to all employees
- Intranet (Help Desk)

Suppliers

- Contacts with contract managers
- Supplier selection committees

Society and Environment

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

ECONOMIC CONTRIBUTION

Contribution to Growth

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

In addition to the fair distribution of capital Postbank tries to support the Bulgarian economy by adhering strictly to the centralized procedures of Eurobank for managing procurements and ensuring the top quality of supplies, contain 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 2013 Eurobank prefers to work with local suppliers in selected categories of goods and services.

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

SOCIAL PRODUCT

(mio BGN)

SOCIAL PRODUCT	2013	2012	2011
The contribution of the Bank to the „Social product“	BGN Mio	BGN Mio	BGN Mio
Turnover	441	483	551
Interest Expense and Fees & Commissions expense	-192	-221	-251
VAT on Added Value of the Bank	-2	-4	-3
Impairment losses	-81	-110	-133
Social Product	166	149	164
The „Social product“ and its Distribution			
I. Personnel	54	56	59
Gross Pay	63	64	73
Employer contribution to social security institutions	3	3	3
Medical, Retirement and other benefits	1	1	1
Contribution to Social Security Institutions (Employer and Employees)	-8	-8	-14
Employees tax	-4	-4	-5
II. Suppliers of Goods & Services	61	58	58
III. Donations and sponsorships	0	0	0
IV. State	32	34	40
Income Tax and various taxes	-2	0	1
Value added taxes	2	4	3
Deposit Guarantee and Investors compensation schemes	20	19	17
Contribution to Social Security Institutions (Employer and Employees)	8	8	14
Employees tax	4	4	5
V. Company	18	1	7
Retained Earnings / Reserve	18	1	7
Social Product	166	149	164

IMPROVING PRODUCT AND SERVICE QUALITY



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

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

Customer Satisfaction and Management of Complaints

During 2013 the Client Relations Department continued the good trend of improvement of the complaints' management process:

- The number of received complaints was decreased by 7%;
- The average time for complaint responding is between 4-5 days (18% improvement compared to the previous year).

The following projects were implemented for improving client's satisfaction:

- Participation in training of branch network staff named – "Everyday challenges in servicing clients – confirming the golden standard";
- Publishing a handbook for branch network employees – "Golden rules of customer service at Postbank";
- Another Mystery Shopper survey was conducted within the bank;
- Internal survey was performed to assess the quality of service provided to the branches by divisions and sections in the head office that are cooperating with the network on a daily basis;
- Usage of the launched in 2013 dedicated clients' section at the bank's website reported popularity among clients and allowed for a significant reduction of the time for responding to the customer.

Postbank has achieved the target for even higher scores in „Mystery Shopper“ survey. The use and comparison of results from that and previous studies and projects are a valuable tool for managing customer service.

Client Charter



In 2013 the team of the bank expressed its strong desire to relate the main mission of the organization – being a trusted and preferred financial partner to the clients throughout their life time – to a new vision which illustrates that Postbank is an institution with responsibility to the future of its customers, partners, employees and society as a whole.

To give meaning and reality of this new vision, the team created the „Postbank Client Charter“ - a system of 10 moral principles that all employees follow and apply in their daily communication with the customers. The document expresses the personal commitment and responsibility in customer service in a way that most protects customers' financial interests and welfare.



CLIENT'S CHARTER



WE, THE EMPLOYEES OF POSTBANK, COMMIT:

1. To help you take the right financial decision, not just to offer you products.
2. To communicate openly and in a transparent way, giving you clear, accurate and comprehensive information.
3. To respect the principle of equality and never express subjective attitude, regardless of your financial knowledge and social status.
4. To invest in technology and innovations which improve our services and facilitate your access to them.
5. To make the necessary efforts to fulfill our commitments.
6. To make our banking services accessible, fast and convenient for you and your family and/or business.
7. To be polite, honest and dedicated when we service you.
8. To be professionally prepared in order to be of the utmost use for you.
9. To seek your opinion and comply with it. Only in this way we can improve our services, banking processes and products.
10. To welcome you always with a smile.

IT AND INNOVATIONS

IT and Innovations are central to the strategy of Postbank. Our efforts are constantly directed towards the provision of cutting edge banking systems and solutions which are highly secure, reliable and at the same time user-friendly. This has secured Postbank's top position among the most technologically advanced market players in the financial segment.

In 2013 Postbank Information Technology Unit went through a reorganization of its activities and a new organizational structure was established. In accordance with the three Dimension Strategy set in 2012 – Consolidate and simplify, Embrace the outside world and Lead with the Business, three main pillars in IT were established:

IT Governance

Horizontal functions of the IT were integrated within this unit. Subunits within IT Governance assumed the following roles and responsibilities:

- IT Financials and Administration
- Project Management Office
- Quality Assurance
- IT Architecture

IT Applications Management

IT Applications Management, where necessary cooperating with Organosis, analyzes requirements, designs, builds and configures, tests (including system, integration, user acceptance) and validates software solutions. The unit is also ultimately responsible for the Software Quality Management and Quality assurance of the software products.

IT Operations & Infrastructure

Responsible for the "run-the-Bank" activities and processes. To achieve its goals the unit consists of:

- Service Desk
- IT Operations
- Database Management
- Technical Infrastructure

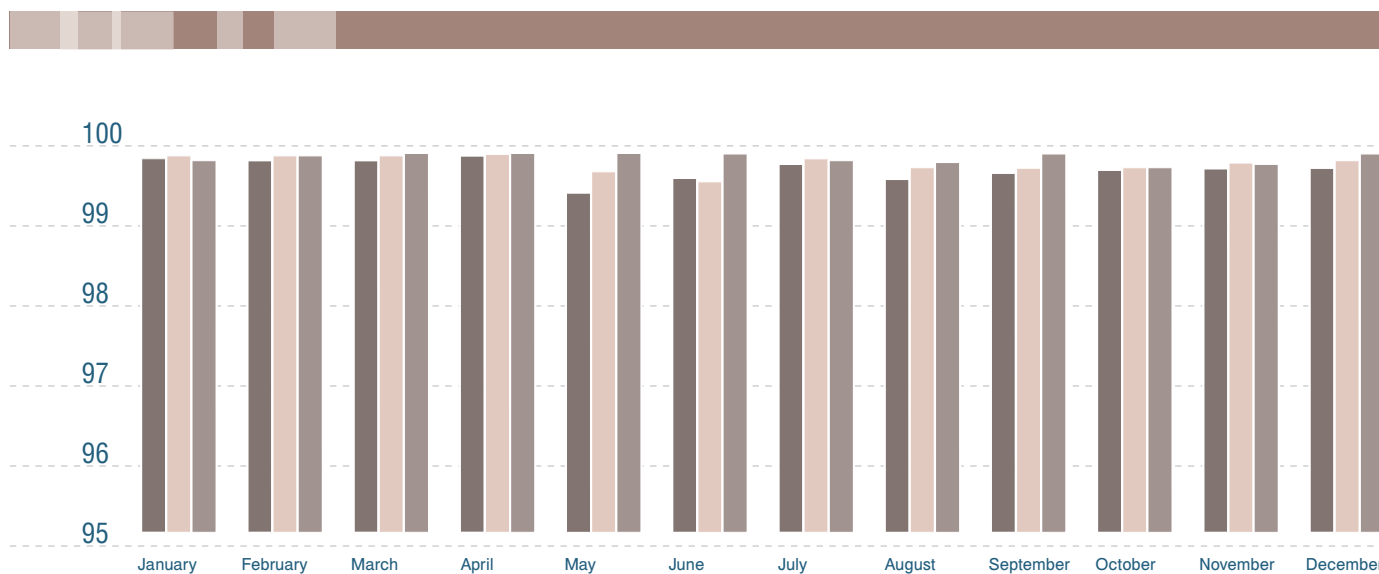
The main focus of the IT Organization in 2014 will be to:

- Achieve higher internal client satisfaction;
- Provide uninterrupted and reliable services;
- Achieve strategic goals and realize business benefits through the effective and innovative use of IT;
- Support compliance with relevant laws, regulations, contractual agreements and policies;
- Optimize the cost of IT services and technology
- Provide the units with high-quality of management information to support business decisions;
- Maintain IT-related risk at an acceptable level.

Information Technology Systems Availability Overview

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

OVERALL SYSTEMS AVAILABILITY IN 2013:



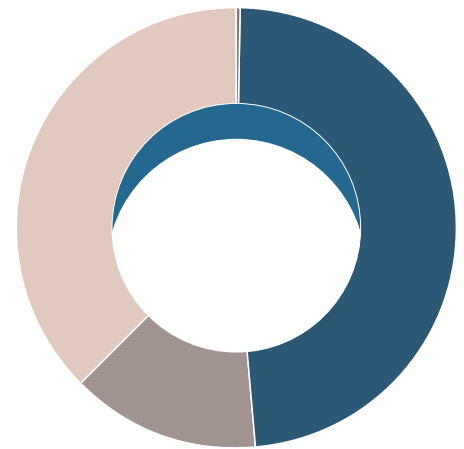
Delivered Initiatives Overview

During 2013, the effort of IT was focused on many high-priority initiatives, as well as on substantial number of smaller projects aiming to provide innovative customer products and services, but also to improve customer relationship and reduce risks. Throughout the year a total of 130 projects and initiatives were delivered, of which 29 were started within 2012 and span over into 2013. Another 78 projects and initiatives have started within 2013 and are carried over for completion in 2014. This challenging and aggressive portfolio was delivered through an effective management of a total capacity consisting of almost 7,200 man-days of internal effort and more than 7,000 man-days of effort of our strategic vendors.

NUMBER OF PROJECTS AS OF 31.12.2013:



- 1% Projects on hold
- 101% Projects completed during 2013
- 29% Projects started in 2012 and spinning over to 2013
- 78% Projects started in 2013 and spinning over to 2014



Key strategic and group initiatives

Grow the Bank Initiatives

New Loyalty scheme for all credit cards

The initiative is for transforming My Rewards loyalty program for credit cards and combining it with other existing loyalty programs. It is focused on transferring of AmEx Selects program (discounts based program financed by merchants) into an upgrade of My Rewards through rewarding cardholders spent with more points at certain merchants and redemption of accumulated points against cash, based on Customer level.

Implementation of Saving Mortgage Loan

The functionality is connected on the applying of different rates for the credit deals according to predefined conditions in the deal.

The project scope is to provide on mortgage loan product level to parameterize new package with the following conditions:

- Different levels for balances/turnover for client's exposure;
- Interest discounts for every level.

The initiative proved to be extremely successful and experienced very good adoption from our customers.

Student Loan Implementation

The student loan, as a complete banking service approach for students is an area with huge potential and considerably growing interest in recent years. This program offers government support to the participating banks in the form of Guarantee fund (for the non-performing loans) and reward for proper management (as a percentage of the disbursed volumes). The pricing as well as most of the parameters of these loans are predefined in "Act on Lending to students and doctors" and additionally in the Standard Agreement signed by the participating banks every spring and stipulating the specific terms and conditions valid for the particular year. Our bank participates in the program according to the terms and conditions set by the Act and by the particular Agreement.

Deposit Enhancements

The implementation of the project “Deposit Products Enhancement” extend the functionalities of the system in dealing with passive deals; collection of fees and commissions; activation of dormant accounts; working with joint accounts and periodic payments. The development provided additional functionality for closure of accounts with uncollected fees as well as additional opportunities for parameterization the preferential fees.

Group Sales Module Enhancement

The project scope includes extension of the existing functionality in Group Sales Module. The enhancements were focused mainly on adding new conditions for improved monitoring of active and inactive customers, automated printing of documents, more fields in the customer data files and creation of new reports.

The following new functionality was provided:

Siron AML/Embargo/KYC Upgrade

In accordance with the European AML related regulations, as well as with the local anti-money laundering and combating terrorism financing regulatory requirements, the bank further enhanced the system for the ongoing monitoring of clients and transactions from an ML perspective.

During 2013 a new release of SIRON AML/Embargo/KYC application was implemented.

UNICEF Partnership Implementation

In 2013, Postbank and Unicef launched a long-term partnership supporting the establishment of centers for maternal and child health in the whole country with the primary goal to provide free care services by mobile groups of nurses for pregnant women and children up to 3 years of age.

Postbank takes an active part in the overall change in the methodologies and legislation that allow the creation of a comprehensive, integrated policy focused on early childhood development. Many children will receive an adequate and integrated social and health care, grow in the best possible way and become economically active power, and realize their potential in Bulgaria.

All our stakeholders (individual and corporate customers, employees, partners, etc.) are able to donate money through our ATMs, Internet Banking and in cash in our branches

Run the Bank Initiatives

During 2013 the IT worked on many smaller run-the-bank and infrastructure initiatives, like:

- Credit cards and merchants promotions and campaigns, aiming to increase the customer satisfaction since a card holder can get benefits while uses the card products of the bank;
- Virtualization and reduction of physical servers – optimizing bank’s server hardware investments by consolidating multiple server roles as separate virtual machines running on a single physical machine or on the cluster, efficiently run multiple different operating systems in parallel, on a single server;
- Upgrade and redeployment of Sybase IQ for MIS – significant improvement in performance, better integration and many new features;
- Upgrade of Cisco Contact Center – upgrade of the system, which services customer service for credit and debit cards, branch network, phone banking, corporate call center and others.

RESPONSIBLE CONDUCT AND PRODUCT LIABILITY

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

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

Compliance

Anti-money laundering

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

To avoid the bank from any money laundering actions, we aim to ensure that every bank operation observes 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 closely monitor the accounts of what are known as 'politically exposed' customers or their related persons.

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

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

Sanctions

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

Bribery and corruption prevention

We do not tolerate bribery and corruption. An ANTI-BRIBERY WORKING INSTRUCTION is in force as of 2012. Failure to comply with it can have severe consequences, ranging from internal disciplinary actions to fines for both the bank and the individual. Personal criminal liability intends even imprisonment.

Data protection and security

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

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

The bank ensures that personal and customer data is protected by technical and organizational measures in accordance with the applicable Bulgarian legislation and internationally accepted information security standards. In addition to controls on physical access to computing centres, the protection measures include wide range of requirements aimed at ensuring information security, such as access controlled by passwords and by authorised systems, restrictions on forwarding of data, checks on data entry by the logging of access to data, separation of controls achieved via separate storage of databases used for different purposes, maintenance of antivirus software, registration of illegitimate access, data encryption.

No fines were imposed on Postbank in 2013 by the Personal data Protection Commission in relation to violation of the requirements of the Law on Protection of Personal Data.

Fraud

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

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

In order to better management of the fraud risks as well as its accurate prevention, the HR Department continued the strategic training project aiming to control and prevent fraud from happening as well as to detect, early on, the potential red alerts.

The following internal regulatory documents were developed and put into effect at Postbank:

Code of Conduct

The Code of Conduct is an internal document that is being 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. The Code also deals with the issue regarding the prohibition of accepting and offering illegal payments and benefits.

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

Postbank has developed and trained all its employees in the policy for combating abuse. The bank maintains a high ethical and moral standard and takes measures for prevention of abuse, whether external or internal, and of any other violations of rules, standards or authorities. The bank's management bodies are committed to ensure the relevant means against abuse. The financial institution 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.

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

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

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

The bank's responsible conduct is also guaranteed to the maximum by the fact that it is subject to audits by the Bulgarian National Bank, the Financial Supervision Commission, the Personal Data Protection Commission, the Consumer Protection Commission, the Competition Protection Commission, the Financial Intelligence Directorate with the State National Security Agency, etc. The financial institution received recommendations by the supervisory authorities which were implemented within reasonable periods.

In the past year, the Financial Intelligence Directorate with the State National Security Agency imposed two administrative penalties on the bank. The cases concern minor breaches of the rules for identification of the clients and the fines are set at the minimum legally defined amounts.

Advertising and Promotion

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

The bank is a member of the Managing Board of the National Council for Self-regulation. The Council includes members of all three parties in the communication process: advertisers, communication agencies and mass media. The Council members have developed and adopted National Ethical Standards for Advertising and Commercial Communication in Bulgaria, a voluntary Code of ethics for fair business practices in advertising communications for protection of the interest of the public and consumers. Postbank adheres to the National Ethical Standards for Advertising. In 2013 there were no claims at NCSR for a Postbank commercial.

In its marketing communications the bank complies with the Law on Protection of Consumers, the Law on Protection of Competition, the Law on Credit Institutions, the Law on Banking and the Law on Consumer Loans which regulate the communication of bank products. A distinctive mark of Postbank's advertisements is that they contain very explanatory information for consumers. According to the bank's internal procedures any advertising communication of any product is coordinated with the Legal Department. Postbank also observes the regulation of the Bulgarian National Bank regarding the use of banknotes in its advertisements. The bank refrains from organising advertising promotions connected with lotteries and gambling. Postbank had no fines imposed for breach of regulations and voluntary codes of marketing communications for 2013.

In the beginning of 2014 Postbank received two EFFIE Bulgaria recognitions for its advertising effectiveness during 2013 – taking the leader position as both a company and a brand. The financial institution earned the highest score among all fifteen finalists in the competition and took the first place position. The bank received two awards: silver in the Services category for the advertising campaign Saving Mortgage Loan and silver in the Promotions category for the advertising campaign Shooting Star promoting MyRewards loyalty programme.

DEVELOPING HUMAN CAPITAL

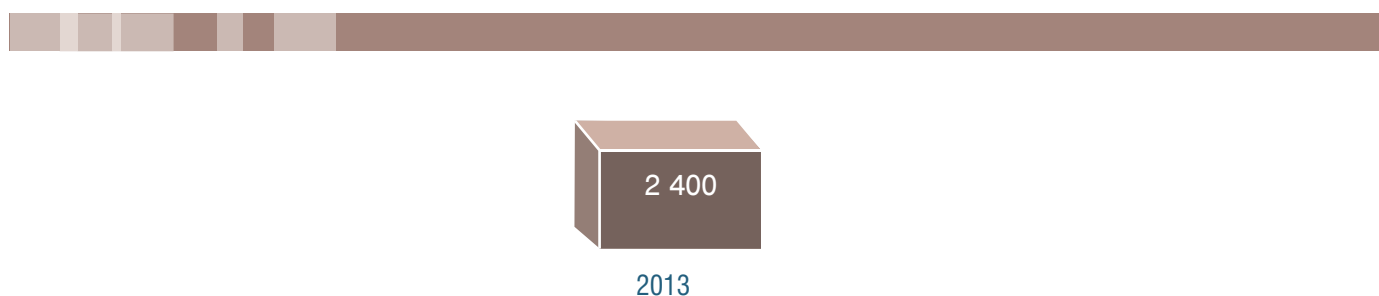


Developing Human Capital

The constant aspiration for excellence of the Human Resources Division made it an integral part in the achievement of the company's goals in 2013. 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 2013 were mainly due to the highly-motivated and devoted workforce. That is why HR Division fosters initiative and change, providing proper training and equal career advancement opportunities.

TOTAL NUMBER OF EMPLOYEES AS OF 31 DECEMBER 2013



These figures do not include employees on maternity leave or long term sickness.

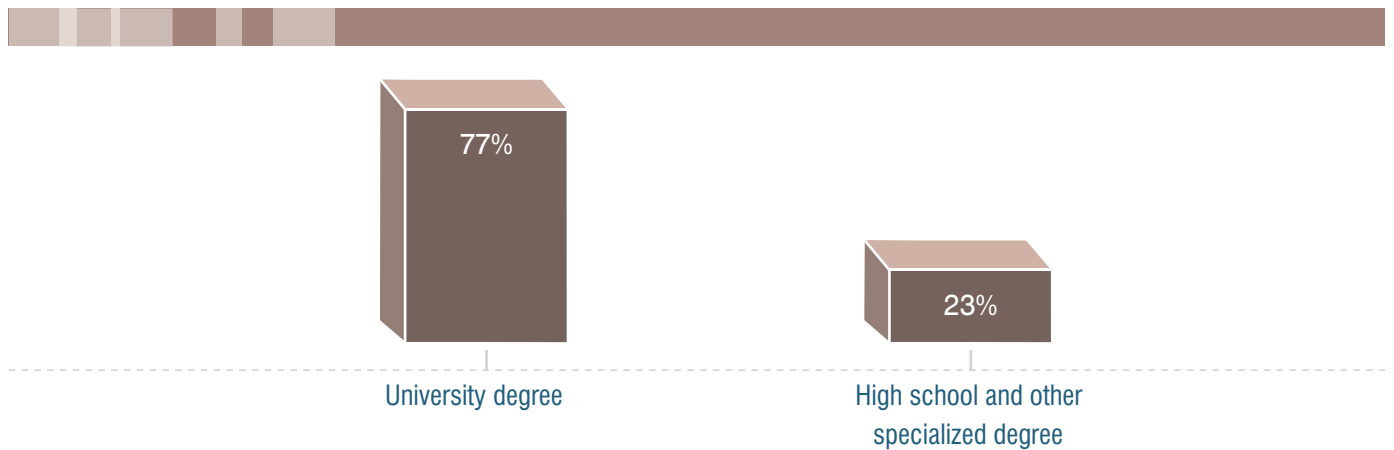
Recruitment

The recruitment process in Postbank has always been based on principles of high value, such as accuracy, transparency and objectivity in the selection. Y2013 was not an exception from following high standards in recruitment. According to the changed situation on the labour market there were 144 newcomers numbered at the end of the year and 214 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 as 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 2013 77% of the newcomers obtained Master degree.

EDUCATIONAL LEVEL



Gender Ratio

In 2013, according to the gender distribution the percentage of women to all staff is 78%. Thus men presence comprises 22%. The prevalence of female banking employees does not merely reflect their often more suitable qualifications 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 6 of them are expatriates.

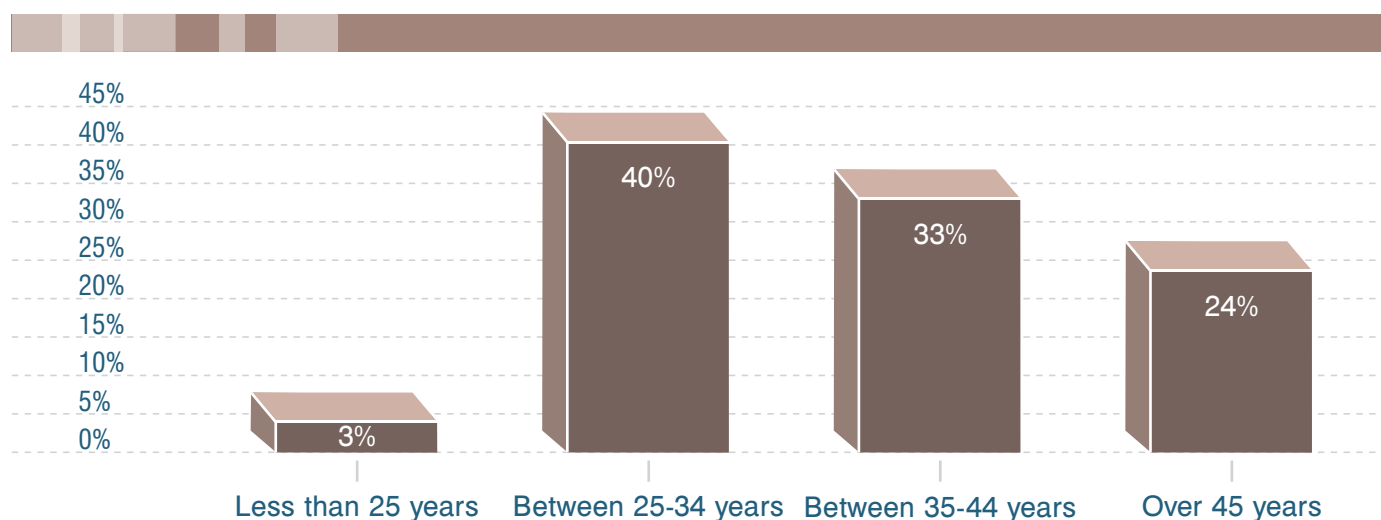
Gender Ratio



Age Structure

Within 2013 young people, younger than 45 years presented 76% of all employees in the bank, as the average age of the staff members is 38.9 years. In the same time bank employees over 45 years comprises 24% of all employees.

AGE STRUCTURE 2013



Professional Training

Constant striving for improvement and increase of professional qualification represent an integral part of Bank 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 of multitude products, procedures and systems trainings.

Many training initiatives were dedicated to improvement of customer service and consultative selling skills as well as improvement of leadership skills of present and potential management staff. Total number of training man-hours for 2013 is 24344 and total number of training participations is 4255. Total number of programs realized in the Bank in 2013 is 314 as Training and Development Department continues enriching not only their content but also the way of implementation. With this regard apart from in-class training form, there is a significant increase in e-learnings as well as structured on-the-job trainings.

Induction training programs

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

In 2013 through induction programs have passed 91 % of newly appointed employees and as a direct result they became acquainted to bank products and services, procedures and systems, and started sharing high level of Bank customer service standards. Training & Development Department strives to meet also training needs of employees who have been internally transferred during the year.

They passed through group or individual trainings as all of them have been delivered by internal trainers.

Structured approach for on-the job training

Training and Development Department has always striving to design training programs with closest relation to genuine banking practice. As a result in 2013, inseparably to Induction programs, 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 of their experienced colleagues.

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

Customer is Number One / Golden Standard for Customer Service

In 2013 the Bank once again proved its commitment to excellent customer service and developed specific initiative to move it one more step upward. During the year the best customer service practices were combined and structured into a General Golden Standard which is to be known and followed by each employee. In order to establish and share the standard all branch network management passed through trainings under the slogan: "Customer is Number One" (171 participants in total). In addition all Branch Managers received booklets which were distributed to all their people showing once more our shared commitment and determination to provide excellent service to the customers.

Preparation for implementation of e-learning training system

In the second half of 2013 first steps for developing and implementing of e-learning training system for training of personnel were taken. The system aims at making access to information easier for employees without being necessary to participate physically in training premises. Distant form of training is considered as most innovative and is used worldwide. The program allows each participant to manage time and rhythm of training by his/her preferences given that the program is 24/7 accessible from any location with internet.

Counter Fraud Training – next stages

In 2012 had started a strategic initiative related to counter fraud awareness and fighting against fraud throughout the group which continued in 2013. During the year all middle management of the Bank or totally 375 managers passed through Counter Fraud training program aiming at developing skills on controlling the risk levels, early fraud detection and prevention.

In 2014 it will be continued as e-learning which will be accessible for all employees in the Bank.

Long-term Qualifications

During 2013 the Bank continued the practice to enroll its high performers in internationally recognized qualifications and certification program as ACCA, CFA, CIA, CISA, CIMA as well as degrees acquired in Bulgarian institutions.

Advanced Selling Skills (American Express Training)

In 2013 improvement of professional abilities and skills of employees continued by delivering of advanced selling skills session. With this relation trainers from American Express delivered six one-day seminars on Effective Selling techniques to 136 employees from the Bank. As a result on average 1/4 from all sellers in segment of retail banking were trained on selling and retention strategies proved as highly effective in the area of card products.

International Internship Program

For third consecutive year, in 2013 also, the Bank successfully realized an international internship program along with North Eastern University in Massachusetts, USA. Interns from different nationalities successfully completed specialized programs in different bank units as gained experience was valuable and beneficial for both parties.

Harvard Business School

In 2013 Eurobank participated successfully again in the Fifth cycle of Harvard Business School program for on-line training intended for middle and senior managers which was realized at group level. The program is aiming 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 skills as well as motivating others. The program consists of 9 modules in which interactive on-line cases, best management practices as well as articles by Harvard Business Publishing are included. In 2013 7 persons successfully completed the program.



Performance Management

A company's overall performance inevitably depends on the individual performance and achievements of its workforce. Therefore, Postbank insists on the objective assessment of each employee's contribution through Performance and Development Evaluation which contributes to the continuous enhancement of the skills.

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

In 2013 all bank employees have received overall assessment of their performance and career development opportunities. The Revised Performance Management System, introduced in 2011, helped greatly to improve the efficiency and effectiveness of the whole process and more precisely to direct our people towards business fields that are the most suitable for the full expansion of their potential and to motivate them to achieve their professional goals.

Social Benefits

Postbank is aware of the social impact of its position of a major employer and consequently is determined to provide its personnel with various benefits that go far beyond the requirements, stipulated in the labour legislation of the country. In this context, the bank has implemented and has strived to extend a consistent policy of providing additional benefits to its workforce and of applying strict health and safety standards at the workplace.

The bank provides various forms of support upon ad hoc situations. All employees of the bank have additional health insurance in a private insurance company, 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 products and services at preferential terms. This includes mortgage and consumer loans, credit cards, overdrafts, online banking. Staff members do not pay fees for most banking operations such as cash transfers, withdrawals, etc.

Freedom of Association and Collective Bargaining

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

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

Health and Safety

The success and productivity of a business stands on the efficiency of the employees.

For this reason ensuring healthy and safety working environment for each employee is the basis of the 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 to not only reasons of moral character but also due to the conviction of the bank management that establishment of healthy and safety 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 units of the bank. The Committee is based in Sofia and is responsible for the head office and all branches in the country.

Internal Communications

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

E-bulletin to All Employees

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

Intranet

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

REDUCING THE ENVIRONMENTAL FOOTPRINT

Environmental Policy Statement

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

As a major Bulgarian bank and a part of 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



Petia Dimitrova
Chairperson of the Management
Board and Chief Executive Officer



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

Implementation of policy on environmental protection and sustainable development

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

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

1. Environmental Office
2. Premises
3. Banking Operations
4. Facilities and Procurement
5. Security
6. Organization
7. Business Continuity Planning

One of the most important roles of the Division is to manage the budget of the capital and operative costs related to the bank activities, apart from IT and HR. In 2013, a number of optimizations took place to supplement the efforts from previous years thus contributing to the bottom.

Environmental Office

Please refer to section Environment and Sustainability of this report

Premises Department

Premises Department continued to take care of the branch network and head office buildings and equipment striving to achieve higher efficiencies through the identification of areas for improvement where specific actions to take place. Thus, as part of a project with the Environmental Office of the bank, Premises Dept. identified a large number of old air conditioners, fully amortized, which needed to be replaced in order to reduce electricity consumption. For the purpose a tender was run by the Procurement Section of Facilities Dept. and a massive replacement of air conditioners took place across the country. Apart from this, again as a project aiming at higher efficiencies, all the electrical boards in the outlets in the country and in Sofia were adjusted so that lights in the premises and signage switch off automatically at night. In a number of premises

ordinary lights were changed with LED ones in order to improve the quality of light and to reduce consumption. Premises Dept. also coordinated a large number of partial renovations of outlets so that corporate image quality is ensured at its high levels.

Facilities Department

A number of tenders for key materials and services were run in 2013. They lead to important comparisons vs. the market and ensured that the bank is using highly competitive prices for its supplies. Procurement Section is separating from Facilities Dept. being upgraded as a separate department which is undertaking the important control over tenders thus ensuring even higher transparency and efficiency of the processes.

Banking Operations Department

The most significant achievements in the area of banking operations in 2013 were the following: the bank became in compliance with the new normative requirements of the regulators in the field of securities and derivatives; new standards in regard to the payments and securities were implemented successfully; the model of the bank cash service and off site ATMs was optimized.

Organization Department

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

Business Continuity Planning (BCP)

Postbank is the only commercial bank in Bulgaria and in Eurobank Group which performs end-to-end BCP process tests including full utilization of all DRP sites and systems. This results to a HOT recovery ability to restore operations (near to zero downtime). In 2013 the bank's BCP Coordinators teams number was increased which led to raising of the employees BCP awareness.

Security Department

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

Environment And Sustainability

Since 2004 Eurobank remains the only banking group in Greece, and 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/761/2001) on environmental management were completed in 2009.

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

In 2012 Postbank was distinguished as the most green company in the financial services industry in Bulgaria in a prestigious competition organized by b2b media. The prize was awarded for the achievements in terms of improvement of internal processes that leads to higher resource efficiency and the launch of application of environmental risk management procedure in corporate lending. In 2013 the bank kept on following its ambition to be pioneering the environmental agenda for the banking industry in Bulgaria.

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

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

As far as the indirect environmental impacts are concerned, the Environment Office pursues the implementation of Environmental and Social Risk Management Procedure in the evaluation on loans, currently applicable for the loans extended from European Bank for Reconstruction and Development (EBRD) lines. This is being 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 Environmental Office does in agreement with the Environmental Steering Committee and the respective Working Group in which all business units are presented, together with Risk, Corporate Communications, Legal and HR.

In 2013 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, Environmental 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 which were visited by a dedicated technical team with the task to identify the reason for increased consumption. After the visits the information was discussed centrally in Premises Department which undertook the task of taking improvement measures. As part of the project for improving energy efficiency in the branches a number of light refurbishments were done across the country. Specific measures are planned for 2014 as well.

One of the measures that took place in 2013 was the change of a large number of air conditioners with higher class ones. As part of the project aiming at higher efficiencies, all the electrical boards in the outlets in the country and in Sofia were adjusted so that lights in the premises and signage switch off automatically at night. In a number of premises ordinary lights were changed with LED ones in order to improve the quality of light and to reduce consumption. These actions contributed to the decrease in electricity consumption during the year.

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.

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

In 2013 the bank moved towards the direction of using compatible toners for its operations. The toners are disposed for recycling after use. Collection of information regarding the N of toners used by the bank is one of the activities of the Environmental Office.

Garbage collection

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

This and the rest of the measures described above had the important effect of raising further the awareness of employees about the necessity of paying attention on issues ignored in the past and creating important habits with the ultimate goal – care for the environment.

Efforts in the area of indirect environmental impacts

All SBB officers from across the country underwent training implemented by the Environmental Officer on the application of the environmental risk management procedure in lending. During the training there was a Q&A session during which important feedback was collected from the SBB officers on the problems they face in the application of the procedure as well as on suggestions they had for improvements. The Environmental Risk Working Group analysed the collected feedback and proposed certain amendments in the environmental risk management procedure which were reviewed and approved by the Environmental and Social Steering Committee. Thus a useful dialogue was established in the bank in order to find the most efficient way to fulfill environmental risk management requirements given the specificities of the local business and the workflow in the bank.

A semi-automated solution was established to help the SBB and CBD officers calculate environmental and social risk. The project was coordinated by the Environmental Office and Risk, CBD and SBB participated in it.

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 is planned for 2014.

Indicators

As an important part of the efforts to manage internal resources, since the beginning of 2012 the Environmental Office has set up the collection of data on energy consumption in kwh with the aim of understanding better consumption patterns by isolating consumption trends from energy price fluctuations. This project was continued in 2013 and is very important 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 center in terms of kwh in total for the respective center, kwh per sq.m., kwh per employee and CO₂ footprint. This analysis allows for comparison among the almost 200 financial centers of the bank not only in terms of costs but also in terms of kwh consumption. Thus the following main key performance indicators are prepared:

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

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

Since information on kwh is available only for two years at present – for 2012 and 2013, for comparison to previous years indicators regarding key resource consumption are presented in units of euro, discounted for each year to achieve comparability to the base 2008, the first year after the merger between Postbank and DZI bank. The figures show reduction in the amounts consumed in the years 2008-2013, despite the fact that all the services and resources quoted in the Table below have seen significant increase in their specific prices.

Item*, EUR

Item*, EUR	2008	2009	2010	2011	2012	2013	Δ 2013 to 2008	Δ 2013 to 2012
Electricity	1 050 955	1 122 034	1 147 476	1 137 891	1 013 179	1 022 241	-3%	1%
Gas	17 974	12 990	9 023	11 870	34 324	38 183	112%	11%
Heating	75 338	74 821	61 000	71 799	65 413	49 564	-34%	-24%
Water	87 579	70 961	71 109	73 296	71 977	54 593	-38%	-24%
Toners	404 206	411 910	470 439	425 153	289 820	85 517	-79%	-70%
Printing Paper	411 675	341 155	333 804	260 612	201 612	157 024	-62%	-22%
Envelopes	159 410	100 714	52 546	37 822	18 711	14 258	-91%	-24%
Forms	291 385	144 612	32 412	29 659	27 405	28 921	-90%	6%
Desk Stationary Materials	195 308	114 060	108 018	115 199	110 602	108 257	-45%	-2%
Total	2 693 830	2 393 247	2 285 828	2 163 301	1 833 043	1 558 559	-42%	-15%
Paper and Writing Materials	057 779	700 541	526 781	443 292	358 330	308 461	-71%	-14%
Paper, Envelopes and Forms	862 470	586 480	418 763	328 093	247 728	200 204	-77%	-19%
Item*, EUR	2008	2009	2010	2011	2012	2013	Δ 2013 to 2008	Δ 2013 to 2012
Electricity	1 050 955	1 122 034	1 147 476	1 137 891	1 013 179	1 022 241	-3%	1%
Gas	17 974	12 990	9 023	11 870	34 324	38 183	112%	11%
Heating	75 338	74 836	61 499	71 559	65 916	49 988	-34%	-24%
Total energy	1 144 276	1 209 836	1 217 499	1 221 559	1 112 916	1 109 988	-3%	0%
CO₂ emissions from electricity, tns					7 421	6 096	Δ 2013 to 2008	Δ 2013 to 2012
m ³ of water consumed	118 951	79 263	81 334	87 357	89 217	81 740	-31%	-8%
N of paper sheets used	54 550 581	46 471 776	46 561 779	48 617 042	37 610 615	34 315 000	-37%	-9%

*Note: Data is for the bank and subsidiaries, discounted for comparability purposes to 2008 prices with the average annual inflation rate published by NSI.

Significant decrease is evident in paper, toners, water and electricity consumption both in the comparison of 2013 to 2012 and 2013 to 2008. The decrease in paper and toners 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. Electricity consumption has been significantly reduced in 2013 as a result of a number of measures that were implemented in the premises of the bank, as explained above.

Improved efficiency in resource management is evident from the decrease in all items presented in the table above with the exception of natural gas. Natural gas consumption has dramatically increased during 2012 and 2013. This is a result of the relocation of the HO to the new building which is being heated by gas.

For 2014 the Environmental Office has put forward the following main goals:

- Building internal capacity for environmental management
- Creating a set of written procedures aiming at defining the main processes, roles and responsibilities in the organization vis a vis the environment
- Improving reporting of environmental risk management in lending so that control is enhanced and feedback is more frequent.

In 2013, no fines related to environmental issues were received by Postbank. In 2014 the bank commits on continuing the efforts pursued until present caring both for its direct and indirect environmental impacts.

INVESTING IN SOCIETY



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

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

PLAY 4 CHANGE

Postbank is one of few business organisations in Bulgaria acting proactively in national campaigns to combat human trafficking.

PLAY 4 CHANGE is a continuation of the bank's anti-trafficking campaign The NO! Project initiated in 2012. The campaign aims to raise awareness among the Bulgarian society and prevent future cases. PLAY 4 CHANGE is organized by Postbank in cooperation with the National Commission for Combating Trafficking in Human Beings as a national campaign aiming to prevent human trafficking for sexual exploitation. In order to attain better efficiency and audibility among young people, an innovative approach was chosen - namely applying the means of expression of arts, which should engage them, provoke their sense of social responsibility and transform them into „ambassadors“ of the fight against trafficking in human beings. The project included 3 outdoor events for the mass audience in 3 Bulgarian cities, supported by famous music bands, artists etc. The joint efforts, experience and knowledge of the state structures and the private sector turned out to be essential for the implementation of the set concept.

The campaign was launched on June 28th with a big concert in one of the largest parks in the capital city of Bulgaria – Borisova Garden. Among the guest stars of the concert were some of the most famous Bulgarian musicians D2 rock band, Gravity Co, FYELD and Milena Slavova. The program included also a performance from „Ha-ha-ha“ improvisational theatre, hip-hop dancers show, yo-yo contest and demonstrations, art installation by students from Fine arts department of New Bulgarian University etc.

The launch event was followed by two all-weekend events in the major cities on the Black sea. In Varna several volleyball and football games were organized against human trafficking and followed by live concerts of local bands and the Bulgarian rock band D2. In Bourgas the rock concert was supported by a special graffiti project, accomplished within the two-day event. The campaign involved numerous young artists and athletes who performed for the cause.



Green Start



In April 2013, for a sixth consecutive year, more than 200 employees of Postbank cleaned the area around the Pancharevo Lake.



In August Postbank started the PARK on Green project, creating a special area in Sofia's South Park, with 24/7 free outdoor library, free wi-fi and an attractive events calendar with over 20 different initiatives for kids and their parents. Several special workshops were organized in order to encourage people to communicate more with one another and to spend more time outdoors. With the support of the „Workshop of Dreams“ initiative, the children had an opportunity to play and work together with their disadvantaged peers. Together, they make jewellery and took a very important lesson in empathy.

The „Green Architecture“ workshop encouraged children to build their dream homes of recycled supplies. Robotic dogs, programmed by the junior visitors of the park, took a walk in Sofia's South Park. The dogs came to life thanks to the specialized “Robotics lessons”, organized by Robopartents School.





In addition, the calendar of events includes chest contests, fairy tale readings for the youngest visitors, sport classes in the special area for yoga etc.

In September the bank joined the United Nations Environment Programme Financial Initiative (UNEP FI). The initiative involves more than 200 institutions from more than 40 countries, including banks, insurance companies and investment funds and is a unique form of partnership, contributing to the timely

and constructive analysis of global, ecological and social problems in the light of sustainable business development.

Postbank participated also in the global initiative PARK(ing) Day, transforming two parking places in Sofia centre into relax zone with real grass, free library and caricature artist.

Sponsorships and volunteer initiatives

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

In 2013 Postbank gave over 10 000 hand-made martenitzas as a special present to customers, partners and employees to mark the 1st of March according to the Bulgarian tradition. The red-white ornaments were produced by people from disadvantaged social groups, supported traditionally by the bank on the occasion of "Baba Marta" holiday and Christmas. The bank's partners for over 5 years are "Third age" foundation in Ruse and "Future for children with disabilities" association in Kazanlak, who also prepare the Christmas cards for Postbank clients and partners.

Postbank joined the Open Your Eyes campaign organized by Four Paws Foundation, which helps people with impaired eyesight have access to public places together with their guide dogs. In 2013 the doors of all branches were marked with the campaign's green sticker which shows that the institution supports the cause.

Postbank participated in the organization of the first corporate relay by Begach running club. The general concept of the event is to encourage competitiveness and team work and also to promote corporate responsibility to company employees. Postbank corporate relay was organized within Sofia Evening Run and supports the National network for Children and their cause "Foster a child. Create future".

In October the institution joined the national initiative Professionals at Schools as part of the XII Days of

Volunteering. From 12 to 25 October experts from the bank, together with managers and specialists from other leading companies, taught students in more than 30 schools in the country.

In November, the bank contributed to the festive Christmas decoration of the city, by building a beautiful arch in the Sofia centre as a holiday gift to all capital citizens and visitors.



Best Start for Every Child

In December 2013 Postbank and UNICEF started a mutual strategic partnership called Best Start for Every Child. The bank supports UNICEF's project for the development of centres for mother and child health which will assist families taking care of their small children. Postbank invested and integrated a special donations platform, providing the opportunity for easy donations via ATMs, cash desks or via the bank's online banking application. All transactions related to donations to UNICEF are free of all charges and fees. The partnership is long-term and aims to implement the model at a national level.



Да гagem
**НАЙ-ДОБЪР СТАРТ
ЗА ВСЯКО ДЕТЕ**

ДАРЕТЕ СЕГА
през банкомат, на каса
или чрез онлайн банкиране
на Пощенска банка

УНИЦЕФ не се ангажира с никакви конкретни марки, продукти или услуги.




APPENDIX 2

Statement of Third-Party Assurance

To the Management of Eurobank Bulgaria AD

Kreston BulMar has been commissioned to carry out an assurance engagement on the non-financial information, published in Postbank, legally known as Eurobank Bulgaria AD, “Financial and Sustainability Report 2013” (‘the Report’). This assurance engagement is based on Kreston BulMar’s Sustainability Assurance Methodology and the requirements of Global Reporting Initiative 2006 Sustainability Reporting Guidelines Version 3.0 (GRI G3).



Statement of Competence and Independence

Kreston BulMar provides consultancy and sustainability services through wide range specialists. This engagement was undertaken by a multi-disciplinary team of suitably qualified and experienced sustainability professionals. Kreston BulMar was not involved in the preparation of any information within the Report. Kreston BulMar did not provide any services to Postbank that could compromise the independency or impartiality of our work.

Scope of the Assurance

This Assurance Engagement covered the data for the calendar year 2013. The objective was to provide limited assurance that non-financial information reported is a reliable representation of Postbank’s performance and programs, and that the data presented conform to the Global Reporting Initiative (GRI) G3 Reporting framework guidelines.

The scope of the engagement as agreed with Postbank included:

- limited assurance of the non-financial data prepared using the GRI G3 guidelines, covering socio-economic and environmental indicators for the period 01 January 2013 to 31 December 2013.
- Confirmation of Company’s assertion that it has aligned its policies and adhered to the Principles for defining the report content and the Principles for ensuring the report quality;
- Verification of the reported alignment to the GRI Indicators Protocols and the self-declared application level (C);

The reporting boundary is as set out in the Report and covers the strategic business units of Postbank including company’s branch network.

Verification Methodology

In reaching our conclusion, we have undertaken the following work:

- Interviewed managers at Postbank Head office, including those charge with the operational responsibility for selecting, measuring and reporting the issues covered in the Report;
- Reviewed and analysed publicly available information related to Postbank CSR practices and performance;
- Examined relevant document, data and other information requested by Kreston BulMar and made available by Postbank;
- Reviewed the method used by Postbank in its reporting process to address the reporting principles in the G3 Sustainability Reporting Framework of GRI;
- Evaluated the acceptability and consistency application of the reporting principles used in preparing

the socio-economic and environmental information published in “Financial and Sustainability Report 2013”;

- Evaluated the reliability of the socio-economic and environmental indicators and the reported progress by obtaining an understanding of the design and operation of systems and methods used to collect and process the necessary information;
- Reviewed the content of the report against the findings of our work and making recommendations for improvement where necessary.



Limitations of the Engagement

This engagement excluded the sustainability management, performance and reporting practices of Postbank suppliers, contractors and third-parties mentioned in the Report. Kreston BulMar did not interview external stakeholders as a part of this Assurance Engagement. Economic performances, including financial data were crossed – checked with internal documents and financial statements audited by another 3rd party. The assurance statement on the financial statements issued by another 3rd party is also presented in the Report.

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

Conclusion

In Kreston BulMar’s opinion and based on the scope of this Assurance Engagement, the Report provides a reliable and fair presentation of Postbank sustainability strategy, policies, practices and performance in 2013.

Base on the work undertaken as a part of this Assurance Engagement, Kreston BulMar believes that the Report generally meets the principles, content and quality requirements as required by GRI Sustainability Reporting Guidelines version 3.0 (G3) and the requirements of the GRI Application Level C.

Observations and Opportunities for Improvement

B In addition, we presented to the management of Postbank our recommendations relating to sustainability reporting issues. However these do not affect our conclusions on the Report and are provided to encourage continual improvement:

- Postbank continued to focus on integrating sustainability into its broader strategy in 2013, as can be seen through the Report. To be successful, the integration of sustainability should ensure that appropriate knowledge and expertise is developed and retained, and that the sustainability processes and controls implemented support adherence to the main Sustainability Principles of Inclusiveness, Materiality and Responsiveness.
- While Postbank has identified main priority issues to report on, we noted that it continues also to report on issues rated as “low” and “moderate” priority in accordance to International Sustainability Standards and Stakeholder Surveys. In future, we would recommend that Postbank structures further the materiality assessment process and focuses its report around its material issues to allow stakeholders to easily access information that is of interest to them.

- Through interviews with Postbank management, and a review of stakeholder engagement plans, we found evidence that demonstrated that Postbank is both inclusive and responsive to its stakeholders. The bank has also significantly expanded the communication channels and feedback mechanisms for stakeholder interaction. However, we recommend that to ensure consistency in its approach to stakeholder engagement a structured framework should be developed. In developing the framework, we would encourage Postbank management to establish a consistent approach to identifying and prioritising both stakeholders and their issues. Further, the framework should specify how the information collected through stakeholder engagement is to be communicated to management in order to help inform the bank's future strategy.



A handwritten signature in black ink, appearing to read 'Emil Popov'.

Emil Popov

Managing Partner and Lead Auditor

01 September 2014

Sofia, Bulgaria

About this Report

General Report Information

Postbank's Financial and Sustainability Report 2013 highlights our financial performance and illustrates how we fulfil our corporate responsibility within the overall social and environmental context in which we operate. Pursuant to the best international practices in relation to annual reports, for a third consecutive year we combine information on our financial and non-financial performance, thus providing a more comprehensive view on the progress we have made and the results we have achieved during 2013. The financial information and statements are prepared in accordance with the IFRS, and the broader economic, social and environmental information is presented in compliance with GRI guidelines – G3, Application level C +.

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

Priority Topics in the Report

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

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

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

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

Report Coverage

The Financial and Sustainability Report 2013 covers information across the performance of all business units over which Postbank exercise management control, including: the Head Office of Postbank, with legal name Eurobank Bulgaria AD and its branch network

During 01 January 2013 – 31 December 2013, the period under review, there have been no significant changes with regard to the scope, or measurement methods applied in this report. The 2013 report's boundary excludes affiliates of Eurobank Group which operate on the Bulgarian market. Namely:

- Bulgarian Retail Services AD;

- ERB Leasing EAD
- EFG Auto Leasing EOOD
- ERB Property Services Sofia AD
- IMO Property Investment Sofia EAD
- IMO Central Office EAD
- IMO Rila EAD
- IMO 03 EAD.

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

Stakeholders

During 2013 Postbank continued to engage closely with the stakeholder groups that affect significantly or are significantly affected by the economic, environmental and social performance of the company, namely: our Clients, Employees, Shareholders and Suppliers. Regular engagement with these stakeholders helps us be aware of their expectations and concerns and helps us understand, prioritize and communicate in the most effective way our responsive actions and the progress we have made.

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

Transparent, reliable and comparable reporting

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

GRI Application Level and Content Index

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

GRI Content Index

STANDARD DISCLOSURES PART I: Profile Disclosure

1. Strategy and Analysis

Profile Disclosure	FR	Pages	Description
1.1	FR	6-8, 61-62	Statement from the most senior decision maker of the organization

2. Organizational Profile

2.1	FR	10	Name of the organization
2.2	FR	10-11	Primary brands, products, and/or services
2.3	FR	19	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures
2.4	FR	42	Location of organization's headquarters
2.5	FR	19	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.
2.6	FR	19	Nature of ownership and legal form.
2.7	FR	10-11	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).
2.8	FR	10-11, 14	Scale of the reporting organization
2.9	FR	102 - 103	Significant changes during the reporting period regarding size, structure, or ownership
2.10	FR	12	Awards received in the reporting period.

3. Report Parameters

3.1	FR	102	Reporting period (e.g., fiscal/calendar year) for information provided.
3.2	FR	June 2013	Date of most recent previous report (if any).
3.3	FR	102	Reporting cycle (annual, biennial, etc.).
3.4	FR	Back cover	Contact point for questions regarding the report or its contents.
3.5	FR	102-103	Process for defining report content.
3.6	FR	102-103	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).
3.7	FR	102-103	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).
3.8	FR	102-103	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.
3.10	FR	102-103	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).
3.11	FR	102-103	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.
3.12	FR	104-105	Table identifying the location of the Standard Disclosures in the report.

4. Governance, Commitments, and Engagement

4.1	FR	33-39 26*	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight. Postbank financial and sustainability report 2012 www.postbank.bg/repository/files/AnnualReports/2012/Annual_Report_2012.pdf
4.2	FR	19	Indicate whether the Chair of the highest governance body is also an executive officer
4.3	FR	N/A	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.
4.4	FR	64	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body

4.14	FR	103	List of stakeholder groups engaged by the organization.
4.15	FR	103	Basis for identification and selection of stakeholders with whom to engage.
STANDARD DISCLOSURES PART III: Performance Indicators			
Economic			
Economic Performance			
EC1	FR	65	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.
Market presence			
EC6	FR	65	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.
EC7	PR	80	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.
Environmental			
Materials			
EN1	PR	93	Materials used by weight or volume.
Water			
EN8	FR	93	Total water withdrawal by source.
Compliance			
EN28	FR	93	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.
Social: Labour Practices and Decent Work			
Employment			
LA3	FR	85	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.
Labor/management relations			
LA4	FR	85	Percentage of employees covered by collective bargaining agreements.
Occupational health and safety			
LA6	PR	85	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.
Training and education			
LA10	PR	81	Average hours of training per year per employee by employee category.
LA12	FR	84	Percentage of employees receiving regular performance and career development reviews.
Diversity and equal opportunity			
LA13	PR	79-81	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.
Social: Society			
Corruption			
S02	FR	74-76	Percentage and total number of business units analyzed for risks related to corruption.
S03	FR	74-76, 83	Percentage of employees trained in organization's anti-corruption policies and procedures.
Compliance			
S08	PR	76	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.
Social: Product Responsibility			
Marketing communications			
PR6	FR	77	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.
PR7	FR	77	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.
Customer privacy			
PR8	FR	75	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.

FR - fully reported

PR - partially reported



GRAFFITIBDO

DESIGN AND DTP

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