

FINANCIAL AND
SUSTAINABILITY
REPORT

2011



Postbank

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**BUSINESS
REVIEW**





LETTER
TO THE
SHAREHOLDERS

“To say that 2011 was a challenging year for Europe in general and Bulgaria in particular is probably the understatement of the year.”

Dear Shareholders,

To say that 2011 was a challenging year for Europe in general and Bulgaria in particular is probably the understatement of the year. Whereas 2011 started out as a promising year with encouraging prospects, the questions pertaining to the fiscal discipline of governments and the countries' abilities to manage their own financial affairs entered more forcefully into the picture. By the second quarter of the year this was on top of almost everybody's agenda and negatively affected all hopes for orderly and sustainable recovery in the euro zone.

Conditions in Bulgaria obviously reflected those of our neighbours, and the euro zone in general, not least due to the close trade ties among the various countries. The initial early encouraging signs were quickly reversed and the mood became sombre again. The individuals and the companies chose to take a “wait-and-see” attitude with regards to their future outlook and potential personal and business investments.

The banking system, on one hand, was a beneficiary from this caution by being the recipient of the extra savings that the individuals and the business put into the banks as this showed their trust in the banking system, and rightly so. All banks and certainly BNB have done a very good job in ensuring that they are properly managing the difficult situation. On the other hand, this also meant that individuals refrained from taking on new debt especially as it pertains to personal loans whereas several strong companies decided that now was the time to implement some expansion of their production and export-related plans.

Our bank continued to perform well in a challenging environment. We remained profitable, despite the pressures on revenues due to insufficient new business in the market overall. Clearly, our



strategy continues to be one of supporting the local economy as and wherever we can while the improvement in the markets conditions will only help all of us move forward when the time comes.

Without a doubt, liquidity is a top priority for us, given the uncertainty involving raising new funds in the international, but also in the local institutional and financial markets. As a result of that we focused on deposit gathering from individuals which confirmed that the public continues to have high level of trust in us. Thus we were able to substitute a substantial portion of the more volatile external funding and corporate deposits with the more stable and diversified individuals deposits. What is more, we managed to do this while also achieving another of our main goals – to reduce substantially the cost of funds, thus helping preserve our profitability.

In addition to that, we continued to collaborate closely with the national and supranational organizations like EBRD, EIB and BDB, making funds available to us and the real economy.

It is also obviously worth mentioning that over the course of the last year we improved our capital adequacy position by two points, reaching 15.44% as of the end of 2011.

As stated above, our aim is to continue to actively support the real economy by providing financial products, loans and services to support viable projects with sustainable growth prospects and characteristics that make sense in the current environment. That is why we were able to show positive growth in the total lending portfolio of the Bank in a slow moving environment, despite the substantial repayments, prepayments and overall deleveraging in various sectors of the economy.

In view of the caution, shown by the individual citizens, renewed emphasis is being placed on the corporate business in an effort to create momentum and eventually the spill-over effects to be felt by the entire economy. That is why we strongly supported and actively participated in establishing the Bulgarian Exporters Association, which has the aim to promote the export-oriented industries in Bulgaria.

Our desire for continuous improvement of the services we provide to our corporate clients led to the strategic decision in 2011 to integrate in the Bank the factoring services provided until then by the branch of EFG Factors S.A. Thus, we will be able to create a fully integrated one-stop-shop for our clients, offering them the entire range of banking products and services that they might need for developing their businesses. At the same time, our small and medium customers were able to benefit from the new €7.25m credit line from the Bulgarian Development Bank that we signed in August 2011.

The Capital Markets Division deserves a commandment for their commitment and support to the other business units, and also for achieving notable results in their core areas of expertise, such as money markets, bond trading and custody, to name but a few.

As we mentioned above, on the retail side we see little growth opportunities in consumer lending and personal loans. There are, however, signs of increasing activities in the mortgage segment as individuals are sensing that the real estate prices are at a very low level, if not bottomed out already, and are also having more faith in their future prospects. The constantly evolving needs of our individual clients prompted us to launch numerous products throughout the year, such as consumer loan with fixed interest rate, new home equity loan and also a new deposit to commemorate the 20th anniversary of the Bank. As always, all product launches were supported by strong advertising campaigns in order to affirm our position on the market.

Revenues came under pressure in 2011, being affected by the slower economic activity and the overall demand for new banking and other financial products. Nevertheless, we have been able to successfully maintain the pricing at levels that reflect today's risk and challenges. Similarly, we were successful in substantially reducing the cost of funding, helping the overall net interest income numbers in an extremely difficult fund-raising environment. What is more, we managed to maintain virtually unchanged the revenues stemming from the fee and commission activities, easing the pressure on the revenues.

We continue to exercise very tight cost control within the Bank, keeping the cost-income ratio at very acceptable levels. Still, costs will continue to be under scrutiny, and the part of those that are within our control might be used to offset any further weaknesses on the revenue line.

Having been in a crisis mode now for the last three years, we would like to believe that the worst is behind us and under control. Our provisioning expense remained at higher than desired levels throughout the year; however, towards the latter part of the year we began to see some normalization in areas that initially exhibited signs of substantial distress, i.e. consumer loans. In the areas of mortgage loans and certain corporate clients there are still challenges and restructuring needs, but we are at the opinion that we have at least identified and quantified the distressed portfolio to a very large extent.

We are confident for the future as the appropriate processes are now in place and the people are professional and experienced. With the support of our sister companies - EFG Properties and IMO, we are able to manage a substantial part of the distressed portfolio. Their support is of importance for us, as today's realities are that the real estate market is not working properly and sometimes a fair market price is difficult to be established. Overall, we are pleased with the team we have created in the Risk area and the support we receive therefrom.

In the end, it all comes down to the people and we are proud of our people in the field and their commitment to our clients. They kept on working diligently to attract new clients, service existing ones, and work with those who may be in need either to get new loans to realize their dreams or trying to cope with some of their existing obligations. On our side, we continued to invest in them by having substantial training seminars and workshops and helping them become better in what they are doing.

No doubt, their achievements would have been wasted were they not supported by our head office personnel who also showed solid performance. What may have been a novelty in the past has now become a norm whereby our people have multitask responsibilities and approach – acting on several fronts simultaneously. Productivity and good performance are obviously the key factors in today's environment.

Needless to say, our excellent cooperation with our Head Office overall, as well as the support and expertise we received from the International Activities General Division of the Head Office, give us a strong competitive advantage.

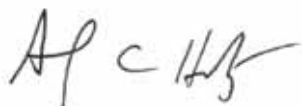
Although 2011 was a year full of challenges and a lot of companies restricted their corporate social responsibility activities, Postbank remained active and demonstrated its commitment and responsible conduct to the benefit of its customers, employees, partners and the society as a whole. The Bank continued its long-term projects and even started new initiatives to improve the well-being of society and the future of the country. Postbank is very active in the area of corporate social responsibility and traditionally implements a number of socially important projects in education, care for the environment, art, sports and corporate donations.

In the yearly part of 2012 we saw a continuation of the deteriorating market conditions of the latter part of the previous year which were accentuated and made worse by the severe weather conditions in January and February. On the other hand, the signs for some kind of an orderly settlement of the Greek crisis, and hopefully subsequent calming down of markets in Europe give us reasons for hope. Business conditions continue to be extremely difficult for new business and we are constantly working on addressing needs of clients given the current conditions.

The emphasis for us is on new business generation, adequate funding and a strong balance sheet. We will continue to invest in new technology and promote the Bank as a technologically advanced institution. We will tap the Head Office expertise for new product development, technical assistance and advice. However, we will primarily rely on our own strengths, affirming ourselves as an independent institution, more so now when the discussions for the announced merger with Alpha Bank have been terminated.

In case anybody had any doubts, it is now confirmed that the new norms going forward will be substantially different than the old norms in the past. Nevertheless, we have learned our lesson and are well prepared to withstand whatever challenges real life will throw at us.

Anthony Hassiotis
Chief Executive Officer

Handwritten signature of Anthony Hassiotis in black ink, consisting of the initials 'AP' followed by a stylized 'C' and 'HS'.



BANK PROFILE

Postbank, legally known as Eurobank EFG Bulgaria, is a leading universal bank in Bulgaria, offering a full range of banking services: various types of accounts and deposits; consumer loans; mortgage loans; special products for financing small enterprises and entrepreneurs; corporate credits; mutual funds; investments and cash management; foreign exchange transactions; credit and debit cards; bank guarantees and letters of credit; securities trading and trade finance activities.

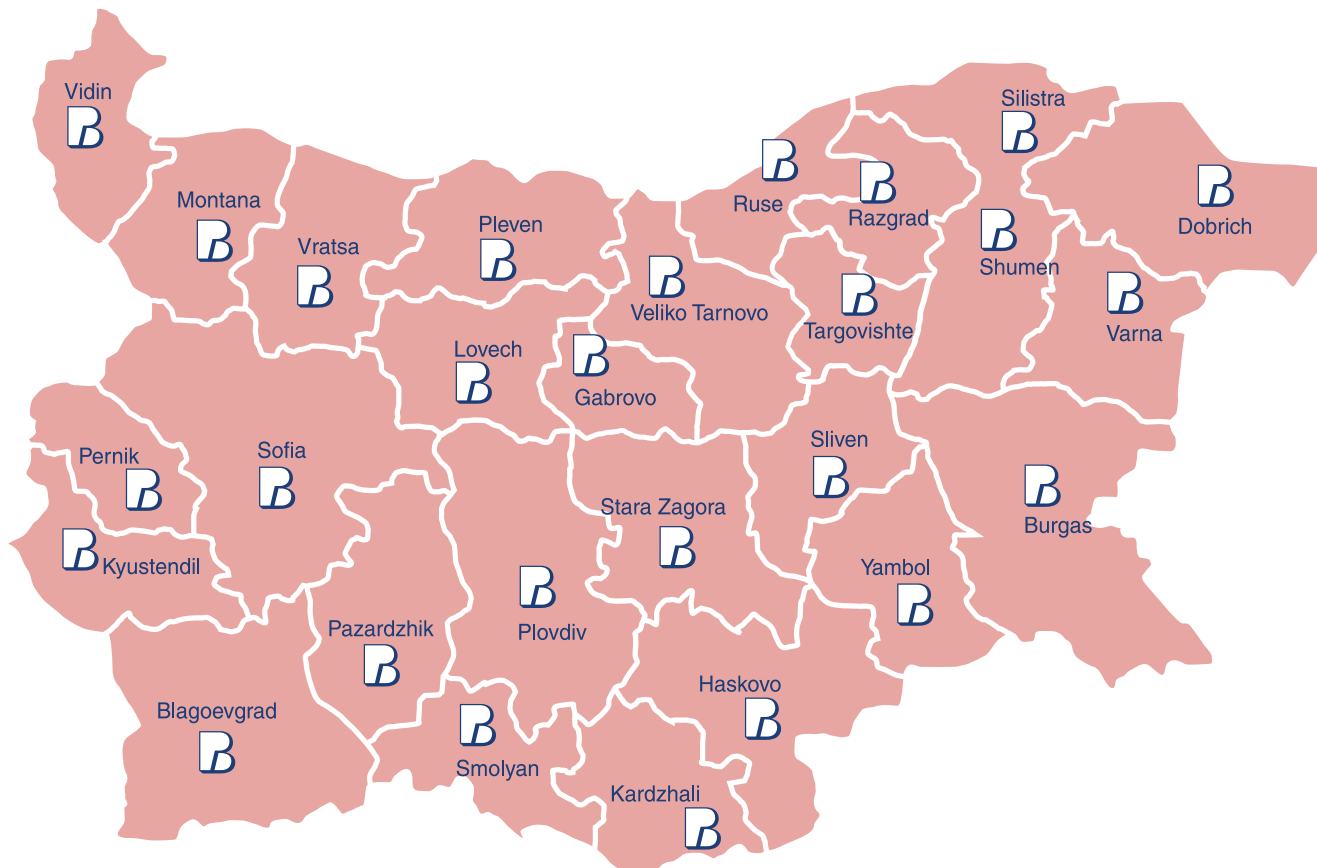
The Bank commands a market share of nearly 10%, a workforce of nearly 3,000 employees and a branch network of over 200 locations countrywide.

Postbank is a member of Eurobank EFG Group, a European banking organization with total assets of €76.8bn (FY2011). The Group employs more than 22,500 people and offers its products and services both through its network of 1,600 branches and points of sale, and through alternative distribution channels. Eurobank EFG Group has an established presence in Greece, Bulgaria, Serbia, Romania, Turkey, Poland, Ukraine, United Kingdom, Luxembourg, and Cyprus. It is a member of the EFG Group, an international banking group with presence across 40 countries.

Eurobank EFG Group started to operate on the Bulgarian market through its subsidiary, Postbank, in 1998, and in the next years incorporated the following legal entities: Bulgarian Retail Services AD, EFG Leasing EAD, EFG Auto Leasing EOOD, EFG Property Services Sofia AD, Eurobank EFG Factors SA - Branch Bulgaria, IMO Property Investments Sofia EAD, IMO Central Office EAD, IMO Rila EAD and IMO 03 EAD.

In December 2006 Eurobank EFG acquired control of another bank in Bulgaria, DZI Bank. Postbank and DZI Bank merged in November 2007 under the brand of Postbank and the legal name Eurobank EFG Bulgaria AD, thus creating one of the leading banking institutions in the country.

Having a banking history of 20 successful years, Postbank ranks among the leading universal banks in Bulgaria. Total assets of the Bank reached BGN 5,991 million as of 31 December 2011. In the beginning of 2011 the Bulgarian Credit Rating Agency has assigned a long-term rating of BBB to Postbank with a stable outlook and a short-term rating of A-2.





FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS	2011	2010
Balance Sheet		
Loans and Advances to customers	5 175 346	5 222 861
Client Deposits	4 717 748	4 641 511
Shareholders' Equity	911 798	905 775
Total Assets	7 845 599	8 073 687
Profit and Loss Statement		
Net Interest Income	262 640	310 025
Net Fee and Commissions Income	59 577	61 561
Net Trading Gains	1 887	1 553
Other Operating Income	1 961	1 222
Total Operating Income	326 066	374 360
Total Operating Expense	150 576	154 107
Deposit Insurance Fund	-17 251	-17 101
Provisions for Impairment	-145 851	-139 801
Profit Before Tax	12 387	63 351
Income Tax	1 934	6 215
Profit After Tax	10 453	57 137
Key Financial Ratio		
Net Interest Margin	3.35%	3.84%
Cost / Income Ratio	46.18%	41.17%
Total Capital Adequacy Ratio	15.44%	13.34%
Loans / Deposits Ratio	101	96
ROA (after tax)	0.13%	0.72%
ROE (after tax)	1.15%	6.53%
Earning per Share	0.02	0.13

All figures are in '000 BGN

*consolidated data for Postbank (Eurobank EFG Bulgaria) and the other Bulgarian subsidiaries of Eurobank EFG Group

ECONOMIC SITUATION IN EUROPE

The year 2011 was a very challenging year for the European countries. The European banking and sovereign credit crisis has rapidly escalated. Market pressure has driven the rates for re-financing government debt to unbearable levels and increased the fear that at some point certain countries will not be able to refinance. Crisis entered a phase which policymakers are unable to control. The pressure on them to act quickly to restore credit market confidence increased, but the constraints they face are also rising. Institutional weaknesses at the euro area level continue to hinder the resolution of the crisis and weigh on ratings, with little sign of a meaningful change in the policy framework.

Currently the euro area is at a junction, leading either to closer integration or greater fragmentation. While limited by ineffective fiscal controls and a consensus-driven approach to crisis management, the euro area possesses tremendous collective economic and financial strength. Effective resolution of the crisis, accompanied by closer economic and financial integration, would help to preserve the advantages of common European market.

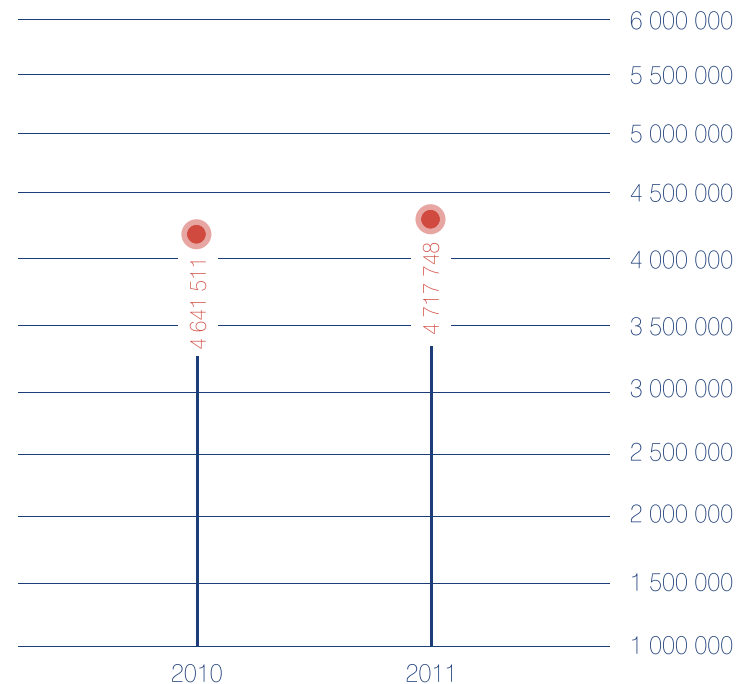
ECONOMIC SITUATION IN BULGARIA

Even though Bulgarian economy showed some positive signs – economic growth remained positive, low budget deficit to GDP ratio, subdued inflation and unemployment deemed to be under control, country's moderate economic and institutional strength combined with a negative impact of the ongoing euro area crisis does not allow concluding that Bulgaria is in a recovery phase.

The impressive 2011 export growth, leading to a surplus in current account balance is worth nothing. Unfortunately, with the evolution of euro area recession and limited diversification of Bulgaria export, positive development would not be maintained in 2012. Expected foreign investments (FDI) and other private capital inflows are likely to remain below 2009, but will be partially replaced by aid and loans primarily from the EU. Competitive wages and low tax rate should support private investments, while EU structural funds will maintain public investment. Mostly these are rationales for widely expected GDP growth to be below 1%.

Retained fiscal and monetary stability influenced Bulgaria's banking system developments. In 2011 total loans grew by 4% y-o-y to 56 billion leva (74% of GDP), solely due to the growth of corporate segment including several extraordinary large deals. The primary drivers were the sectors with good growth pros-

“Despite the challenging local and international economic environment during the past few years, Postbank and its affiliated companies managed to sustain good financial health.”



Client deposits
All figures are in '000 BGN

pects, mainly the export-oriented ones. However, the situation remained difficult in the real estate related industries and tourism. Individual customers' demand for loans stayed weak. The real estate market is close to if not at its bottom. Mortgage lending market grew by a modest 1% to 9.4 billion leva. Consumer lending market shrank by 2% as the maturing of the existing portfolio could not be offset by the new borrowings.

Saving rate (70% of GDP) remained high for both companies and individuals. Total deposits grew by 5.88 billion (13% y-o-y to 52.8 billion leva). Individuals and households accounted for 3.8 billion of the incremental growth. We have to note that high level of corporate savings presents a challenge on economic growth as they are delaying investments which the economy needs.

POSITION OF THE BANK

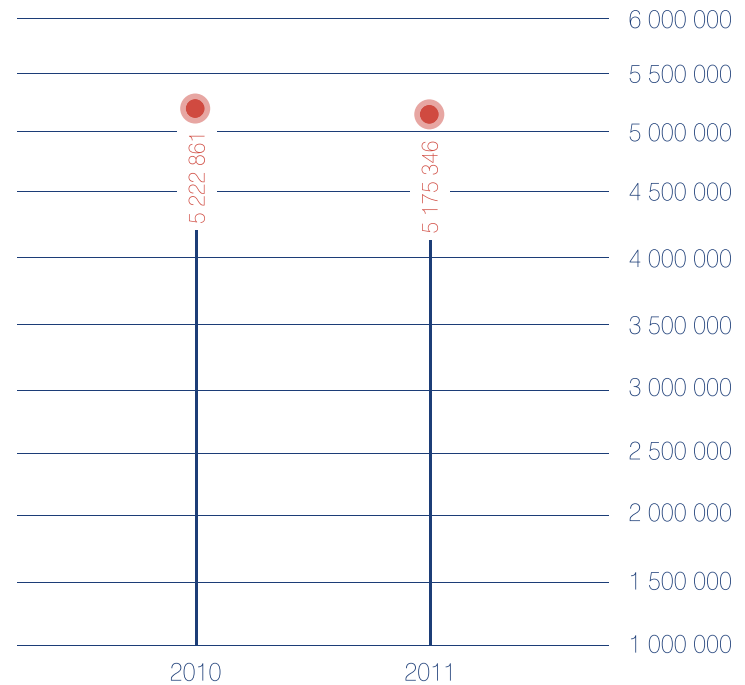
In 2011 Postbank celebrated its 20th anniversary. Throughout this period, the Bank has successfully affirmed itself as one of the leading Bulgarian banking institutions. Despite the challenging local and international economic environment during the past few years, Postbank and its affiliated companies managed to sustain good financial health.

While maintaining a liquid assets ratio over 25% and CAR above 15%, the Bank suffered a certain negative impact on revenues. Nevertheless, it managed to protect shareholders' equity and remained profitable, with specific emphasis during 2011 in the area of cost control, not only limited to operating expenses efficiency, but also on cost of funds.

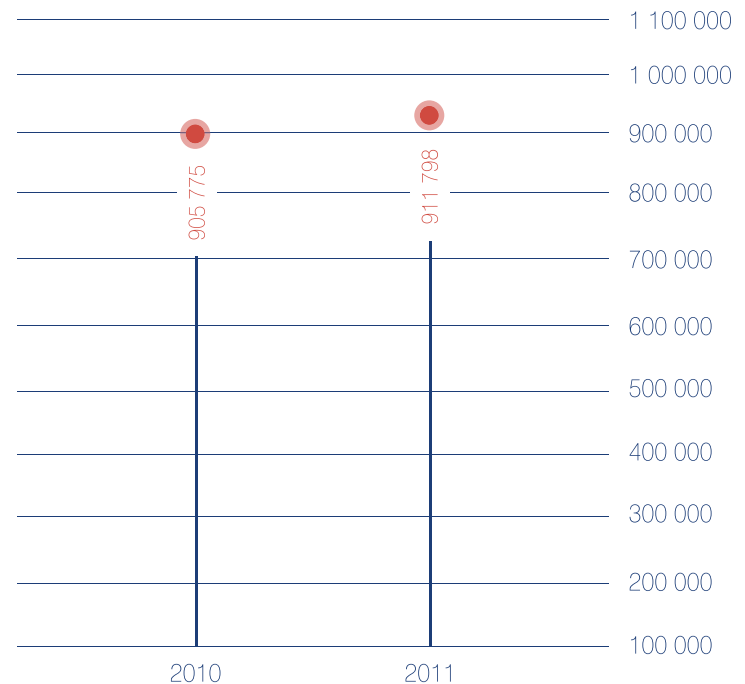
Enlargement of our deposit base, as main source of funding, continued to be a key point in the Bank's strategy. Increased domestic deposits from individuals allowed the Bank to improve its core deposit base and to reduce its dependency on unpredictable external funding and volatile corporate deposits. Customer deposits increased to 4.71 billion. Achieved growth was coupled with a decrease of cost of funds. We ended up 2011 with a sustained market share and optimized deposit mix.

In lending we focused on a selective expansion in targeted segments, adhering to strict lending criteria and portfolio quality improvement.

Managing our lending portfolio, we put a strong emphasis on credit quality and customer profitability. The current environment discourages undertaking excess risks in acquiring new business and calls for a close monitoring of the existing portfolio. Also,



Client loans
All figures are in '000 BGN

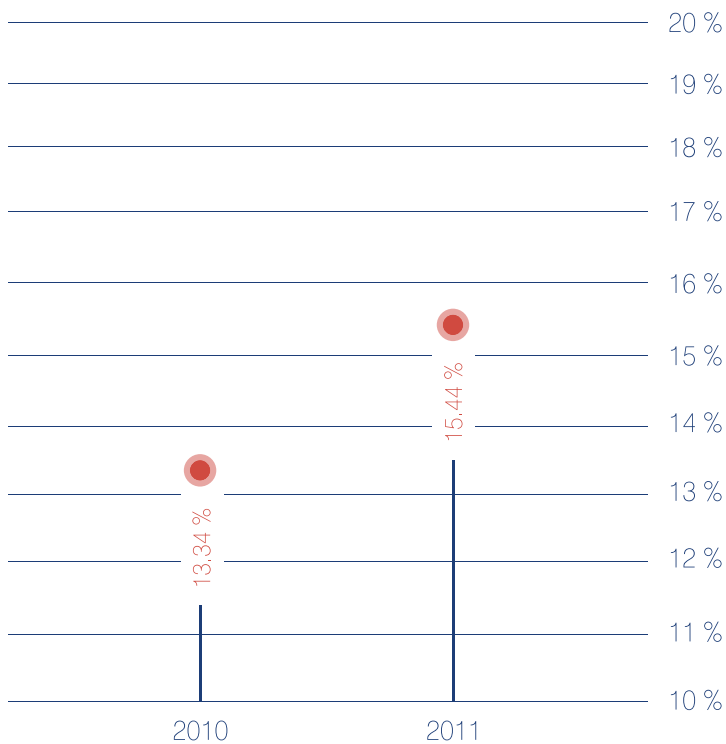


Shareholders' equity
All figures are in '000 BGN

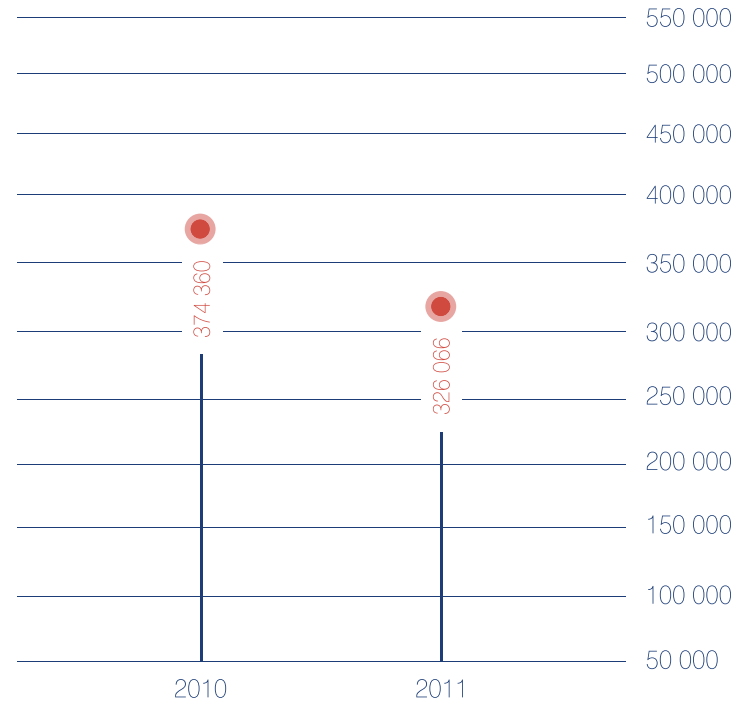
being one of the leaders in the retail segment Postbank was affected by the low demand of loans by individuals and the faster amortization rate of this part of the portfolio. Despite this, gross loans grew by 70 million leva in 2011. During the year Postbank has written off loans for 108 million leva which resulted in a slight decrease of client loans to 5.22 billion leva.

Capital adequacy improved by 210 bps compared to 2010, significantly above the regulatory requirement of 12%. The capital base was strengthened by the retained profit from 2010 and the measures taken by the management to improve the portfolio quality.

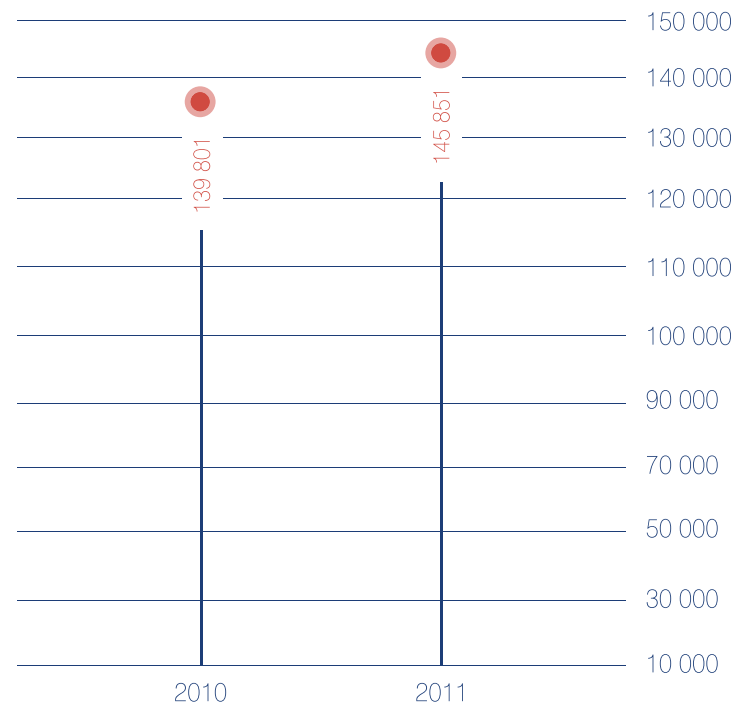
Throughout the year, the management has taken a series of initiatives aimed at preserving the operating income of the Bank. One of the most significant was the lowering of the funding costs which had a strong positive impact on the interest expenses. Equally important were the measures aimed at increasing the non-interest sources of revenue. This compensated for the lower interest income stemming from the amortization of the higher interest earning segments of the loan portfolio. In total, the Bank earned 326 million leva in 2011.



Capital adequacy ratio



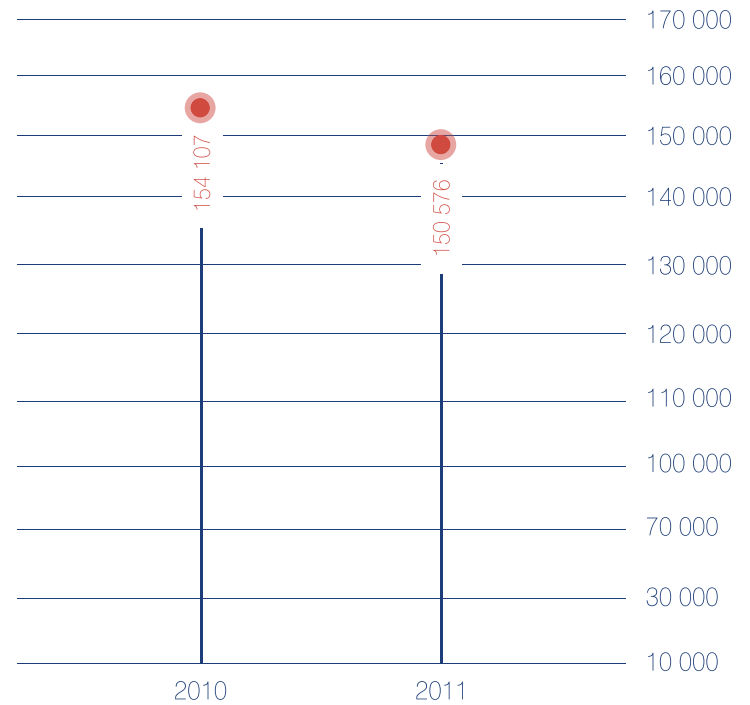
Total operating income
All figures are in '000 BGN



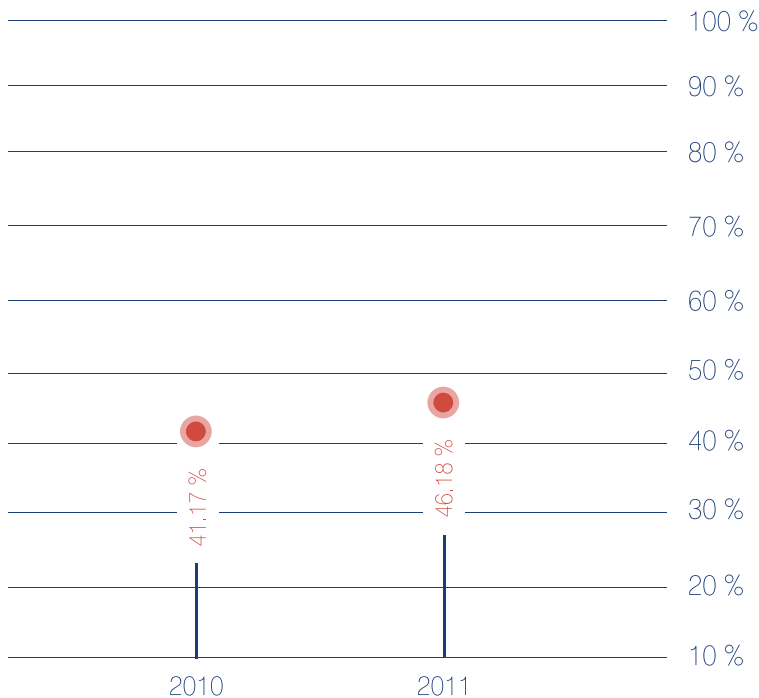
Provisions for impairment
All figures are in '000 BGN

The approach towards delinquent loans has been traditionally conservative. Careful evaluation of potential losses and customized rescheduling schemes that meet short term customers' needs have been amongst most actively used measures during the year. Our conservative approach of loan loss assessment reflected in 2011 provision charge of 146 million leva by which we fortified our balance sheet.

Our cost cutting efforts, as an important tool to preserve profitability, deserve a special note. The efforts are paying off not only by almost 3% decrease of the operating expenses in 2011, but mostly through enduring effect that will appear in 2012. Efficiency (cost/income ratio of 46.2%) is well below pre-crisis level and this puts Postbank on a strong foundation to benefit once the recovery is on its way.



Operating expenses
All figures are in '000 BGN



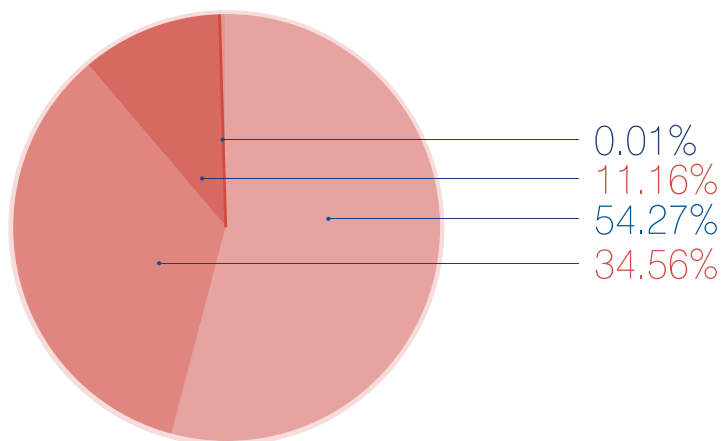
Cost to income ratio



MANAGEMENT
AND SHAREHOLDERS

SHARE CAPITAL STRUCTURE

As of 31 December 2011 the total authorized number of ordinary shares of EFG Eurobank Bulgaria was 452,752,652 with a nominal value of BGN 1 per share. EFG Eurobank Ergasias owns directly 34.56%, another 54.27% of the share capital is owned by EFG New Europe Holding B.V, 11.16% by CEH Balkan Holdings Limited and 0.01% by minority shareholders.



54.27% EFG Eurobank Ergasias owns directly
34.56% EFG New Europe Holding B.V
11.16% CEH Balkan Holdings Limited
0.01% Minority Shareholders

MEMBERS OF SUPERVISORY AND MANAGEMENT BOARDS (AS OF 31 DECEMBER 2011)

Supervisory Board

- Piergiorgio Pradelli, Chairperson of the Board
- Theodoros Karakasis, Member of the Board
- Evangelos Kavvalos, Member of the Board
- Nikolaos Aliprantis, Member of the Board
- Christos Adam, Member of the Board

Management Board

- Anthony C. Hassiotis, Chairperson of the Board and Chief Executive Officer
- Petia Dimitrova, Deputy Chairperson of the Board and Executive Director
- Jordan Souvandjiev, Member of the Board
- Yiannis Vouyioukas, Member of the Board
- Ilian Raychev, Member of the Board

BUSINESS OVERVIEW



RETAIL BANKING

Branch Network

With its 206 locations in 100 cities, at the end of 2011 Postbank possesses a very well developed, positioned and accessible branch network. The Bank's locations are evenly distributed in all of the country's 28 districts – 53 locations in the capital and 148 throughout the rest of the country (and 5 additional business centers for corporate clients), covering more than 75% of the population of Bulgaria.

During the year the Bank continued to optimize its branch network in terms of both location and quality of service, with the goal to achieve even higher client satisfaction. Significant resources were devoted to the implementation of new technologies, such as a CRM tool for sales campaign and contact management and a unique front-office platform utilizing touch screens, improving client servicing. The emphasis on providing comprehensive financial solutions for the small business, affluent and individual client segments was instrumental in increasing sales of new products and services.

Personal Banking

In 2011 the Personal Banking model gained momentum and made significant steps towards reaching its strategic goals. As the model was implemented in total of 94 branches with 96 Personal Banking Advisors, the number of new affluent clients grew consistently throughout the year and the overall usage of bank products by the segment increased as well.

A special deposit product set was developed and with it the foundation was laid for the development of comprehensive product solutions that would encourage clients to make Postbank their main servicing bank and receive in return various discounts and preferential conditions on loans and credit cards, as well as special interest rates on term deposits.

The transition from stand-alone products to packaged offers began with the introduction of "Interest Plus" Current Account: a package for every-day banking that incorporates a number of free services for a flat monthly fee. The attractive account features and the higher class debit card made the package particularly appealing to affluent clients with more complex financial needs.

“ In 2011, Postbank managed to preserve its active role on the local market despite the difficult market environment throughout the year. ”



Individual Deposits

Keeping pace with the changing market environment, in 2011 Postbank managed to maintain its deposit market share and continued improving its liquidity position and product mix through carefully orchestrated sales initiatives, marketing campaigns, interest rate adjustments and product innovations. The continuing transition to a client-centric business model, with the goal to align the product offers with the specific needs of the different client segments helped strengthen the relationship with the Bank's clients, leading to an increase in the deposit retention rate and to a better utilization of the various features and services associated with current and savings accounts.

Group Sales

Offering convenience and preferential terms for banking products, many presentations, meetings and the special Eurobank Days were held at the premises of our corporate customers and as a result, in 2011 the Bank significantly increased its payroll customers emphasizing on its flagship Premia program.

CONSUMER LENDING AND CARDS

Consumer Loans

In 2011 the main focus was on the new business generation, acquiring new customers and retaining the existing ones.

The revival of the new volumes has started at the end of Q1, when actually a Top-Up program (offering existing customers a new loan) was launched as a regular campaign throughout the year. The initiative has managed to bring close to 32% from the total production in terms of amounts for the whole 2011.

In the beginning of Q2 the Anti-Attrition program for consumer loans officially started, aiming to retain the existing customers of the Bank. The new process has managed to position us among the first banks in Bulgaria having such kind of specialization in this field.

In the end of Q2, new pricing structure including specific segments was introduced together with a Balance Consolidation product, both designed to increase the new production and the respective market share. We managed to increase the new volumes with 113% in 2011 vs. 2010 (EUR 41 m. new production for 2011).

**12-месечен депозит
АКТИВНИ ПАРИ**

Движение

Депозит за тези, които търсят гъвкавост и висока доходност

9,00% **8,00%** **6,00%**

Postbank

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ПОТРЕБИТЕЛСКИ КРЕДИТ

ВНОСКА

-30%

Защо спазвате обещанията си - Браво!

За Вас създаваме потребителски кредит за обезпечение на заръжления, с който можете да плащате с до 30% по-малко* на месец

- * Една месечна вноска в една банка
- До 25 000 лева или работностапността в евро

Postbank

www.postbank.bg 0800 18 000

Cards

In 2011 our efforts were mainly focused on the activation of existing credit cards portfolio and retention of cardholders while increasing Debit cards portfolio.

Further developing AmEx cards, we successfully launched My Rewards AmEx card – a tool for points redemption, which was to be used also as a prepaid card.

We successfully participated in 2 National Visa POS Spend stimulation campaigns, which led to 8.1% increase of purchase volumes on a yearly basis. We introduced a cross-sales initiative in cooperation with the Personal Banking Division of the Bank, which targeted affluent, existing and potential, customers for subscribing to a Cash Management Account package (including current account and premium MasterCard debit card). Further to those efforts, and together with MasterCard, we have executed a multi-layered campaign aiming to increase MasterCard cards issuance. Maestro and MasterCard spend stimulation as well as Maestro and MasterCard usage at Postbank POS universe. All of the efforts finally led to an increase 61.2% of purchase volumes on a yearly basis.

Last but not least, we developed and launched private-label IKEA card which aims to be an incremental sales channel for new bank customers' acquisition.

Acquiring

Despite the deteriorating economic environment, Postbank very well managed to sustain its results from 2010 and achieve respectively 39.3% growth in terms of number of transactions and 25.2% in acquiring turnovers through the POS network in 2011 thus increasing market share in Visa and MasterCard acquiring business achieving respectively 10.72% for Visa, 8.26% for Maestro and 11.97% for MasterCard acquired volumes, while sustaining AmEx acquired volumes.

Consumer Lending Division continued the good cooperation with other divisions from the Bank, such as Corporate and SBB established to secure more focused approach and joint efforts in attracting and retaining key merchants as Bank clients. Some of the key merchants acquired throughout the year were Metro Cash and Carry, Praktiker and IKEA. The Bank successfully explored POS share deal with DSK Bank which allowed increasing the coverage of merchants accepting AmEx cards in a cost-efficient manner. The main merchant acquired under the POS share deal was Metro Cash and Carry.

Auto Business

The activities were mainly directed to restart the official cooperation with most of the car dealers in the country with the close cooperation of Corporate Banking Division. The latter, drove us to the achievement of signing in total 35 frame agreements with official car dealers/importers for Bulgaria. In the count of the pointed frame agreements is the biggest alliance of car importers & dealers for the country (Avto Union), dealer of 10 brands and importer for 5 of them. In the end of the year the process of positioning more heavily the auto business through the Branch Network of the Bank has started, which will be further developed in 2012.

Remedial Management

In 2011 the main focus on the remedial management of the portfolio and the aim was to further improve the quality despite the stressed economic environment that Consumer Lending was operating in. The strategy and the processes were constantly reviewed and modified, new tools were developed and implemented with the focus remaining in two areas: helping customers who were facing difficulties in repaying their obligations by offering various tailor made solutions (according to the profile and

the specific needs of each customer) and Controlling/Minimizing the delinquencies by strengthening our collection and recovery efforts towards overdue customers. These strategies and tactics led to the improvement of the portfolio quality (where the gross 90+ outstanding balances were decreased by 34% versus 2010 and the gross 90+ delinquency ratio was decreased by 26.5% versus 2010) and the total provisions charge was reduced by 36% YoY (From 31m to 20m) and by 60% versus 2009 (from 50m to 20m).

MORTGAGE LENDING

The gradual recovery which characterized the Bulgarian mortgage market in 2010 and early 2011 came to a standstill in the second half of 2011. A combination of factors, including a global economic instability, an euro zone debt problems, a continued decline in local home prices, in new construction and a general local consumption slowdown, led to decreased market demand and to lower average loan sizes. Against this background, the Mortgage Lending Division of Postbank successfully realigned the sales machine to defend its position as the second largest mortgage lender, registering a significant increase in new loan applications on a yearly basis and sustaining both portfolio volumes and the market share.

Sales initiatives and multichannel sales approach

During 2011 the Bank was applying multichannel approach in an effort to increase the new sales. Together with the branch network which remained the strongest distribution channels we focused on reinvigorating and further development of alternative sales channels such as financial consultants, real estate brokers etc. In addition we introduced also an online channel, greatly expanding the ways potential clients could hear about and apply for mortgage offers. Thus Postbank was allowed to reach substantially more non-Postbank clients. The main source for loans generation remained the existing customer base and the Bank emphasized on its systemic and pro-active targeted approach. A combined sales initiative was launched in the first quarter together with the Group Sales team, which provided superior solutions to payroll clients and improved outreach. A set of internal marketing campaigns with preselected customers were conducted aiming to promote mortgage loans and to increase cross sales to existing customers.

Better Solutions

In the first half of the year, Postbank cemented its place as a

debt consolidation loan leader and continued to successfully grow the home equity business with a new campaign and better loan conditions. In the second half, the focus shifted to new mortgage business as the Bank found new ways to meet client needs by launching an innovative mortgage loan, which gives back to clients in the form a bonus that could be used for furnishing the home. The bonus is issued to an IKEA card, which becomes a credit card with a pre-defined limit once the bonus has been spent. The market reacted positively to the combination product which resulted in substantial increase in applications.

Enhanced Products and Services

In the third quarter, Postbank introduced Flexi functionality for all existing clients with annuity mortgage and home equity loans, allowing them to take advantage of unique flexibility options, such as decreasing a monthly payment up to 50% of the original, increasing the monthly payment up to 200% of the original, or skipping the monthly payment once per year.

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Special offers were introduced to payroll customers and to customers with high cross sale index. Improved campaign planning and execution capabilities, as well as enhanced time-to-money processes allowed the Bank to better leverage cross-sell and up-sell opportunities in the fourth quarter.

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 Bank's significant branch network.

In 2011 the Bulgarian economy continued to be adversely influenced by the international financial crisis but started showing signals of recovery. CBD acted in a prudent and responsible manner by proactively supporting the Bulgarian corporates, while undertaking prompt and efficient measures in order to diminish the consequences of the crisis upon its clients and business.

The division's main focus in 2011 was placed on new business development by establishing and expanding its collaboration with existing and new clients. During the year, CBD granted new loans to new and existing clients from various industries, mainly to export-oriented companies and capitalized on Eurobank's extensive presence in the Balkan region and knowledge of the market.

Strong emphasis was also placed on attracting deposits, increasing cross selling and re-examining corporate relationships based on their return on risk assets.

In order to further assist the growth of export oriented businesses the division helped in the establishing 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.

In 2011, the portfolio quality continued to be one of the division's main focuses. In this respect, CBD continued to take actions to

identify possible areas of concern, discussed alternative plans with clients and supported their business through loan re-scheduling or restructuring. As a result, Postbank's problematic Corporate Banking loans remained for a consecutive year at levels below the market average.

With regard to the efficiency and control improvement, a project for centralization of the Corporate Loan Administration was successfully completed in 2011. Currently one Central Loan Administration Department based in Sofia, supports successfully the operations of one Large Corporate Unit and seven Business Centres. The benefits from the above reorganization include but are not limited to, productivity growth, personnel redeployment, uniformity in the processes applied and better control of operations.

Корпоративно банкиране

Ние движим българския експортен бизнес напред

- Факторинг услуги
- Инвестиционно и оборотно (вкл. пред-експортно) финансиране
- Търговско финансиране (инвеса, кредитни гаранции) и възможност за индивидуално разработени решения
- Услуги на издателски услуги, транспортни средства, машини и оборудване
- Консултантски и интернационални решения за издържане на валутен и лихвен риск (EuroBox, Libor, SofBox) и борсово-партньорски схеми

Нашите специализирани бизнес центрове и отдели По време на корпоративни срещи подкрепят Вашите бизнес решения и международно развие, като предлагат иновативни и интегрирани решения, съобразени с Вашите нужди.

№ 1 експортен и импортен фактор в света, 2011 Factor Chain International

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Член на Eurobank EFG Груп

CBD's main priority for 2012 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 2012.

CAPITAL MARKETS

In 2011, Postbank managed to preserve its active role on the local market despite the difficult market environment throughout the year. The Bank has successfully established trading lines with top global names and remained focused on strengthening its performance in view of offering a full range of trading, derivatives and custodian services. During the past year Postbank preserved its leading position in Custody business on the market.

Assets and Liabilities Management

In 2011 ALM unit put sustained efforts to effectively manage the Bank's balance sheet exposures to currency, interest rate and liquidity risks. The prudent liquidity management of the Bank provided for stable liquidity reserves throughout the 2011. Implementation of funding strategy with focus on diversification of funding base and cost of funds optimization remained among the top priorities in 2011.

Supranational institutions continued to play a strategic role to the Bank in terms of funding.

Throughout 2011 Postbank managed to keep its leading position on local Money Market positioning in top 3 for the majority of the year.

In 2011, the Bank signed new credit line with Bulgarian Development Bank and continued to utilize tranches from the credit lines with European Bank for Reconstruction and Development.

Custody

Throughout 2011 Postbank remained among the leader banks in term of custody services offered to local and foreign institutional investors, including safe-keeping, processing and servicing clients' securities portfolios. Postbank preserved its leading position as the preferred custodian bank on the market for local mutual funds and investment companies. The Bank was recognized as the best bank offering custodian service in Bulgaria by the

Global Custodian magazine for a consecutive year. Eurobank EFG Group received the highest ranking, Global Custodian №1, for its custody services in the region. Custodian unit expanded its range of activities by providing the Trustee bank service to bond issuers.

Treasury Sales

In 2011, the main focus in Treasury Sales activities was on strengthening the performance in derivative business. This was reflected in 46 FX derivative deals at total amount of EUR 10M and 10 long-term interest hedge deals at total amount of EUR 22M.

Flow business both in terms of FX transactions and bond deals with clients outperformed in 2011. The volume of regular FX spot deals increased by almost 10% compared to 2010. Bond deals increased by 30% in 2011 mainly due to deals with Institutional clients in EUR corporate bonds. On the Institutional deposits market Eurobank EFG Bulgaria retained 5.6% market share in end-2011.

Brokerage & Investment Banking

Postbank kept its market share at 3% and ranked in top 4 Banks on the stock market with a turnover of EUR 21.7M. The Bank is also the leading market maker in Bulgaria. The Investment Banking unit performed well and accomplished 4 large projects.

In 2011 the international stock markets offered a better perspective than the local stock exchange, so the Brokerage team enhanced its activities in that business. As a result, Postbank realized a turnover of EUR 3.5M on the international markets, mainly in New York, London and Frankfurt. The Bank won recognition as the best local provider of real delivery international brokerage for individuals and one of the best for institutionals.

Trading Desk

Postbank remained one of the most active players on the local fixed income market. Trading unit actively managed the performance and risk of its Fixed Income Portfolio. The unit had very good market-timing in realizing substantial gains from the Bond portfolio.

In 2011 Postbank successfully established trading lines with more than 40 top global names and has conclusively preserved the leader position on the local Money Market.

Mutual Funds

Luxembourg Mutual Funds, managed by Eurobank EFG Fund Management Company (Lux) and distributed through Postbank, put efforts to neutralize the negative global trend in the investment funds industry during the second half of 2011, focusing mainly on Bundle products sales – combined investments in Mutual Funds and term deposits. The efforts have been reflected in 19% increase of the attracted deposits through Bundle products. Despite the sharp fall in demand for long term investment funds, Postbank Mutual Funds managed to keep the number of net new clients on positive territory, as well as the fees income from sales and management.

OTHER SUBSIDIARIES OF EUROBANK EFG GROUP IN BULGARIA

EFG Leasing & EFG Auto Leasing

EFG Leasing and EFG 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 match the demands of the competitive market, but also customized to meet the needs of clients. The market share of Real estate in EFG's Leasing Portfolio increased over the past few years to 41%, followed by the traditional commercial and passenger vehicles- 32%, and industrial equipment -27%.

During 2011, the leasing market continued to shrink compared to the previous three years. Leasing companies started focusing on new business, 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, EFG Leasing managed to preserve its solid position, based on the strong cooperation and support from Eurobank EFG Bulgaria and EFG Eurobank Ergasias Leasing, as well as the efficiency and competency of its personnel.

During 2011, the "Leasing integration project" was successfully completed resulting in improving efficiency and client service as well as cost containment through integration of activities and resources.

Looking at challenges as an opportunity, EFG Leasing will enter 2012 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.

EFG FACTORS BRANCH BULGARIA

In 2011, Eurobank EFG Factors, the factoring company of Eurobank EFG Group, was the fastest growing factoring company in the market. EFG Factors managed to become the largest export factor in Bulgaria and maintained its second position overall with more than 34% market share. The company 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 introduced in 2011 for managing receivables.

GOVERNANCE
STRUCTURE AND
RISK MANAGEMENT

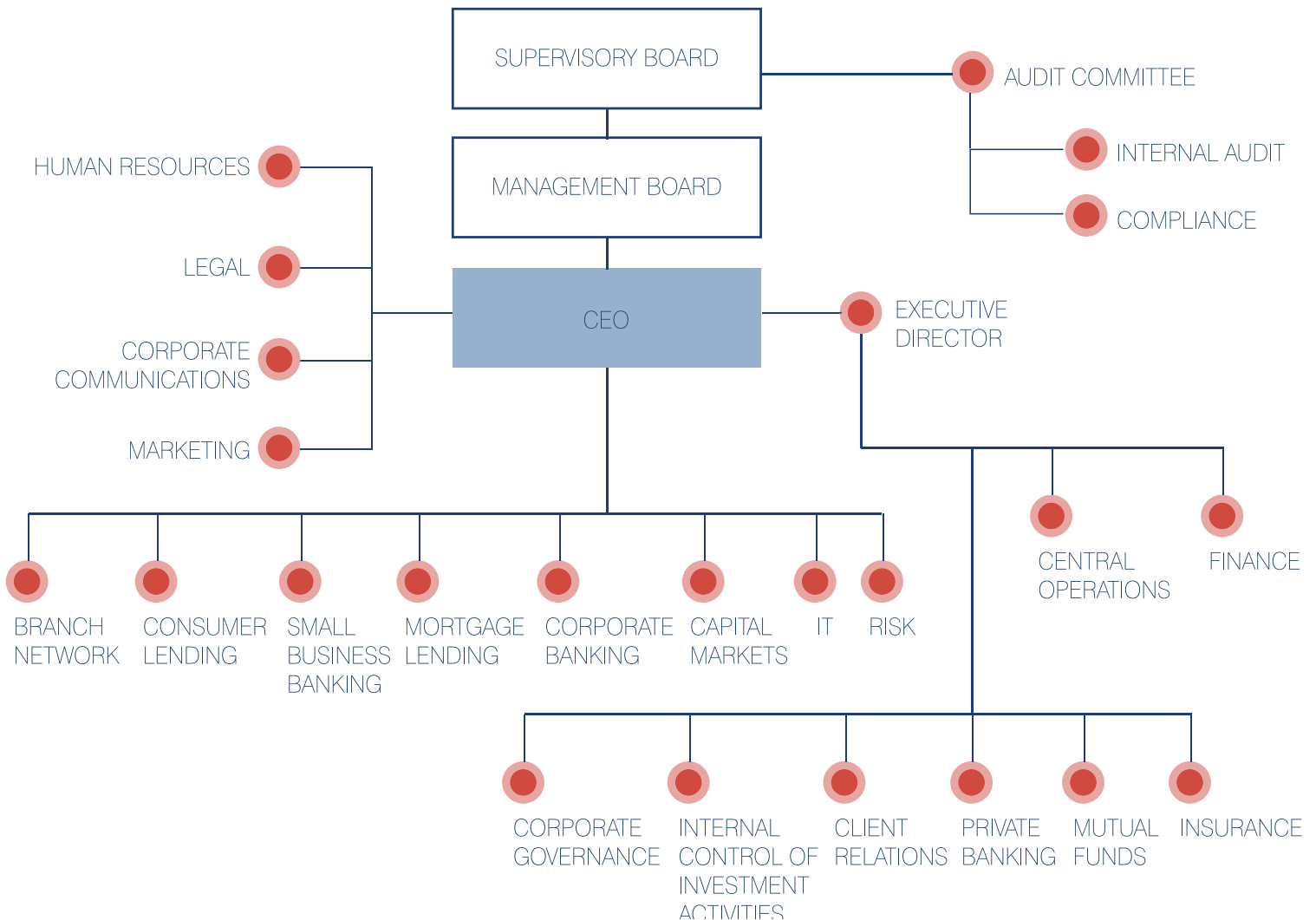


Postbank attaches great importance to good corporate governance acknowledging its contribution both to business and to accountability. Performing its business activities in an environment of continuously changing economic, industry, regulatory and operating conditions, the Bank is committed to adhere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

“ Postbank attaches great importance to good corporate governance acknowledging its contribution both to business and to accountability. ”

ORGANIZATIONAL STRUCTURE



MANAGEMENT AND REPRESENTATIVE BODIES

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

In 2011 the Bank continued to improve its corporate governance framework. It has carried out a transition from unitary to dual board structure.

Before having implemented the two-tier management system, in the first months of 2011, the Bank operated under a unitary board structure, where one body - the Board of Directors, performed both supervisory and management functions, exercising its powers under the control of the General Meeting of Shareholders. The Board of Directors held regular meetings, and its foremost duty and responsibility was to deliver sustainable growth in shareholder value and to safeguard the interests of the Bank's shareholders, customers and employees. During its term of office in 2011 the composition of the Board of Directors included nine members - one independent member, six non-executive members and three members directly engaged in the management of the Bank.

MANAGEMENT BOARD AND SUPERVISORY BOARD

On April 20, 2011 the General Meeting of the Shareholders of Eurobank EFG Bulgaria AD approved changes in the corporate governance structure and adopted a two-tier management system comprising two separate bodies – a Management Board and a Supervisory Board. The change of the management system separated the duties and responsibilities of managing the Bank from those of supervising and controlling the management activities. It came into force on May 5, 2011 after due registration with the Commercial Register.

MANAGEMENT BOARD¹

The Bank is managed and represented by Management Board, a permanent collective body, exercising its powers under the control of the General Meeting of Shareholders and the Supervisory Board. The Management Board holds regular meetings and its foremost duty and responsibility is to 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.

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

Executive Committee

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

Asset and Liability Committee

The Asset and Liability Committee is established in compliance with the requirements of Art. 4 of Ordinance №11 of Bulgarian National Bank on Bank Liquidity Management and Supervision.

¹For detailed information about the Members of the Management board please, refer to the Directors' Report section, p. 39

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 BOARD²

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.

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

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

Risk Committee

The Supervisory Board has delegated to the Risk Committee the role of approving all strategic risk management decisions and monitoring the quantitative and qualitative aspects of all market, credit, liquidity and operational risks. The committee develops risk policies and procedures and monitors their implementation.

Audit Committee

The Audit Committee is appointed by the General Meeting of Shareholders (GMS) and its purpose is to assist 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.

Remuneration Committee

The Remuneration Committee has the responsibility to assist the Supervisory Board on matters relating to executive and key management personnel remuneration, and all other personnel as required, including remuneration policy, employee benefits and incentive schemes.

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

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

¹ For detailed information about the Members of the Management board please, refer to the Directors' Report section, p. 39

Internal Audit Division

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

Compliance Division

Postbank sets policies and controls designed to ensure that the requirements of the relevant regulatory authorities, laws and regulations are complied with at all times. The Bank actively promotes compliance as part of the culture of the organization and continues successfully to manage and minimize the compliance risk and to prevent from infringement of ethical and legal norms. The Compliance Division is focused on establishing and maintaining an appropriate system of internal controls and addressing the compliance risk. Its main responsibilities include:

- To control and prevent against using the Bank for money laundering and terrorism financing;
- To monitor staff adherence to internal rules, including Code of Conduct;
- To carry out investigations in response to requests by regulatory and other authorities, to provide information and cooperate 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 EFGH 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 EFGH Group companies in Bulgaria.

RISK DIVISION AND RISK MANAGEMENT

Postbank acknowledges that taking risks is an integral part of its business. It therefore sets mechanisms providing adequate,

timely and continuous identification, assessment, monitoring, mitigation and reporting of the risks posed by its activities.

CREDIT RISK

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

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

- Risk Committee – responsible for strategic decisions and country risk management.
- Country Credit Committee and Regional Credit Committee – responsible for Credit Approval Process decisions.
- Credit Committee – responsible for provisioning management and deteriorated loans management decisions as well as approval of loan restructurings
- Loans and Product Committee – responsible for approval of products' risk parameters.
- NPL Committee – responsible for management of NPL loans.
- 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 EFG Group Guidelines, ensuring that all aspects of credit risk are adequately covered, monitored and controlled.

MARKET RISK

The Market Risk Department is responsible for the independent assessment, measurement, monitoring and control of the Bank's exposure to market risks, aiming to keep the potential financial losses from adverse changes in market variables such as interest or foreign exchange rates and equity prices within acceptable levels. The bank's Market Risk Policy and the related

procedures apply to the control of market risks, arising from all of the Bank's assets, liabilities and off-balance sheet positions, therefore covering both Treasury and non-Treasury activities that generate market risk. In 2011, the process of monitoring, measuring, analyzing, reporting and managing the Bank's exposure to market risks was further improved by the automation and update of a number of reports and processes and the introduction of additional stress tests and analyses. The stress tests, simulating adverse interest rate, foreign exchange and equity portfolio scenarios, carried out on a regular monthly basis, have proven to be a valuable forward-looking risk-management tool. 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, mainly due to the floating rate nature of most of its assets and liabilities and the short re-pricing periods. The interest rate risk of a significant part of the bond portfolio, consisting mainly of Bulgarian sovereign bonds, is hedged through asset swaps. The Bank's proprietary equity portfolio consists entirely 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 assets to meet obligations at a reasonable cost or at all; for financial assets the risk is that an instrument cannot be sold or otherwise exchanged for its full market value. Prudent liquidity risk management and appropriate supervision and control are essential elements for the effective management of the Bank. The Bank aims to effectively manage its liquidity risks and also to maintain sufficient liquidity to withstand potential stress events. The ultimate responsibility for liquidity management lies with the Assets and Liabilities Committee (ALCO). In 2011, despite the continuing difficult economic situation and the unfavourable market developments, Postbank maintained a very strong and stable liquidity position. The monitored liquidity ratios and liquidity buffers were further improved to historically high levels. The main liquidity ratios – “liquid assets maturing within 1 month to liabilities maturing within 1 year” and “1-month maturity mismatch to liabilities maturing within 1 year”, remained well above the minimum target levels set by the Bank's management. The “liquid assets ratio”, as per BNB Ordinance No 11, stood at 30.2% at the end of the year, significantly above the minimum of 15%, required

by the Central Bank. The positive outlook of the Bank's liquidity position has also been emphasized by the results from the number of stress test scenarios for liquidity risk, run on a regular monthly basis.

OPERATIONAL RISK

2011 was a year of further advances in the operational risk area and further steps were undertaken by the Bank to support the effective and proactive management of operational risk, i.e. the risk of loss, resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. Firstly, there is a growing acknowledgement in the Organization that a consistent and effective operational risk management framework can support achieving organizational objectives and superior performance. By including a well-constructed operational risk process in the entire value chain, the Organization ensures that the risks inherent in those activities are effectively understood and addressed. Secondly, the early involvement of operational risk management has increased the development speed of new initiatives toward mitigating risk. Operational risk awareness, specifically, has been enhanced within the Organization through trainings, and an Operational Risk Committee is established to adhere to the operational risk framework of the Group. Operational risk management in Postbank is based upon the following distinct, even though interrelated and integrated, Programmes: Operational Risk Events database maintenance; Operational Risk Indicators (KRIs); Risk and Control Self-Assessment (RCSA); and, Operational Risk Scenario Analysis. No operational losses that could expose the Bank to significant risk considering its size occurred in 2011.

BASEL II

In accordance with the EFG Group's roll-out plan and in view of the commitment of the Bank for continuous enhancement of Risk Management, Basel II Programme activities' continued in 2011 in alignment with the Group's standards and best practices.



APPENDIX 1



INDEPENDENT
FINANCIAL
AUDITOR'S
REPORT



TO SHAREHOLDERS OF THE EUROBANK EFG BULGARIA AD

Report on the Financial Statements

We have audited the accompanying financial statements of Eurobank EFG Bulgaria AD (the "Bank") which comprise the balance sheet as of 31 December 2011 and the income statement, statement of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

Rositsa Boteva

Registered Auditor



5 April 2012
Sofia, Bulgaria



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 the Bank as of 31 December 2011, 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 11, is consistent with the accompanying financial statements of the Bank as of 31 December 2011.

Petko Dimitrov

PricewaterhouseCoopers
Audit OOD



DIRECTORS'

REPORT



DIRECTORS' REPORT

The management presents the annual Directors' report as of 31 December 2011.

BUSINESS DESCRIPTION

Eurobank EFG 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: 14 Tsar Osvoboditel Blvd, 1048 Sofia, Bulgaria.

BUSINESS OVERVIEW

Development and results from the business activity

Eurobank EFG Bulgaria is a leading universal bank in Bulgaria, part of EFG Group international financial holding. The Bank provides a broad range of banking services to local and international customers through its nationwide branch network. The Bank has 206 retail network locations and employs 2,859 people.

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 good image and the visibility of the offices all over the country allowed the Bank to attract new customers and to gain the confidence of the existing clients. The Bank continues to meet the challenges related to the increased competition in the banking sector and financial culture of the clients.

The crisis was still around in 2011 but there were many positive signs that the Bulgarian economy was gradually emerging from it. The real growth was positive throughout the whole year, which confirmed the early signs that the country is recovering from the recession. All other macroeconomic indicators were also encouraging – inflation remained subdued, current account balance was positive, unemployment remained under control and the budget deficit was much better than expected. The forecasts for 2012 estimate that the growth will slow to about 1% for the year, nevertheless the country will not fall into recession.

The Bank will follow its strategy to remain the bank of first choice, providing the most innovative and best quality products and services while meeting the constantly evolving expectations of the

“ The Bank remained active and committed to its customers, employees, partners, society. ”

customers, thus creating value for them and its shareholders. External funding dependency reduction and local deposit market share increase will remain top priorities, as long as the situation on the international markets remains volatile. The Bank will continue to put strong emphasis on controlling expenses, including cost of funds. In terms of the lending portfolio, Postbank will focus on a controlled expansion in the target segments, adhering to strict lending criteria and improving the overall quality of the portfolio.

Despite the difficult environment, the Bank performed relatively well. Total assets of the Bank reached BGN 5,991 million as of 31 December 2011. Operating income of the Bank reached BGN 300 million and the operating expenses excluding impairment charge for the year amounted to BGN 159 million. The net profit of the Bank for the year ended 2011 amounted to BGN 7 million. As of 31 December 2011 the Bank's net loan portfolio amounts to BGN 4,155 million. The Bank's balance sheet provisions for impairment amount to BGN 245 million.

The Bank finances its operations mainly with funds attracted from its clients. The sound market position of the Bank, its substantial deposit market share as well as the good reputation, confirm that the deposit products offered by the Bank are competitive. As of 31 December 2011 attracted funds from clients amounting to BGN 4,718 million increased by 2% compared to 2010. With regards to preserving normal operating environment in the Bank, it is essential that optimal liquidity levels are to be maintained constantly. As of 31 December 2011 the Bank's ratio of liquid assets is 28.42%.

The capital of the Bank is sufficient to maintain capital adequacy cover for its risk-weighted assets. The capital base of the Bank as of 31 December 2011 reached BGN 632 million (calculated in accordance to the Capital Adequacy Ordinance 8 of the Bulgarian National Bank). As of 31 December 2011 the Bank's Basel II compliant capital adequacy ratio is 15.44 %, higher than the 12% minimum set by the Bulgarian National Bank. The reinforcement of the capitalization increases the potential of the Bank for further growth and utilization of opportunities.

Important events that have occurred during the financial year

In 2011 the Bank continued to promote its corporate transaction banking services. Corporate Banking Division offered complex financial solutions to the export oriented companies in Bulgaria, which resulted in the following advantages for our clients in the management of the commercial cycle: comprehensive servicing, tailor-made terms, taking into consideration the business specifics and one-stop shop for daily transactions. Capital Markets Division continued to offer FX hedge and IR hedge products for corporate clients and the Bank was among the first on the market to offer new and innovative products for interest risk management.

On the retail side, the Bank launched several new product offers for the retail clients such as a consumer loan with a fixed interest rate, a new home equity loan "Active home", a new debt consolidation loan and on the occasion of the 20th anniversary of the Bank, Deposit Business unit offered a special savings account Mega 20. On the credit card side the Bank successfully launched a new IKEA credit card in partnership with the world famous retailer IKEA. All the product launches were supported by targeted advertising campaigns throughout the year which helped enhance its image as an active, innovative and solid banking institution.

In August 2011, the Bank received a EUR 7.25 million credit line from the Bulgarian Development Bank for on-lending to small

and medium-sized enterprises. The funding comes under a Program for Small and Medium-sized enterprises in Bulgaria of KfW, Germany for direct lending to SMEs and for provision of credit lines to commercial banks business financing.

Although 2011 was a year full of challenges and a lot of companies restricted their corporate social responsibility activities, Postbank remained active and demonstrated its commitment and responsible conduct to the benefit of its customers, employees, partners and the society as a whole. The Bank continued its long-term projects and even started new initiatives to improve the well-being of society and the future of the country. Postbank is very active in the area of corporate social responsibility and traditionally implements a number of socially important projects in education, care for the environment, art, sports and corporate donations.

The High Start with Postbank programme has been implemented since 2005 in support of Bulgarian education under the auspices of the Ministry of Education, Youth and Science. The initiative is an expression of the Bank's team's belief that knowledge, discipline and love for learning are prerequisites for personal and professional success in modern society.

Eurobank EFG Bulgaria sustained its effort to improve its environmental performance in the framework of the *Green start with Postbank* programme, an internal campaign, which purpose is to foster environment friendly conduct within the company. In 2011, for the fourth year in a row, the lake in Pancharevo has become

Postbank Summary figures As of 31 December 2011	BGN	Financial Ratios	%
Total Assets	BGN 5,991 mln		
Operating Income*	BGN 300 mln	Liquid assets	28.42%
Operating Expenses	BGN 159 mln	Basel II compliant Capital Adequacy	15.44%
Net Profit	BGN 7 mln		
Net Loan Portfolio**	BGN 4,155 mln		
Attracted funds from clients	BGN 4,718 mln		
Capital Base	BGN 632 mln		

*Excluding impairment charge for 2011.

**The Bank's balance sheet provisions for impairment amount to BGN 245 million

a more beautiful recreation place thanks to volunteers from the Bank, their friends and families. The initiative for cleaning the area around the lake was organized within the Bank's long-term project titled Crystal Purity of Pancharevo.

By the *Cross Safely* campaign launched in 2010, the Bank directs its efforts to the important and socially significant cause of human life protection and road accident prevention. In 2011 the Bank continued to develop its engagement in the field taking part in socially important initiatives. The Bank supported the national campaign of the Traffic Police for putting safety belts at all seats. The Bank also joined the European Road Safety Charter confirming its lasting commitment to continue and to develop the cause for reduction of traffic accidents which was started by the *Cross Safely* initiative.

The Bank has been awarded several prizes and distinctions for its products and service excellence in 2011, among them:

- Best Financial Product and Best Product of the Year - Innovation & Quality category for the virtual MasterCard by "Banks, Investments, Money" Foundation;
- Best Custody Bank for Foreign and Local Institutional Clients by Global Custodian magazine;
- Best Corporate Social Responsibility Program for "High Start with Postbank" by Bulgarian Donors' Forum;
- Best Bank of Tourism by Bulgarian Hotel and Restaurant Association.

SHARE CAPITAL STRUCTURE

As of 31 December 2011 the total authorized number of ordinary shares of EFG Eurobank, Bulgaria was 452,752,652 with a nominal value of BGN 1 per share. EFG Eurobank Ergasias owns directly 34.56%, another 54.27% of the share capital is owned by EFG New Europe Holding B.V, 11.16% by CEH Balkan Holdings Limited and 0.01% by minority shareholders.

BOARD OF DIRECTORS

Until May 5, 2011 the Bank was managed by a Board of Directors which consisted of the following members:

- Emilia Milanova – Chairperson of the BoD
- Theodoros Karakasis – Deputy Chairperson of the BoD
- Anthony Hassiotis - CEO
- Asen Yagodin – Executive Director

- Petia Dimitrova– Executive Director
- Evangelos Kavvalos - Member
- Andreas Chasapis - Member
- Georgios Katsaros - Member
- Piergiorgio Pradelli – Member.

1. The remuneration of the members of the Board of Directors

Until May 5, 2011 the members of the Board of Directors did not receive remunerations from the Bank in their capacity of Board of Directors members.

2. Shares and bonds of the company that are acquired, owned and transferred by the members of the Board of Directors until May 5, 2011

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

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

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

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

4.1 Partners with unlimited liability

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

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

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

Theodoros Karakasis

- Bancpost S.A., Romania - Member of the BoD
- EFG Retail Services IFN S.A., Romania - Member of the BoD
- EFG Leasing IFN S.A., Romania - Member of the BoD
- EFG Eurobank Property Services S.A., Romania - President of the BoD
- EFG Property Services d.o.o. Beograd, Serbia - President of the BoD
- Eurobank EFG a.d. Beograd, Serbia - President of the BoD
- EFG Leasing EAD, Bulgaria - Member of the BoD
- EFG Property Services Sofia AD, Bulgaria -

Chairman of the BoD

- Greek-Serbian Chamber of Commerce - Vice President of the BoD
- Hellenic-Romanian Chamber of Commerce and Industry – Secretary General of the BoD
Anthony Hassiotis
- EFG Leasing EAD, Bulgaria – Member of the BoD
- CEIBG (Confederation of Employers & Industrialists in Bulgaria), Bulgaria – Member of the Managing Board
- Investments AMK EOOD, Bulgaria – Manager
- Club Manager, Bulgaria – Member of the Managing Board
Asen Yagodin
- EFG Securities Bulgaria EAD, Bulgaria – Chairman of the BoD
- Bulgarian Banks Association, Bulgaria – Deputy Chairperson of the Managing Board
- Bulgarian Stock Exchange Sofia, Bulgaria – Chairman of the BoD
Petia Dimitrova
- Bulgarian Retail Services AD, Bulgaria – Chairperson of the BoD and Executive Director
- EFG Property Services Sofia AD, Bulgaria - Member of the BoD
- IMO Property Investments Sofia EAD, Bulgaria Member of the BoD and Executive Director
- IMO Rila EAD, Bulgaria – Deputy Chairperson of the BoD and Executive Director
- IMO Central Office EAD, Bulgaria – Deputy Chairperson of the BoD and Executive Director
- IMO 03 EAD, Bulgaria - Member of the BoD and Executive Director
- Bulgarian Business Leaders Forum (BBLF), Bulgaria – Member of the BoD
- American Chamber of Commerce in Bulgaria, Bulgaria – Member of the BoD
- State-owned enterprise Communicative construction and rehabilitation, Bulgaria – Member of the BoD
Piergiorgio Pradelli
- Eurobank EFG Private Bank Luxembourg S.A. Member of the BoD
- Bancpost S.A, Romania - Member of the BoD
- Eurobank EFG a.d. Beograd, Serbia - Member of the BoD
- Eurobank Tekfen A.S., Turkey - Member of the BoD

- PJSC “Universal Bank”, Ukraine – Member of the Supervisory Board
- Eurobank EFG Ergasias SA, Greece – General Manager
Georgios Katsaros
- EFG Telesis Finance, Greece – Member of the BoD
- SIDMA, Greece – Member of the BoD
- JUMBO SA, Greece – Member of the BoD
Andreas Chasapis
- EFG Leasing SA, Greece - Member of the BoD
- EFG Factors, Greece - President of the BoD
Evangelos Kavvalos
- EFG Eurobank Ergasias Leasing SA, Greece – Member of the BoD
- EFG Eurolife Life Insurance S.A., Greece - Member of the BoD
- Eurobank EFG Factors SA, Greece – Member of the BoD
- EFG Insurance Services SA, Greece – Member of the BoD
- Eurobank EFG Poland branch (Polbank EFG), Poland – Member of the Supervisory Board
- Eurobank Tekfen AS, Turkey - Member of the BoD
- PJSC “Universal Bank”, Ukraine – Member of the Supervisory Board
- Eurobank EFG a.d. Beograd, Serbia – Member of the BoD
- EFG Eurobank Ergasias SA, Greece – General Manager
- Unitfinance S.A., Greece - Member of the BoD

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.

On April 20, 2011 the General Meeting of the Shareholders of Eurobank EFG Bulgaria AD approved changes in the corporate governance structure and adopted a two-tier management system comprising two separate bodies – Management Board and Supervisory Board. The change of the management system came into force on May 5, 2011 after due registration with the Commercial Register.

MANAGEMENT BOARD

As at December 31, 2011 the Management Board consisted of

the following members:

- Anthony Hassiotis – Chairman of the MB and CEO
- Petia Dimitrova – Deputy Chairperson and Executive Director
- Jordan Souvandjiev - Member
- Ioannis Vouyioukas – Member
- Ilian Raychev - Member

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

In 2011 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 member's 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

Anthony Hassiotis

- EFG Leasing EAD, Bulgaria – Member of the BoD
- Investments AMK EOOD, Bulgaria – Manager CEIBG (Confederation of Employers & Industrialists in Bulgaria), Bulgaria – Member of the Management Board
- Club Manager, Bulgaria – Member of the Management Board (until 13.07.2011)

Petia Dimitrova

- Bulgarian Retail Services AD, Bulgaria – Chairperson of the BoD and Executive Director

- EFG Property Services Sofia AD, Bulgaria - Member of the BoD
 - IMO Property Investments Sofia EAD, Bulgaria – Member of the BoD and Executive Director IMO Rila EAD, Bulgaria – Deputy Chairperson of the BoD and Executive Director
 - IMO Central Office EAD, Bulgaria – Deputy Chairperson of the BoD and Executive Director IMO 03 EAD, Bulgaria - Member of the BoD and Executive Director
 - Bulgarian Business Leaders Forum (BBLF), Bulgaria – Member of the BoD
 - American Chamber of Commerce in Bulgaria, Bulgaria – Member of the BoD
 - State-owned enterprise Communicative construction and rehabilitation, Bulgaria – Member of the BoD
 - Municipal Bank AD, Bulgaria – Member of the Supervisory Board
- Jordan Souvandjiev**
- IMO Property Investments Sofia EAD, Bulgaria – Member of the BoD
 - IMO Central Office EAD, Bulgaria – Member of the BoD and Executive Director
 - IMO Rila EAD, Bulgaria – Member of the Board and Executive Director
 - EFG Property Services Sofia AD, Bulgaria – Member of the BoD Vinimpeks 21 AD, Bulgaria – Member of the BoD
- Ioannis Vouyioukas**
- EFG Leasing EAD, Bulgaria – Chairman of the BoD and Executive Director
 - EFG Auto Leasing EOOD, Bulgaria – Manager

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

The Bank has not entered into contracts specified in Article 240b, paragraph 1 of the Commerce Act during 2011.

SUPERVISORY BOARD

As at December 31, 2011 the Supervisory Board consisted of the following members:

- Piergiorgio Pradelli – Chairman of the SB
- Theodoros Karakasis – Deputy Chairman of the SB
- Evangelos Kavvalos - Member
- Christos Adam – Member
- Nikolaos Aliprantis - Member

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

In 2011 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 2011

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

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

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

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

4.1 Partners with unlimited liability

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

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

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

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

Piergiorgio Pradelli

- Eurobank EFG Private Bank Luxembourg S.A., Luxembourg - Member of the BoD
- Bancpost S.A., Romania - Member of the BoD
- Eurobank EFG a.d. Beograd, Serbia - Member of the BoD
- Eurobank Tekfen A.S., Turkey - Member of the BoD
- PJSC "Universal Bank", Ukraine – Member of the Supervisory Board
- EFG Eurobank Ergasias S.A., Greece – General Manager, Member of the Executive Committee
- Eurobank EFG Asset Management M.F.M.C. S.A. – Member of the BoD (effective as of 18.11.11)
- EFG New Europe Funding B.V, The Netherlands – Managing Director A (effective as of 30.09.11)
- EFG New Europe Funding II B.V, The Netherlands – Managing Director A (effective as of 30.09.11)

Theodoros Karakasis

- Bancpost S.A., Romania – Deputy Chairman of the BoD
 - EFG Retail Services IFN S.A., Romania – Member of the BoD
 - EFG Leasing IFN S.A., Romania – Member of the BoD
 - EFG Eurobank Property Services S.A., Romania – Chairman of the BoD
 - EFG Property Services d.o.o. Beograd, Serbia – Chairman of the BoD
 - Eurobank EFG a.d. Beograd, Serbia – Chairman of the BoD
 - EFG Leasing EAD, Bulgaria – Member of the BoD
 - EFG Property Services Sofia AD, Bulgaria – Chairman of the BoD
 - EFG Eurobank Ergasias S.A., Greece – Deputy General Manager
 - Greek-Serbian Chamber of Commerce – Deputy Chairman of the BoD
 - Hellenic-Romanian Chamber of Commerce and Industry – Member and Secretary General of the BoD
- ##### Evangelos Kavvalos
- EFG Eurobank Ergasias Leasing SA, Greece – Member of the BoD
 - EFG Eurolife Life Insurance S.A., Greece - Member of the BoD
 - Eurobank EFG Factors SA, Greece – Member of the BoD
 - EFG Insurance Services SA, Greece – Member of the BoD
 - Eurobank Tekfen AS, Turkey - Member of the BoD
 - PJSC "Universal Bank", Ukraine – Member of the Supervisory Board
 - Eurobank EFG a.d. Beograd, Serbia – Member of the Management Board
 - EFG Eurobank Ergasias S.A., Greece – General Manager, Member of the Executive Committee
 - Unitfinance S.A., Greece - Member of the BoD
 - Eurobank EFG Poland branch (Polbank EFG), Poland – Member of the Supervisory Board (until 19.09.2011)
- ##### Christos Adam
- EFG Eurobank Ergasias S.A., Greece –

- Deputy General Manager
- Eurobank EFG Factors S.A., Greece – Member of the BoD
- Eurobank EFG Financial Planning Services S.A., Greece – Member of the BoD
- Eurobank EFG Property Services S.A., Greece – Member of the BoD
- Eurobank EFG Poland branch (Polbank EFG), Poland – Member of the Supervisory Board (until 19.09.2011)
- Nikolaos Aliprantis**
- EFG Eurobank Ergasias S.A., Greece – Assistant General Manager
- EFG Eurobank Ergasias Leasing S.A., Greece – Member of the BoD
- Eurobank EFG Factors S.A., Greece – Member of the BoD
- Eurobank EFG a.d. Beograd, Serbia – Member of the BoD
- Eurobank EFG Poland branch (Polbank EFG), Poland – Member of the Supervisory Board (until 19.09.2011)

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 2011.

GROUP STRUCTURE

Eurobank EFG Bulgaria does not have any subsidiaries as at 31 December 2011 and therefore no consolidated financial statements are prepared at this entity level.

OBJECTIVES FOR 2012

In 2012 the Bank will concentrate on maintaining strong capital adequacy and liquidity ratios. Concurrently, due to the difficult business environment, it will also focus on new and/or fee revenue generation, while strictly controlling expenses to compensate for any shortfall in revenues.

Focusing on the domestic deposit gathering, while reducing the dependency on external funding, will continue to be a top priority. Properly managing the cost of funds will be a prerequisite to ensure the Bank will be able to price its lending products at attractive rates. The Bank will also seek to explore alternative sources of external funding that might be available, given the current adverse conditions in the international financial markets.

Postbank will aim to increase its loan portfolio to carefully targeted and segmented sectors, adhering to appropriate credit extension criteria while ensuring that the overall quality of the portfolio remains at acceptable levels.

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

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

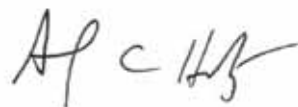
MANAGEMENT RESPONSIBILITIES

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

The Directors confirm that suitable accounting policies have been used.

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

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



Anthony C. Hassiotis

Chairman of the Management Board and Chief Executive Officer



Petia Dimitrova

Deputy Chairperson of the Management Board, Executive Director and Chief Financial Officer

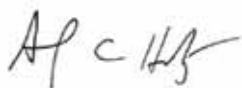
SELECTED
REPORTING
DATA



SELECTED REPORTING DATA FOR THE YEAR ENDED 31 DECEMBER 2011

INCOME STATEMENT	Year ended 31 December	
	2011	2010
Interest and similar income	480,193	528,211
Interest and similar charges	(236,469)	(259,417)
Net interest income	243,724	268,794
Fee and commission income	68,605	69,894
Fee and commission expense	(14,525)	(14,851)
Net fee and commission income	54,080	55,043
Dividend income	581	563
Other operating income	162	452
Net trading income/(loss)	451	(2,992)
Gains less (losses) from trading securities	276	(135)
Gains less (losses) and impairment of securities available for sale	1,152	4,223
Other operating expenses	(142,085)	(146,263)
Deposit Insurance Fund expense	(17,251)	(17,100)
Impairment charge for credit losses	(132,797)	(123,941)
Profit before income tax	8,293	38,644
Income tax expense	(845)	(3,702)
Profit for the year	7,448	34,942

(All amounts are shown in BGN thousands unless otherwise stated)



Anthony C. Hassiotis
Chairman of the Management Board and Chief Executive Officer



Petia Dimitrova
Deputy Chairperson of the Management Board, Executive Director and Chief Financial Officer



Rositsa Boteva
Registered Auditor



Petko Dimitrov
PricewaterhouseCoopers Audit OOD

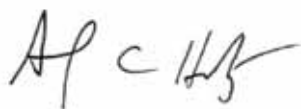
The Financial statements were authorized by the management on 5 April 2012.
Initialed for identification purposes in reference to the auditor's report

5 April 2012

STATEMENT OF COMPREHENSIVE INCOME	Year ended 31 December	
	2011	2010
Profit for the year	7,448	34,942
Other comprehensive income for the year, after tax:		
Available for sale securities		
-net changes in fair value, net of tax	1,954	8,338
-transfer of (profit)/loss to net profit on sale	(4,724)	(5,825)
Other comprehensive (loss)/income for the year	(2,770)	2,513
Total comprehensive income for the year	4,678	37,455

Anthony C. Hassiotis

Chairman of the Management Board and Chief Executive Officer



Petia Dimitrova

Deputy Chairperson of the Management Board, Executive Director and Chief Financial Officer



Rositsa Boteva

Registered Auditor



Petko Dimitrov

PricewaterhouseCoopers Audit OOD



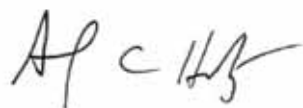
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5 April 2012

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY					
	Share capital	Property revaluation reserve	Available-for-sale investments revaluation reserve (deficit)	Retained earnings and other reserves	Total
Balance at 1 January 2010	452,753	7,003	(9,617)	(9,617)	744,968
Other comprehensive income for the year			2,513	2,513	2,513
Profit for the year					34,942
Total comprehensive income for the year 2010			2,513	2,513	37,455
Transfer to retained earnings		(4,627)			
Balance at 31 December 2010	452,753	2,376	(7,104)	(7,104)	782,423
Balance at 1 January 2011	452,753	2,376	(7,104)	(7,104)	782,423
Other comprehensive income for the year			(2,770)	(2,770)	(2,770)
Profit for the year					7,448
Total comprehensive income for the year 2011			(2,770)	(2,770)	4,678
Balance at 31 December 2011	452,753	2,376	(9,874)	(9,874)	787,101

Anthony C. Hassiotis

Chairman of the Management Board and Chief Executive Officer



Petia Dimitrova

Deputy Chairperson of the Management Board, Executive Director and Chief Financial Officer



Rositsa Boteva

Registered Auditor



Petko Dimitrov

PricewaterhouseCoopers Audit OOD



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5 April 2012

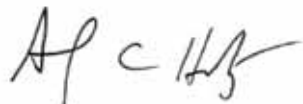
BALANCE SHEET	As at 31 December	
	2011	2010
Assets		
Cash and balances with the Central Bank	698,943	646,368
Loans and advances to banks	848,003	983,662
Financial assets held for trading	1,450	41,216
Loans and advances to customers	4,154,651	4,156,004
Investment securities available-for-sale	155,733	340,263
Derivative financial instruments	16,087	22,442
Investment property	876	876
Property, plant and equipment	67,868	79,319
Intangible assets	30,730	23,903
Current income tax recoverable	3,647	2,899
Other assets	12,899	12,304
Total assets	5,990,887	6,309,256
Liabilities		
Deposits from banks	92,005	438,369
Derivative financial instruments	23,152	76,513
Due to customers	4,717,748	4,641,511
Debt issued and other borrowed funds	339,265	335,111
Deferred income tax liabilities	3,870	3,332
Provisions for other liabilities and charges	1,669	1,637
Retirement benefit obligations	2,642	2,226
Other liabilities	23,435	28,134
Total liabilities	5,203,786	5,526,833

(Continued on the next page)

BALANCE SHEET (continued)	As at 31 December	
	2011	2010
Shareholders' equity		
Share capital	452,753	452,753
Other reserves, net	334,348	329,670
Total shareholders' equity	787,101	782,423
Total shareholders' equity and liabilities	5,990,887	6,309,256

Anthony C. Hassiotis

Chairman of the Management Board and Chief Executive Officer



Petia Dimitrova

Deputy Chairperson of the Management Board, Executive Director and Chief Financial Officer



Rositsa Boteva

Registered Auditor



Petko Dimitrov

PricewaterhouseCoopers Audit OOD



The Financial statements were authorized by the management on 5 April 2012. Initialled for identification purposes in reference to the auditor's report

5 April 2012

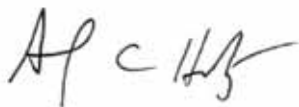
STATEMENT OF CASH FLOWS	Year ended 31 December	
	2011	2010
Cash flow from operating activities		
Interest received	508,872	531,210
Interest paid	(264,040)	(274,962)
Dividends received	581	563
Fees and commission received	68,746	68,562
Fees and commission paid	(13,419)	(13,128)
Amounts paid to and on behalf of employees	(66,072)	(62,443)
Net trading and other income received	2,323	(213)
Other expenses paid	(81,632)	(85,717)
Tax paid	(748)	(2,967)
Cash from operating activities before changes in operating assets and liabilities	152,611	160,905
Changes in operating assets and liabilities		
Net decrease/(increase) in reserve with the Central Bank	1,600	(11,736)
Net decrease/ (increase) in trading securities	39,025	(23,875)
Net (increase)/decrease in loans and advances to customers	(137,891)	31,919
Net (increase)/decrease in other assets	(1,033)	1,490
Net (decrease) in derivatives liabilities	(34,209)	
Net (decrease)/increase in due to other banks	(345,046)	66,561
Net increase in amounts due to customers	79,934	319,514
Net (decrease) in other liabilities	(2,529)	(5,929)
Net cash flow from operating activities	(247,538)	538,849

(Continued on the next page)

Cash flow from investing activities		
Purchase of property, plant and equipment and intangible assets	(12,283)	(13,694)
Purchase of investment securities	(35)	(21,367)
Proceeds from disposal of property and equipment	8	7
Proceeds from disposal of investment securities)	163,016	108,316
Cash flow from investing activities	150,706	73,262
Cash flow from financing activities		
Long-term financing received	29,827	156,326
Long-term debt repaid	(14,925)	(300,126)
Net cash used in financing activities	14,902	(143,800)
Effect of exchange rate changes on cash and cash equivalents	446	(264)
Net change in cash and cash equivalents	(81,484)	468,047
Cash and cash equivalents at beginning of year	1,419,032	950,985
Cash and cash equivalents at end of year	1,337,548	1,419,032

Anthony C. Hassiotis

Chairman of the Management Board and Chief Executive Officer


Petia Dimitrova

Deputy Chairperson of the Management Board, Executive Director and Chief Financial Officer


Rositsa Boteva

Registered Auditor


Petko Dimitrov

PricewaterhouseCoopers Audit OOD



The Financial statements were authorized by the management on 5 April 2012. Initialled for identification purposes in reference to the auditor's report

5 April 2012



CONTRIBUTION



TO SUSTAINABILITY



LETTER
TO THE
STAKEHOLDERS



“The 20 inspiring years behind Postbank give us the strength to continue to serve you, work for you, work with you, to create a sustainable future for us and those after us.”

Dear Reader,

It is my pleasure to welcome you to the pages of Postbank's annual report in which for the first time we integrate financial and sustainability performance data, thus showing that contributing to sustainability is not only a one-off initiative but an integral part of our corporate culture, operational business and internal work processes. Being an institution with 20-year experience on the Bulgarian market, supporting the economy and the social causes, nowadays we go alongside with the leading international companies in building open and transparent relations with our stakeholders and presenting to them broader economic, social and environmental information based on the internationally recognized standard for sustainability reporting G3 of GRI.

In the last years we have kept confirming that for us the sustainable development is the only way for securing long term viability and successful business operations. Reading the following pages, you could discover the main aspects of interaction of Postbank with the society and the environment and, hopefully, come to the conclusion that we are not just a bank but rather a participating and integrated member in our common living environment.

Despite the unstable economic situation, the crisis in the euro zone which delayed the growth, we continued working on our main objectives in the social and environmental fields – the projects High Start with Postbank, Green Start, Crystal Purity of Pancharvevo, Cross Safely with Postbank, many others sponsorships, charities and volunteer initiatives, as well as the optimiza-



tion of the Green Board activities and implementation of new environmental risk rules. Nevertheless, our greatest achievement as a corporate responsible citizen in 2011 was the significant investment that we made for acquiring a new modern office building. Postbank's new HO meets international standards for energy efficiency and will help us reduce our adverse environmental impact and ensure maximum comfort and healthier and safety working conditions to our employees.

The 20 inspiring years behind Postbank give us the strength to continue to serve you, work for you, work with you, to create a sustainable future for us and those after us. A future that can only be achieved by contributing to growth in the real economy, creating jobs and opportunities, responsible and ethical market behaviour, offering high quality and innovative products and services and managing our impacts responsibly. And last but not least by actively supporting the communities in which we live and work.

I would like to thank all our employees, clients, investors and partners for their participation and contribution to the changes we have made. On the following pages you can read what we have achieved thanks to you and jointly with you!

Petia Dimitrova
Executive Director

GUIDING PRINCIPLES AND BELIEFS



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

- dialogue with stakeholders, through actions and initiatives that identify issues and promote appropriate solutions;
- improving corporate governance to ensure the Organization's transparency;
- social contribution in key activities of the local community;
- care for the environment to cope with climate changes and contribution to sustainable growth.

MISSION, VISION AND VALUES

Our Mission

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

Our Vision

Postbank is a well established, dynamically growing, customer driven universal bank, which belongs to a strong International Financial Group, and aims to achieve a leading position on the Bulgarian market.

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 200 branches and nearly 3000 employees – Client Relations Department
- Toll-free telephone 0800 18 000
- The website at www.postbank.bg
- The Head Office at 14 Tsar Osvoboditel Blvd., Sofia
- Meetings with Bank's representatives
- Press Centre: CorporateCommunications@postbank.bg

Shareholders and Investors

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

Employees

- HR Department
- Regular meetings
- Meetings of the Branch Network Division
- Ideyno project
- Annual performance attestations
- Internal project for environment-friendly conduct Green Start with Postbank

Start with Postbank

- Internal electronic and printed newsletter Our Bank
- Messages to all employees
- Intranet

Suppliers

- Contacts with contract managers
- Supplier selection committees

Society and Environment

- 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



OUR VALUES

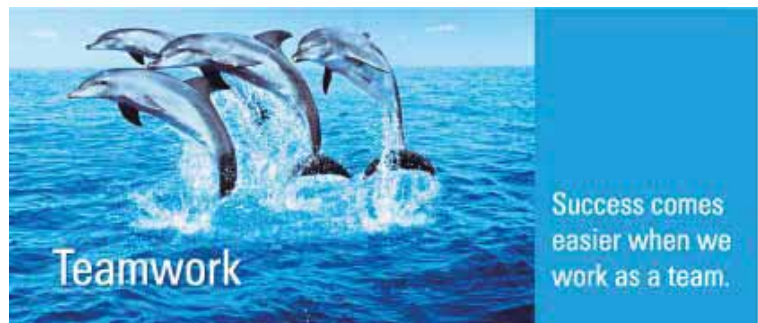
MERITOCRACY



QUALITY



RESPECT FOR PEOPLE



TEAMWORK



TRUST

EFFECTIVENES



SOCIAL CONTRIBUTION

CREATIVITY



ECONOMIC
CONTRIBUTION



CONTRIBUTING 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 EFG for managing procurements and ensuring the top quality of supplies, contain costs and promoting best social practice.

Eurobank EFG Group, to which Postbank belongs, aims at a uniform policy for selection of suppliers, based on strategic syn-

ergies 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.

More over, 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 2011 Eurobank EFG 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.

COMPONENT	2009	2010	2011
Direct economic value generated	226,71	234,56	180,22
a) Revenues	226,71	234,56	180,22
Income from interest and fees	790,46	695,30	642,15
Expenses for interest and fees	(410,03)	(320,94)	(316,08)
Expenses for credit portfolio impairment	(153,72)	(139,80)	(145,85)
Economic value distributed	(171,50)	(177,42)	(169,76)
b) Operating costs	(86,35)	(85,29)	(80,66)
c) Employee wages and benefits	(61,26)	(68,43)	(69,63)
Total payroll	(48,73)	(57,41)	(58,04)
Total benefits	(12,52)	(11,02)	(11,60)
d) Payments to providers of capital			
e) Payments to government	(23,70)	(23,63)	(19,46)
Corporate tax	(6,45)	(6,21)	(1,93)
Payments to the Bulgarian Deposit Insurance Fund	(16,90)	(17,10)	(17,25)
Property tax, etc..	(0,35)	(0,32)	(0,27)
f) Community investments	(0,19)	(0,07)	(0,01)
Economic value retained	55,21	57,14	10,45

(calculated as Economic value generated less Economic value distributed)

(All amounts are shown in mln BGN)

*consolidated data for Postbank (Eurobank EFG Bulgaria) and the other Bulgarian subsidiaries of Eurobank EFG Group



IMPROVING
PRODUCT AND
SERVICE QUALITY

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

The Bank along with the other subsidiaries of Eurobank EFG Group are continually looking to extend the range of services offered, anticipate customers' needs and raise the levels of customer satisfaction. We are improving the way we deal with complaints, and making banking simpler, by introducing new technology and ensuring the products and services offered are easy to understand.

CUSTOMER SATISFACTION AND MANAGEMENT OF COMPLAINTS

Ensuring that the quality of the Bank's products and services remains high is a key objective that forms the foundation of sustainable relationships with customers. The research concerning customer expectations, opinions and satisfaction is on one hand a barometer to monitor customers' level of satisfaction with the quality of the Bank's service, while on the other hand it points to areas in need of streamlining.

Since 2009 the Client Relations Department (CRD) has worked aiming at identifying interactions that can significantly impact customer attitude towards the Bank. The specifically designed process for handling complaints allows us to pinpoint areas for revenue enhancement, service improvement and cost reduction and to support implementation through the transfer of proven practices.

Knowing that the critical "customer satisfaction" attribute should be measured, and in order to quantify the process improvement, CRD has targeted and reached the "average resolution turnaround time 60% within 7 days". CRD, working with all Business Units, allows the Bank to redesign processes from a customer perspective, whilst managing process cost.

In close collaboration with the colleagues from the Central Office, a project for further developing the system for handling complaints, has been elaborated and is under implementation. In this way our approach will be accelerated and will allow the CRD to report results upon unique benchmarking databases and best practice knowledge built over other banks in the Group.

“ Postbank's team focuses on the excellent service of its clients based on their individual needs. ”

During 2011 the Client Relations Department (CRD) completed the implementation of the system for handling complaints, which affected positively mainly the end-to-end process and shorten the time for answering to our clients. CRD reached a substantial improvement - 15% increase of the time for answer to one client in 2011 and are targeting higher. The number of complaints received during 2011 has levelled-off compared to 2010 with 7% and the bigger decrease of 27% has been registered within the Transactions and Calculations category .

Furthermore, the automation of the process has affected a lot its efficiency and allows room for new projects targeting clients' satisfaction.

A Mystery Shopper project has been launched and now is in its second implementation phase. The project's target is to improve the level of customer retention and increase achievement levels of offers and products of Postbank, as well as to familiarize staff with what is meaningful to customers. The results of the first phase were the basis for drawing up a customer service manual that is available to all our employees through the Intranet portal. This manual will help us improve the accuracy and efficiency of our customer related processes and better respond to our customer needs and ever increasing expectations. Results from each stage are distributed among the business units of the Bank and will generate measures for improvement of service quality and operational effectiveness.

IT AND
INNOVATIONS

A decorative graphic in white line art style, featuring a central holly leaf with intricate scrollwork patterns, flanked by two simpler, pointed leaves.

In 2011 IT efforts were focused in several main directions specified by EFG Group Top Management:

- Basel II standards
- Credit quality
- Fraud detection & prevention
- Deposit gathering / liquidity
- Holistic relationship with clients and improved customer service
- “Run the bank” initiatives
- Regulatory requirements

During the year the following initiatives were successfully completed:

- 79 business related initiatives, 8 of them by urgent Management Requests
- 4 projects intended to Technical Infrastructure Improvement

As of the end of the year 13 projects were under UAT and their completion is expected in the beginning of 2012.

In 2011 Postbank continued its strategy to improve the quality of the customer services with implementation of an innovative approach giving the Bank a competitive advantage and repositioning it as a technologically state-of-the-art institution. The pilot implementation of the new E-banking System and the new Front-end Application are the first major steps of this trend.

GROUP INITIATIVES

The highest priority Group initiatives for the Bank were Basel II Projects, projects for fraud risk mitigation and customer service improvement:

- **Basel II Projects** – include extensions of the existing functionality and implementation of new modules and functions.
- **Fraud detection and prevention for debit cards, credit cards, ATMs and POSs** – Fractals system was implemented for all debit and credit cards. The system which is a Blue Print Group solution is interfaced with the Host systems of the Bank. Based on the cards transaction analysis and reporting, it helps to mitigate the fraud risk.

“ In 2011 Postbank continued its strategy to improve the quality of the customer services with implementation of an innovative approach giving the Bank a competitive advantage and repositioning it as a technologically state-of-the-art institution. ”

- **Red Alerts in Lending** – New reporting system developed by the Group for collection and storing profiling information on loan applications, loans and participants. The system generates various reports through the web based interface facilitating the centralized view by Anti-Fraud functions. A separate module with automatic checks and controls is implemented in the loans origination system I-Apply that spots suspicious concentration of loans applications.

- **Phone Banking Service Stage I** – Phone banking service is under implementation including functionality to support customer requests for active and passive transactions. This will automate new alternative channel for bank customer operations. There is a proper link through an interface between the bank Interactive Voice Recording System (IVR), CSoft Front-End Application and other bank systems. Interfaces with the card systems and I Apply will be established at the second stage.

STRATEGIC INITIATIVES

For the Bank there were several projects connected with the Financial Platform and MIS redesign, Provisioning functionality extensions, Fraud detection and prevention, New Core banking Front End and E-banking new interface and functionality implementation. All of them will help to improve the credit quality, to decrease the fraud risk, to facilitate loans portfolio restructuring and to provide a competitive and innovative approach for servicing of bank customers.

FRAUD DETECTION AND PREVENTION

Fraud detection and prevention is a very important area of bank activities considering the increased risk of fraud all over the world. Several projects were implemented to improve the security and to prevent the customers from possible fraud.

- **Online PIN for high class Debit Cards** - Change of priority of a specific function (Card Verification) in the BASE24 system for specific types of Debit Cards. The cards are verified with PIN-based functionality instead of signature-based. The behaviour of all debit cards will be aligned so that the card transactions on POSs always to request PIN eliminating the fraud risk.

“RUN THE BANK” AND REGULATORY INITIATIVES

“Run the bank” and regulatory initiatives include several projects necessary for the improvement of the Bank’s business processes and following up the regulations requirements:

- **The new front-end application** was extended including all banking activities performed in the Bank branches – deposits products servicing, loans processing, etc. The new front-end application for the platform facilitates the process and improves the quality of the customer service. The implemented process redesign insures simplification of transactions by minimizing the inputs, creating standardization, improvement of the control environment and reduction of human errors.

- **Financial Reporting Platform** – The project has two stages. At the first stage a technical study about the current MIS took place. Redesign of the existing MIS is currently under development and complies with the requirements of the Finance Division for a Financial Reporting (Reporting Platform). Redesign will include possibilities for loading the daily transactions in MIS for the preparation of the corresponding financial reporting. Implementation of the new version of the used reporting tool Business Objects will provide more advanced options for report design and generation. The implementation is scheduled for 2012.

- **Post Offices Data Migration** – This project started in 2010 but the main part – transfer of information from decentralized databases in the Post Offices to Core banking system VC-SoftBank was done in 2011. Centralization of all customers and their bank accounts previously serviced in the Bulgarian Post ensured global view of the customers’ portfolio, better customer segmentation and new products promotion.

- **Implementation of customer’s investment profile in regard with MiFID** – In regard with Law on Markets in Financial Instruments (MiFID) and Ordinance 38 for the requirements to the activities of the investment intermediaries, a customer’s investment profile as well as automated test for appropriate service are implemented in the Bank’s information systems. The customers are classified in the requested way in groups which define their investment profile.

- **Amex ATM Acquiring:** System upgrade which allowed the Bank to be certified with American Express as to the acquiring of AmEx cards issued from other banks in Postbank’s ATM network. The system upgrade and certification refer to the ATM transactions with magnetic stripe as well as EMV chip cards which assure the security of the card transactions on ATMs.

- **Credit cards and merchants promotions:** During the year, a total number of 9 campaigns were initiated by the Business in regard to credit cards and merchants, aiming to increase the customer satisfaction since a card holder can get benefits while using card products of the Bank. In achieving those, development and enhancements of system functionalities were applied by utilizing the expertise of technical staff of the Bank as well as utilizing existing system capabilities.

CUSTOMER SERVICE IMPROVEMENT INITIATIVES

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

- **New E-banking application** is implemented in pilot. The new functionality offers innovative approach for accessing the banking services. The redesign of user interface with icon based main navigation and user customizable side panels (widgets) ensures simplification of e-banking transactions by minimizing the inputs. It is faster, simpler and entirely with drag and drop functionality. The functionality enhancement includes:

- New fraud prevention functionality – customer limits and SMS notification.
- On-line Utility payment
- Extension of deposits, loans and cards information

- New functionality for opening of Deposit Products and Loans payments automation will be done in 2012.

- **Private label card with IKEA** – It is a private label card with credit card functionality which is used only at IKEA merchant POSs and offers the customer better opportunities for buying at IKEA chain of stores. This product is surrounded with all beneficial card features for a cardholder of the Bank such as instalments, reward program, SMS notification etc.

- **Prepaid card with American Express** – A new product, used as a redemption tool for points accumulated under the My Rewards program running for AMEX cardholders. The program has been facilitated by the prepaid card which will allow cash top up in addition to the conversion of points which will be done in the frame of the My Rewards program. The prepaid card is beneficial for the cardholders of the Bank since it has been certified with American Express and it is accepted worldwide for POS and Internet transactions.

- **Late Payment Interest calculation** – In accordance with the National Regulations the required system functionality was implemented considering also functionalities which contribute to a better communication with the clients of the Bank in respect to a detailed and better understanding of Credit Card products.

- **Automatic amount due calculations in Prime** – system automations aimed to improve the efficiency and productivity of Customer Service officers. It refers to calculation of outstanding dues in the future with the ability of breaking down to fees, commissions, interests and instalments. This gives the ability to the clients of the Bank to have a better and detailed understanding of their future dues.

- **Instalment settlement** – System development to support other than the single settlement method with the merchants for cards' instalment transactions. Additionally the Bank has the ability to propose to its merchants a variety of schemas regarding fees and commissions as a consequence of card usage on POSs and based on number of instalments. Apart from the mutual benefits for the Bank and its merchants, the introduction of instalment settlement method with the merchants in respect to the POS acquiring business, the new functionality is expected to become more attractive and increases the position of the Bank among the market competition.



**RESPONSIBLE
CONDUCT AND
PRODUCT LIABILITY**

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

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

COMPLIANCE

Anti-money laundering

The term 'money laundering' covers any process used to disguise the real origins of the proceeds of crime. Banking systems are sometimes used to do this.

Our Anti-Money Laundering Policy aims to ensure that every operation across the Bank complies with the relevant regulations and internal guidelines of its mother company. The policy includes the requirement to identify and closely monitor the accounts of what are known as 'politically exposed' customers – in other words, individuals holding public office, who might be exposed to the risk of bribery and corruption.

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.

“ Postbank and its sister companies are committed to fighting financial crime and ensuring that they are not used for illegal purposes, including organised crime and the financing of terrorism. ”

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. We have systems and controls to comply with all financial sanctions and export controls imposed by law, and we have our own 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. All Postbank and its sister companies employees, must comply with our Anti-Bribery and Anti-Corruption (ABC) policy, and all other relevant regulations. Failure to comply with these requirements can have severe consequences, ranging from internal disciplinary action or dismissal, to potentially unlimited fines for both the Bank and the individual, and even imprisonment.

Data protection and security

Personal information includes all private data, including visual images or expressions of opinion, recorded electronically or in hard-copy filing systems. 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.

Postbanks data protection policy, which applies through its sister companies, sets out general rules for dealing with personal data and customers. 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 2011 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 is a fundamental contributing factor in ensuring that Postbank is seen as a reliable, trustworthy partner in all its business activities. Primary responsibility in this regard lies with the Compliance division, which works in close relation with the IT professionals at the Bank to ensure effective and efficient ways for fraud prevention and early detection.

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

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

Code of Conduct – The Code of Conduct rules apply in addition to and are complementary to the requirements of the legal framework and aim at setting minimum common internal rules and principles of professional conduct and ethical behaviour to be followed by the Staff of the EFGH Group 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.

- Policy in cases of abuse – the purpose is to emphasise the management's explicit position regarding abuse by providing direction and assistance, information of the methods to handle abuse.

- Rules on treating conflicts of interest

- IT security policies

- Procedure: *Registration, Review and Settlement of Complaints Filed with Eurobank EFG Bulgaria AD*

- Procedure: *Reporting Incidents by Financial Centres to the Head Office*

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

The Bank's policy defines as abuse any illegal or deliberate misrepresentation or concealment of facts or actions, or gross negligence, which 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 part of its overall approach to corporate risk management. The scope of the procedure is applicable to the Bank, all subsidiaries throughout the world and all other parties that have access to the Bank's information and offices. It includes the entire staff: employees, freelancers, occasional or temporary staff of representative offices and contractors.

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

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

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

ADVERTISING AND PROMOTION

The 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 open and honest communication with all stakeholders regarding its product offers.

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.

The Bank is also a member of the Managing Board of the Bulgarian Association of Advertisers. The main goals of the Association are self-regulation of messages to consumers by advertisers, active involvement in all processes and projects related to the implementation of European and global practices in advertising,

maintaining a more efficient and beneficial dialogue with the media for conducting a responsible, fair and transparent advertising policy by corporate advertisers.

In its marketing communications the Bank complies with the Law on Protection of Consumers, the Law on Protection of Competition, the Law on Credit Institutions, the Law on Banking and the Law on Consumer Loans which regulate the communication of bank products. A distinctive mark of Postbank's advertisements is that they contain very explanatory information for consumers. According to the Bank's internal procedures any advertising communication of any product is coordinated with the Legal Department. Postbank also observes the regulation of the Bulgarian National Bank regarding the use of banknotes in its advertisements. The Bank refrains from organising advertising promotions connected with lotteries. Postbank had no fines imposed for breach of regulations and voluntary codes of marketing communications for 2011.

DEVELOPING
HUMAN
CAPITAL



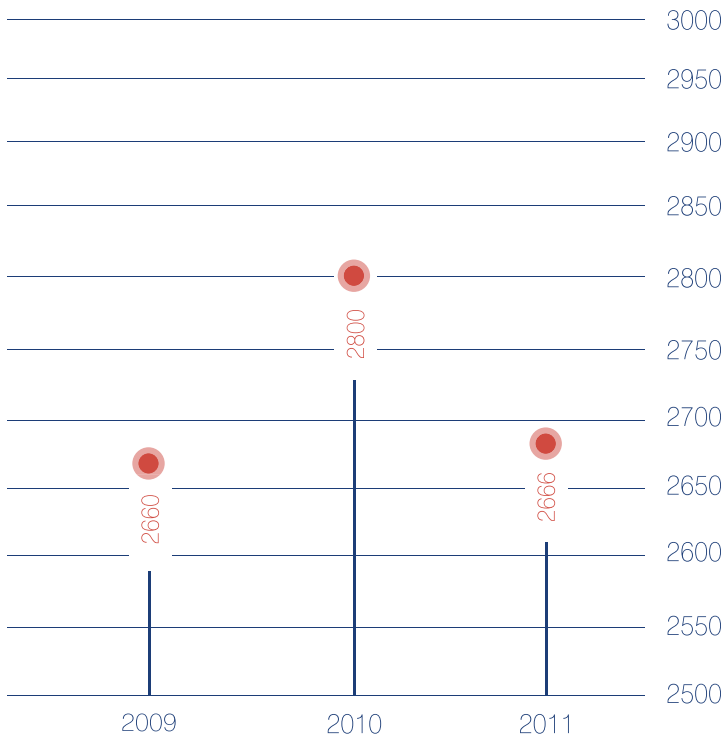
The constant aspiration for excellence of the Human Resources Division made it an integral part in the achievement of the company's goals in 2011. In order to contribute to the Bank's business development HR stayed committed to creating and sustaining an open environment of skills improvement and rewarding performance.

The results of the company in 2011 were mainly due to the highly motivated and devoted employees. That is why HR Division fosters initiative and change, providing proper training and equal career advancement opportunities.

“ The results of the company in 2011 were mainly due to the highly motivated and devoted employees. ”

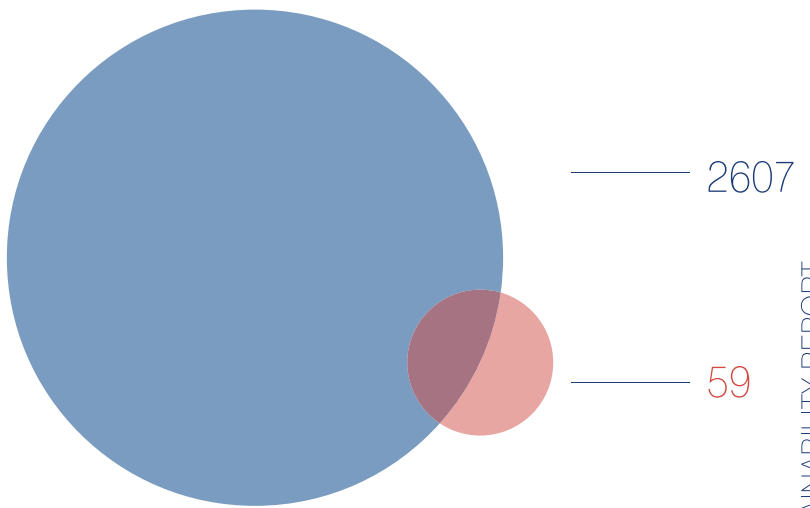
RECRUITMENT

The recruitment process in Postbank has always been based on principles of high value, such as accuracy, transparency and objectivity in the selection. 2011 was not an exception from following high standards in recruitment. According to the changed situation on the labour market there were 184 newcomers numbered at the end of the year and 396 internal transfers within the Bank structure.



At the same time, in the context of the economic crisis Postbank strives to keep its existing employees as proposing different job opportunities and career development initiatives within the Bank. Due to the exciting work environment and conditions offered by the organization, HR specialists in recruitment had received about 5,731 CVs submitted within 2011.

As the Bank relies on the high professional preparation and skills of its employees, in 2011 73% of the newcomers obtained Master degree.



Postbank with legal name Eurobank EFG Bulgaria AD
Other subsidiaries of Eurobank EFG Group

Actual number of the staff as of 31 December 2011

Total number of employees as of 31 December 2011
*the data stated excludes employees on maternity leave

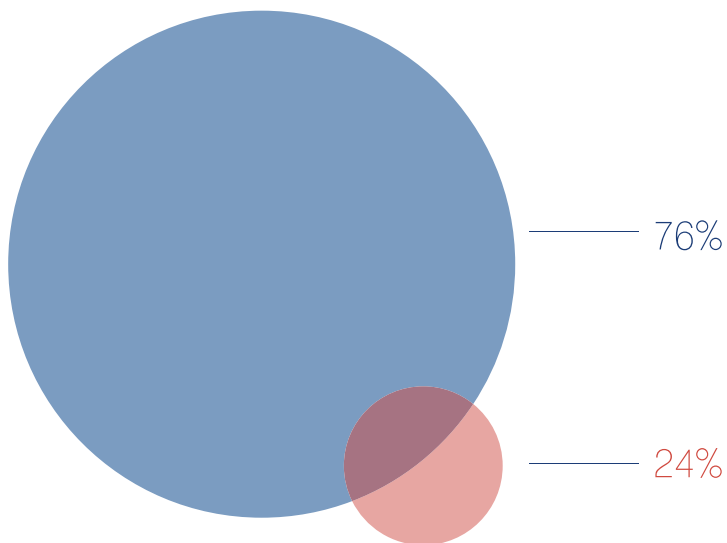
GENDER RATIO

In 2011, according to the gender distribution the percentage of women to all staff is 76%. Thus men presence comprises 24%. The prevalence of female banking employees does not merely reflect their often more suitable qualifications for service sector job, but also the excellent work-and-life balance that they enjoy in the organization.

Postbank provides professional opportunities to highly qualified and educated Bulgarian specialists, and in 2011 the workforce at the Bank and the other companies within EFG Group in Bulgaria is 2,666 people. Only 9 of them are foreigners.

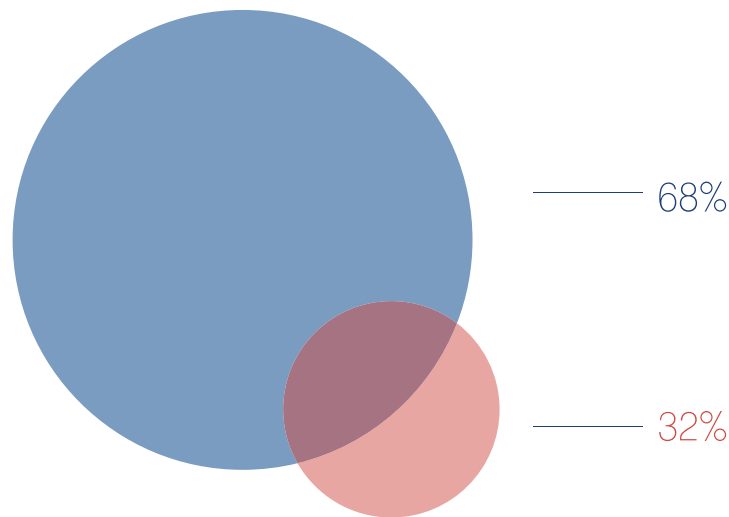
AGE STRUCTURE

Within 2011 young people, less than 45 years of age, presented 78% of all employees in the Bank, as the average age of the staff members is 37 years. At the same time Bank employees over 45 years of age comprise 23% of all employees.



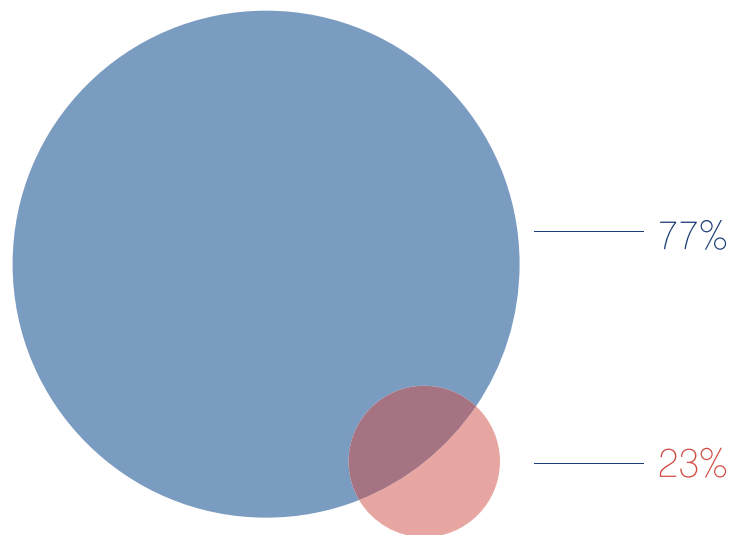
Women
Men

Gender ratio 2011



External hirings
Internal transfers

Percentage (%) of external hiring vs Internal transfers



University degree
High school or other specialized degree

Educational level

PROFESSIONAL TRAINING

The Bank supports an environment where employees can continuously learn and gain professional growth through its training programs and initiatives. Training and Development Department is committed to the continuous development of people through providing systematic training, recognition of performance and equal career advancement opportunities, thus optimizing the employees' motivation and retaining potential. Main initiatives are dedicated to improving customer service and consultancy selling skills, sustaining product and technical knowledge and fostering management skills. The total number of training man-hours for 2011 is 40,346 as the total number of participation of all conducts of training programs amount up to 4,493.

In 2011 91% of the new hires participated in Inductions or Orientation course, as 97% of all training programs are conducted by internal trainers. Thus the total number of conducts of training programs increases to 393 in comparison with the previous year.

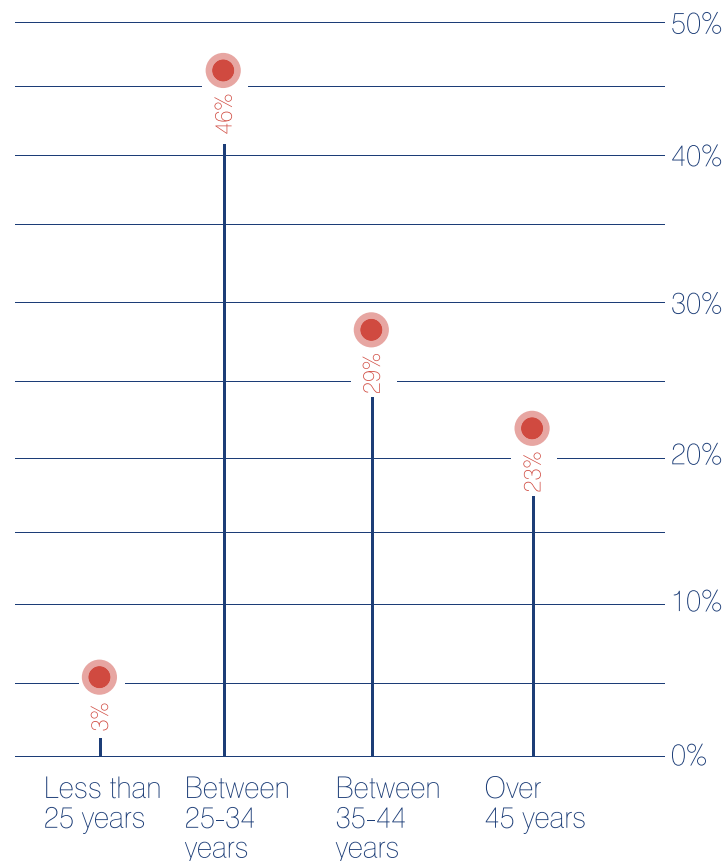
Current year training programs are developed and implemented in order to answer individual training needs by launching different in-class activities, on-the job trainings, as well as e-learning programs. There is remarkable growth of the percentage of e-learning to total training man-hours to 11% as in the last year.

ALBA LEADERSHIP DEVELOPMENT PROGRAM

In 2011 Postbank launched specialized leadership program for senior management with the aim to develop strong leadership and decision-making capabilities that drive organizational success in the current increasingly complex and competitive environment. Before the start of the program each of the 6 senior managers has evaluated with 360° internal appraisal process by peer employees in the Bank. Program comprises 3 modules as each module includes case studies, presentations, analysis, practical tips and feedback.

HARVARD BUSINESS SCHOOL

Supporting sophisticated training methods, Postbank successfully completed the third cycle of an e-learning program for middle and senior management development in cooperation with Harvard Business Publishing, an affiliate of the graduate business school of Harvard University. The program is designed to equip managers with the essential skills that would turn them



Age structure 2011

into efficient leaders by significantly reinforcing their interpersonal communication skills, empowering their capabilities of problem solving and motivating their direct reports.

Training comprises two levels – Stepping-up to Management and Developing as a Leader. Stepping-up to Management is a program completely designed for managers with several years of managerial experience. Developing as a Leader is indented especially for managers with significant managerial experience, mostly senior managers. Each level consists of 4 modules, offering interactive online case studies, summaries of best people management practices, Harvard Business Publishing articles and a final test.

In 2011, the total number of middle and senior managers who successfully completed the program and officially certified, grew to 72, 23 of them being senior managers.

COUNTER FRAUD TRAINING

In 2011 we started a strategic initiative, in compliance with Group requirements, aiming to control and prevent fraud from happening as well as to detect the potential red alerts early on. The program's goal is to initiate change towards a group-wide counter fraud culture that will enable all employees to be knowledgeable and vigilant in relation to fraud. As a first milestone of the project 2-hour Workshop for Executive Committee Members and Senior Managers was carried out. In 2012 all other managers will participate in 1-day workshop delivered by local certified trainers.



LONG-TERM QUALIFICATIONS

In 2011 Postbank continued its policy to offer outstanding performers enrolment in internationally acclaimed qualification programs, such as ACCA, CFA, CIA, CISA, CIM and Master's Degrees.



Postbank successfully completed the third cycle of an e-learning program for middle and senior management development in cooperation with Harvard Business Publishing, an affiliate of the graduate business school of Harvard University.

SYSTEM OPTIMIZATION PROJECTS

The continuous striving of the Bank for optimization and improvement of the internal processes is realized into the implementation of a new system for customers contact management CRM (Customer Relations Management) which gives the possibilities for following of previous and current contacts with the customers as well as their participation in different campaigns. In order to achieve smooth and creative connection between the Bank and the customers, HR specialist in trainings organized a series of specialized trainings about the system for the employees at all positions in the branches. In the area of customer service have been put a lot of efforts for the successful implementation of a modern design of the main working system, for better customers' data administration, as well as for faster and more effective customer service. Front-end Banking system presents a customized approach and all employees at the position of tellers have passed the training on technical and specific features of the new system.

means of getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competencies requirements. One of the main aims of the performance management is to empower, motivate and reward employees to achieve their best, through receiving regular, fair, accurate feedback and coaching.

REVISED PERFORMANCE MANAGEMENT SYSTEM TRAINING

As a major value the Bank is concerned about the individual development of the employees. In this respect every year each employee's personal performance is evaluated during the Annual appraisal process. In 2011 staff members were introduced to the Revised Performance Management System which is a

COMPENSATION AND SOCIAL BENEFITS

Postbank is aware of the social impact of its position of a major employer and consequently is determined to provide its personnel with various benefits that go far beyond the requirements, stipulated in the labour legislation of the country. In this context, the Bank has implemented and strives to extend a consistent policy of providing additional benefits to its workforce and of applying strict health and safety standards at the workplace. The Bank provides various forms of support upon ad hoc situations. All employees of the Bank have additional health insurance in a private fund the price of which is fully covered by the employer. The additional insurance covers also the cost of medical treatment if necessary. If the employees want they may also conclude

agreements for additional health 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. More over, a significant benefit for Postbank's employees is the opportunity to use the Bank's products and services at preferential terms. This includes home and consumer loans, credit cards, overdrafts, online banking. Staff members pay no fees for most banking operations such as cash transfers, withdrawals, etc.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

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

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

HEALTH AND SAFETY

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

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

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 fosters team spirit and work. The timely and effective information flow within the organization is vital for its success. Internal communications help improve the Bank's working environment, interpersonal connections between employees and are as a whole an instrument for promoting better cooperation and thereby, greater efficiency. In order to attain these objectives, Postbank regularly carries out the following internal communications initiatives:

INTERNAL EVENTS:

In 2011 Postbank celebrated its 20th anniversary on the Bulgarian market. On this occasion several internal events were organized in order to recognize the achievements and to reward the key performers among the employees.

Happy Hour events in the two Bank premises with the largest number of employees

Postbank top management invited to Happy Hour informal events the employees working in the central office and those in Consumer Lending Division in Business Park Sofia.

The events allowed people to meet, talk directly, ask the Chief Executive Officer of the Bank questions, and exchange business cards with colleagues they have not met so far in person.

Anniversary event for employees with 20-year experience at the Bank, branch managers and business unit managers

In July Postbank invited 270 employees to an anniversary event at the National Museum of History. Mr. Anthony Hassiotis, CEO, and Mrs. Petia Dimitrova, Executive Director, proudly presented and awarded 20 ladies who had worked for Postbank for 20 years.

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Annual Meeting of Postbank

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

At the Annual Meeting 2011 Postbank branches were recognized in the following categories – deposit gathering, lending, profitability, remedial management, cooperation with Corporate Banking Division, best branch in a key for the Bank project, environmental contribution (assigned by the Green Board), best business centre, best branch after complex evaluation and best region.

INTERNAL COMMUNICATION CHANNELS:

Newsletter Our Bank

The newsletter Our Bank is an important channel of internal communication as it provides staff members with information about the novelties, products, initiatives and performance of the Bank as well as of its overall social contribution.

In 2009, in an attempt to reduce its negative environmental impact and to allow the immediate transmission of up-to-date information concerning the Bank, the Bank's Corporate Communications Department created an electronic newsletter, which was sent via e-mail to all staff members. Thus, the print newsletter Our Bank was issued on a quarterly basis only. The print magazine of the Bank was fully revamped to include more in-depth, analytical articles and materials with a more personal content that enable employees to get to know their colleagues.

E-mails to All Employees

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



Intranet

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

In 2011 Postbank's Corporate Communications Department received a special recognition from Bulgarian Public Relations Association for the internal communication campaign entitled Postbank – Our Bank.

Ideyno Competition

In 2011 the second edition of Ideyno internal competition was launched. In 2010 Bank's Executive Committee initiated the internal contest for proposals for work improvements by the people who know the working process best. Using a specific form on the intranet, staff members can send their ideas in the following areas: optimization of work processes, service improvement and cost reduction.



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.

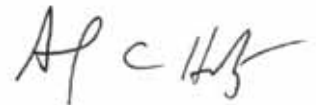
As a major Bulgarian Bank and a part of powerful international financial group, we recognize our numerous opportunities to influence public agenda. At the same time, we understand that this unique position we enjoy makes it all the more imperative for us to abide by the principles of good corporate citizenship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

Our parent Eurobank EFG 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 continuously monitor, assess and optimize 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, but also to gradually extend it to our employees, suppliers, clients and society in order to promote beneficial environmental practices and sustainable economic growth.

Anthony C. Hassiotis

Chief Executive Officer

A handwritten signature in black ink, appearing to read 'AP C Hassiotis'.

Environmental protection as well as the sparing use of natural resources has always been one of the key core concerns of Eurobank Group. Over and above compliance with current environmental legislation, which the Bank ensures as a matter of course, the senior management of the Bank has also adopted environmental standards for all segment of the Business.

Eurobank EFG remains, since 2004, the only Greek banking group, and one of few in Europe, to have established an externally certified ISO 14001 compliant Environmental Management System. The procedures for the official listing of Eurobank EFG in the Register of European Organizations that adhere to the EMAS (Eco-Management & Audit Scheme) regulation (Regulation EC/761/2001) on environmental management were completed in 2009.

Since then, Eurobank has been distinguished for three years in a row at the European EMAS Awards, each year for a different subject category. In 2009, Eurobank captured the National Award on the theme Supply Chain, including Green Procurement, while it also received the National Award for the year 2010 on the theme Resource Efficiency. In 2011, Eurobank received the European EMAS Award on the theme Stakeholder involvement, including employee involvement, leading to continuous improvement, thus achieving the utmost distinction amongst all private sector large organisations participating in the contest. Since 2010, Eurobank EFG is a member of the Global Steering Committee, and presides over the European Task Force and the Global Banking Commission of the United Nations Environment Program Finance Initiative (UNEP FI).

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

Postbank continues to enhance its ambitious goals towards sustainable development as outlined in the previous years, namely to show responsibility towards the environment by being itself an environmentally responsible institution. In 2011 several important steps were taken in this direction:

- Environmental and Sustainability Section reporting to the Chief Operating Officer was formed. Its main responsibility is to coordinate the implementation of all aspects of the Green Policy of the Bank
- Environment and Social Steering Committee with the participation of members of the Executive Committee was set up to oversee the implementation of the Green Policy, and Working Group was attached to it to facilitate the process.

Focal point of the activities of the Section, the Committee and the Working Group in 2011 was the development of the Environmental Risk Management Procedure of the Bank. Its purpose is to incorporate the environmental risk management into the credit approval and monitoring process. The procedure has been finalized and approved by the Management. Its implementation is a project that is planned to take place on stages starting 2012.

By timely meeting the requirements of the changing environment, Postbank is joining the most recent world trends in risk management and sustainable practices.

The core of the environmental protection activities at the Bank as a financial service provider lies in optimizing the consumption of resources, specifically in areas where Postbank and the other subsidiaries of the Group can have a direct impact on environment: for example building management.

As an extension to the Group's and local policies, Environmental and Sustainability Section continued work on the energy management program of the Bank by enhancing its scope. A systematic approach towards measuring energy consumption in the premises of the Bank has been developed, adapting the methodology provided by the Group Environment and Quality Division to the local specificities. This methodology allows for calculating total energy consumption in terms of kwh and its conversion to CO2 emissions. In 2011, information on consumption of branches has been collected and in 2012 the main goal is to produce a report indicating energy consumption for each financial centre of the Postbank, including the Head Office and the subsidiaries for all electricity pricing elements. In regards to the preparation of this report, negotiations with the three electricity providers in Bulgaria took place to agree on receiving detailed information in electronic format that will allow subsequent analysis.

In 2011, the specific indicators are calculated for the first time, showing the CO2 emissions and kwh used per Bank's office, per sq. m and per employee, allowing comparison between the offices and identifying the top spenders. In view of making accurate conclusions from the analysis of electricity consumption, the methodology applied in 2011 is in a process of revision.

Based on the information from the analysis, technical audits of the premises are done, problems identified and technical improvements implemented in order to achieve lower consumption. Thus in 2011, based on information from certain audits in outlets with particularly high energy consumption, the decision to renew the old air conditioning systems with new ones of a higher ener-

gy class was taken. This is one of the projects planned for 2012.

Environmental and Sustainability Section works in tight cooperation with the Corporate Communications Department and the Green Board for enhancing awareness of the staff about the necessity of preservation of resources.

As an extension of the environmental policy, detailed analysis of the possibilities for implementing recycling of paper, refilling of toners and their subsequent recycling was prepared. Based on the conclusions, a project for implementation of these activities was planned to start in 2012 for the HO.

While reviewing the consumption, certain outcomes are evident: decrease in the amount of water and paper consumed in the period 2008-2011. The year 2008 is used for comparison purposes because this is the first full year after the merger of Postbank and DZI Bank. After the merger, significant efforts were placed in the consolidation of premises maintenance activities under the control of the Head Office.

Maintenance was outsourced to an external company and it started visiting the offices on a regular basis and reporting to the HO for all open issues. In such a way maintenance was improved and a number of small issues such as leakages in premises and lavatory cauldrons, problematic taps, etc. were being eliminated on time, thus abolishing the wasting of water.

Paper has been significantly reduced as a result of change of internal processes that were made with the intention to save resources and costs. An example is the decision to stop printing clients' monthly statements. Currently they can be obtained by request in any of our branches. Another example is the reduction of number of sheets needed for receipts issued by the cashiers by printing all the information previously printed on two sheets in one sheet and dividing it manually.

From 2011 information on the quantities of toners used by the Bank is being collected. In 2011, 3,480 units of toners have been used. Postbank will continue to monitor toners' consumption and to analyze the needs. For 2012 a project for refilling and recycling of all used toners is planned to start.

Apart from the information on water and paper, precise information for the rest of the indicators is not at hand in the present moment, and the comparison between years is done in terms of



costs. The indicators are presented in units of euro, discounted for each year to achieve comparability to the base 2008. Information on electricity consumption in terms of kwh is being reviewed in view of the changes in methodology necessitated for the reasons described briefly above. The figures show reduction in the amounts consumed in the years 2008-2011, despite the fact that the accumulated annual inflation rate for the period according to the National Statistical Institute is 30,1%, and all the services and resources quoted in the Table below have seen significant increase in their specific prices.

One of the targets for 2012 is to be in a position to provide comparative analysis:

- in kwh for electricity and
- in N of toners used
- CO2

for better illustration and improved analytical value.

In 2011, no fines related to environmental issues were imposed on Postbank.



ITEM*, EUR	2008	2009	2010	2011	Δ 2011 to 2008
Electricity	1,050,955	1,122,034	1,147,476	1,137,891	8%
Gas	17,974	12,990	9,023	11,870	-34%
Heating	75,338	74,812	61,000	71,799	-5%
Water	87,579	70,961	71,109	73,296	-16%
Toners	404,206	411,910	470,439	425,153	5%
Printing Paper	411,675	341,155	333,804	260,612	-37%
Envelopes	159,410	100,714	52,546	37,822	-76%
Forms	291,385	144,612	32,412	29,659	-90%
Desk Stationary Materials	195,308	114,060	108,018	115,199	-41%
Total	2,600,518	2,305,445	2,215,805	2,079,632	-20%
Paper and Writing Materials	1,057,779	700,541	526,781	443,292	-58%
Paper, Envelopes and Forms	862,470	586,480	418,763	328,093	-62%
N of pages of paper used	54,550,581	46,471,776	46,561,779	48,617,042	-11%
Electricity	1,050,955	1,122,034	1,147,476	1,137,891	8%
Gas	17,974	12,990	9,023	11,870	-34%
Heating	75,338	74,812	61,000	71,799	-5%
Total energy	1,144,267	1,209,836	1,217,499	1,221,559	7%
m3 of water consumed	118,951	79,263	81,334	87,357	-36%

**Note: Data is for the Bank and subsidiaries, discounted for comparability purposes. The used discount factors are: the price changes per type of service, or where unavailable, the average annual inflation rate as provided by the National Statistical Institute. The data reflect the changes in methodology for comparison, previously based on nominal terms for the branch network, currently - on discounted terms for the whole organization - branches, HO and subsidiaries.*



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, care for the environment, art, sports and corporate donations. Some of them are *High Start with Postbank*, the *Crystal Purity of Pancharevo* and the internal program *Green Start*.

HIGH START WITH POSTBANK

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

The 6th edition of the initiatives ended in February 2011 with presentation of the first textbook written by high school students the winners in the High Start with Postbank program. Anthony Hassiotis, CEO of Postbank, and the winning students, presented the book, which contains the high schoolers' ideas on the improvement of Bulgarian secondary education, to Milena Damianova, Deputy Minister of Education, Youth and Science. The authors of the best essays on the topic *Chase Boredom Away from School* received a scholarship worth BGN 1,000 from the program.

The 7th edition of the initiative was announced in November 2011 and invited students to participate in the important social debate for the future of Bulgaria and express their opinion on pressing problems with an essay on the theme *My High Start for Bulgaria Starts with....* The aim of the initiative was to single out the twenty most important steps to make Bulgaria more attractive for the young generation. The initiative ended with the creation of the first Youth Road Map for Development of Bulgaria, which included the solutions offered by the youths and presented to representatives of the authorities.

“ The Bank is very active in the area of corporate social responsibility and traditionally implements a number of socially important projects in education, care for the environment, art, sports and corporate donations.”

BELOW: The finalists in the High Start Program together with the Chief Executive Officer of Postbank



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

In 2011 High Start with Postbank program received a silver medal in the category *CSR Program in Europe* at the International Steve Awards 2011. Additionally, it was among the finalists in Campaign in Education category, SABRE 2011. High Start with Postbank is recognized as the *Best Donors Campaign for 2011* by the Bulgarian Donors Forum.

GREEN START WITH POSTBANK

Postbank is focused on preservation of nature and reducing of resources consumption such as electricity, water and paper. As part of Eurobank EFG, Postbank considers environment preservation as one of its main priorities and strives for integrated implementation of best ecological practices. In this regard the financial institution undertakes the obligation to constantly observe, evaluate and optimize its ecological performance and to strictly follow all requirements of local, national and international legislation in the respective fields.

Postbank strives to mitigate the adverse environmental impact of its operations and to make use of every opportunity to induce possible ecological changes. The program elements are presented in the following projects:

CRYSTAL PURITY OF PANCHAREVO

In September 2008 Postbank launched the Crystal Purity of Pancharevo project. The Bank committed to take care of the purity and the improvement of Pancharevo lake.

In 2010 the project was implemented under the motto *Crystal Purity of Pancharevo for Every Child* and apart from cleaning the area, the financial institution organized a picnic for disadvantaged children.

In 2011 the project was implemented within the broader initiative of bTV *Let's Clean Bulgaria for a Day*. The result of the joint work of the Bank employees and the local residents was more than one ton of garbage collected.



ABOVE: Mr. Anthony Hassiotis hands to Deputy Minister Milena Damianova the first textbook written by the winners in the High Start with Postbank Program
BELOW: Record number of volunteers from the Bank joined the annual initiative for cleaning the Pancharevo Lake region



GREEN EFFORTS

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

In 2009 Postbank launched its internal program for environmental friendly conduct of the staff, entitled *Green start with Postbank*. The program aims to raise awareness on issues related to environment but also identifies areas for ecological optimization and proposes measures to the Bank management.

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

The Green Board of the Bank operates in line with the preapproved annual strategy and conducts regular meetings. In 2011 the Board focused its efforts on two major initiatives:

- Clear Your Desk initiative which involved the employees from all head offices in Sofia. They collected and submitted over 11 tons of used paper for recycling, and in this way saved a forest of nearly 130 trees.

- Postbank's Green Board brought festive spirit to 20 kindergartens in Sofia by donating living potted trees under the *Christmas Tree Initiative*. The donation was accomplished with the kind assistance of Sofia Municipality and Sofia Inspectorate. The trees were presented to kindergartens in the districts of Ovcha Kupel, Krasna Polyana, Drujba, Nadejda, Suhata Reka and Central District. The Bank has branches in all these districts and their managers were personally involved in the noble Christmas act. In addition to delighting the children the initiative aimed at offering a green alternative to cut-down and artificial Christmas trees.



Зелен старт
GREEN START

Разчистете бюрата!
2 декември 2011

Зеленият борд на Пощенска банка ви призовава да започнете новата година на „зелини“! Спестяваме от времето си на 2 декември, пазим. Разчистете бюрата и съберете ненужните хартии в чубани, които ще получите следващия преди индустриалната:

- черни чубани за употребена хартия с поборителен характер, която ще бъде на контролно от нашия екип уличничаеки
- бели чубани за стари вестници, списания, брошури и подобни

Сдружителни на фирма „Фасилити Оптима“ ще съдействат за изобавяне на хартията. Средствата от продажбата за рециклиране хартия ще бъдат дарени в полза на проект „Скоордини координа“ за децата с увредено зрение от сдружението „Алфа Айл“ в кв. „Надежда“.

Вашите дарения ще бъдат документирани и ще бъдат вградени в отчетите на Пощенска банка за 2011 г. и ще бъдат дарени на благотелителни организации.

20 години българска банка от нас

More on Eurobank EFG



CROSS SAFELY

Since the launch of its *Cross Safely* national campaign in 2010, Postbank has taken a long-term commitment to design and follow a socially responsible program for encouraging road users to apply safety rules. Within the first edition of the project 8 zebra crossings were renewed in Sofia, Varna, Stara Zagora and Vratsa.

In 2011 Postbank signed the European Road Safety Charter and took the responsibility to continue its program for reducing the traffic accidents and ensuring the road safety in Bulgaria.

Again in 2011 the financial institution supported the national campaign of Traffic Police for monitoring the compliance with traffic rules by using all seat belts in the cars.

SPONSORSHIPS, CHARITIES AND VOLUNTEER INITIATIVES

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

Traditionally, every year Postbank's employees donate blood to the National Centre for Transfusion and Haematology within the internal initiative called *I Donate with Love*. Blood donation is in support of the Centre's efforts to increase the public's awareness of blood donation safety and to collect blood for people in need.

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

Every year the Bank takes part in the initiative called *Manager for a Day of Junior Achievement Bulgaria*.

In 2011 Postbank gave 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, traditionally supported by the Bank on for the Baba Marta holiday. The Bank's partners were the Future for Children with Disabilities Association in Kazanlak and the Third Age Foundation in Ruse.



In 2011 Postbank received a honorary certificate for supporting the *International Award for Young People in Bulgaria*. The International Award for Young People is granted for personal development of youngsters between 14 and 25 years. Postbank received the certificate for being the first business organization, backing the project in Bulgaria.

AWARDS 2011

- Postbank is the Best Custody Bank for foreign and local institutional clients in Bulgaria, according to Global Custodian magazine's annual overview of the market
- Postbank's virtual MasterCard won the grand prize for Financial Product of the Year at the Banks, Investment, Money Ninth International Financial Forum . The product scored highest in the categories Financial Product of the Year and Innovation and Quality .
- High Start with Postbank is the Best Donors Campaign for 2011
- Silver medal for High Start with Postbank in the category CSR Program in Europe at the International Stevie Awards 2011
- High start program was finalists in Campaign in Education category, SABRE 2011
- Postbank's Executive Director Petya Dimitrova was among the finalists in the prestigious competition Manager of the Year 2001
- Postbank's CEO Anthony Hassiotis was among the finalists of the prestigious Mr. Economy 2011 Competition, organized by Economy Magazine
- Postbank was awarded in the category Bank of Tourism at the annual awards ceremony of the Bulgarian Hotel and Restaurant Association
- Postbank Executive Director Petia Dimitrova received a special award for prominent professional success as alumnus of the UK University of Sheffield



ABOVE: The Chief Executive Office of the Bank was once again the host of a couple of young “managers for a day” within the framework of the annual initiative of Junior Achievement



RECOGNITIONS



ABOVE: Postbank Executive Director Petia Dimitrova received a special award for prominent professional success as alumnus of the UK University of Sheffield.
BELOW: The High Start corporate social responsibility program of Postbank received the prestigious Best Donors Campaign award at an official ceremony organized by the Bulgarian Donors Forum



ABOVE: Silver medal for High Start with Postbank in the category CSR Program in Europe at the International Stevie Awards 2011
BELOW: Postbank was awarded Bank of Tourism for 2011





ABOVE: Her Excellency Mrs. Koumanakou hands the Financial Product of the Year award for Postbank's virtual MasterCard to the Bank's Chief Executive Officer

BELOW: Postbank received a honorary certificate for supporting the International Award for Young People in Bulgaria



ABOVE: The Bulgarian Credit Rating Agency has assigned a long-term rating of BBB to Postbank with a stable outlook and a short-term rating of A-2

BELOW: Postbank signed the European Road Safety Charter and took the responsibility to continue its program for reducing the traffic accidents and ensuring the road safety in Bulgaria





APPENDIX 2



INDEPENDENT
ASSURANCE
STATEMENT



TO THE MANAGEMENT AND STAKEHOLDERS OF EUROBANK EFG GROUP BULGARIA

Kreston BulMar has been commissioned by the Management of Eurobank EFG Bulgaria AD to carry out an independent assurance engagement on the socio-economic and environmental information, published in the Eurobank EFG Group Bulgaria's Financial and Sustainability Report 2011 ('the Report'). This assurance engagement has been conducted in compliance with AccountAbility's AA1000 Assurance Standard 2008 (AA1000AS 2008) and the requirements of Global Reporting Initiative 2006 Sustainability Reporting Guidelines Version 3.0 (GRI G3). The verification was conducted during April- July 2012 for the year of activities covered in the Report, 1 January 2011 to 31 December 2011.

Kreston BulMar is a leading provider of assurance services related to sustainability reporting in Bulgaria. Kreston BulMar meets all the independence, impartiality and competence requirements with regard to this assurance engagement as stated in AA1000AS 2008. Kreston BulMar was not involved in the preparation of any statements or data included in the Report, with the exception of this Assurance Statement. Kreston BulMar maintains complete impartiality toward any people interviewed.

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

Scope and Boundary of the Assurance Engagement

The scope of work agreed upon with Eurobank EFG Bulgaria AD included the following:

- Provide moderate assurance of the non financial data prepared using the GRI G3 guidelines, covering socio-economic and environmental indicators for the period 01 January 2011 to

Kreston BulMar

AUDIT • ACCOUNTING • TAX • CONSULTING

31 December 2011, except EC-1 and other financial data which is as reported by the company and independently audited by a specialized auditing enterprise;

- Evaluate socio-economic and environmental information and its preparation adherence to the three Accountability principles (Inclusivity, Materiality and Responsiveness) and the reliability of specified performance information, as required for a Type 2, moderate level of assurance, according to AA1000AS 2008;

- Confirm adherence to the requirements for GRI Application Level C.

The reporting boundary is as set out in the Report, i.e. it covers the strategic business units of Eurobank EFG Group, operating in Bulgaria – herein referred as Eurobank EFG Group Bulgaria, which includes:

- Eurobank EFG Bulgaria AD
- Bulgarian Retail Services AD
- EFG Leasing EAD
- EFG Auto Leasing EOOD
- EFG Property Services Sofia AD
- Eurobank EFG Factors SA – Bulgarian branch
- IMO Property Investment Sofia EAD
- IMO Central Office EAD
- IMO Rila EAD
- IMO 03 EAD

Inherent Limitations of the Assurance Engagement

The Financial and Sustainability Report 2011 contains forward-looking information in the form of ambition, strategy, plans, forecasts and estimates. The fulfillment of such information is inherently uncertain. For that reason Kreston BulMar do not provide any assurance relating to that forward-looking information.

Next to that Kreston BulMar do not examine and do not express any conclusion with respect to the financial information and the preparation of the Annual Financial Statements of Eurobank EFG Bulgaria and the other entities of EFG Group in Bulgaria.

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

Verification Methodology

This assurance engagement was planned and carried out in accordance with the criteria set out in AA1000APS (2008) for each of the principles of inclusivity, materiality and responsiveness and for the selected environmental, safety and social performance data – as set in GRI (G3) Sustainability Reporting Guidelines and C application level requirements. In order to provide conclusions in relation to the aforementioned scope of work Kreston BulMar has:

- Determined the methods used by Eurobank EFG Bulgaria in its reporting process to address the reporting principles in the G3 Sustainability Reporting Guidelines of GRI and the principles of Inclusivity, Materiality and Responsiveness in the AA1000ASP of AccountAbility;
- 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 2011;
- 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
- Performed a media analysis and an internet search for references to Eurobank EFG Group Bulgaria during the reported period;
- Review of documentation, data records and sources relating to sustainability and CR management made available by Eurobank EFG Group Bulgaria;
- Performed sample checks of the processes and tools used to collect, aggregate and report on sustainability and CR-related data;

- Visited the Head-Office of Eurobank EFG Group Bulgaria;
- Conducted interviews with key representatives to understand the key corporate responsibility issues related to the data and processes for the collection and accurate reporting of the disclosures stated in the report and inquiring of management regarding key assumptions and the evidence to support the assumptions.

The following observations and conclusions with Regard to the principles of AA1000 are made based on Kreston BulMar's verification work.

Inclusivity: Kreston BulMar has observed and saw evidence for engagement at all levels of the organization which can contribute to changes in the business decisions and strategy. However inclusivity remains stronger for employees and investors, as compared to the external stakeholder groups. The feedback received from the stakeholder groups helped to define the Company's material issues, as reflected in the Report.

- It is recommend – development of a stakeholder engagement strategy to drive inclusivity, communicate progress on sustainability issues and respond to stakeholders concerns.

Materiality: The sustainability reporting team undertook a number of research activities to determine what was considered material for inclusion in the sustainability part of the annual report 2011. The research included a review of peer performance in the Financial sector, a review of corporate reporting globally and Government strategic requirements. This work resulted in good coverage of material sustainability issues in the Financial and Sustainability Report 2011.

- It is recommended – formalization and better documentation of the process for identification of material sustainability issues to be covered in the future reports.

Responsiveness: Eurobank EFG Group Bulgaria is found to be responsive to stakeholders concerns and offer multiple interaction and communication mechanisms. These include annual meetings, surveys, comprehensive information on the Intranet and web site, contact points frequent newsletters and reports.

- It is recommended – implementation of focused initiatives to improve performance in the following areas: energy consumption in buildings; CO2 emissions, staff travel, sustainable procurement, use of resources and waste management.

Reliability of Performance Information: In terms of data accuracy, nothing has come to our attention that causes us to believe that these data have not been properly collected from information reported at operational level, nor that the assumption utilized were inappropriate. We are not aware of any errors that would materially affect the reported data. A small number of data errors were highlighted during the assurance process and have subsequently been corrected in later versions of the report.

Conclusions

In accordance with the AA1000AS (2008) requirements for a Type 2, moderate level assurance engagement, Kreston BulMar concludes that as a result of the review no other matters were disclosed that would lead us to believe that the socio-economic and environmental information as published in Eurobank EFG Group Bulgaria Financial and Sustainability Report 2011 contained material errors or that it was not prepared in accordance with AA1000 AS (2008), the guidelines of GRI Sustainability Reporting Guidelines version 3.0 (G3) and the requirements of the GRI Application Level C, as declared by Eurobank EFG Bulgaria.



Emil Popov

Managing Partner and Leading Auditor

Kreston BulMar is licensed by AccountAbility to provide AA1000 AS (2008) assurance, under license number 000-110

Sofia, August 01, 2012



AA1000
Licensed Assurance Provider
000-110

GRI
CONTENT
INDEX



ABOUT THIS REPORT

General Report Information

This report describes our financial performance and illustrates how we aim to secure a successful future not only for our own banking business but also for our internal and external stakeholders. It covers the financial year from January 2011 to December 2011. (the financial statements are prepared in accordance with the IFRS, and the broader economic, social and environmental information in compliance with GRI guidelines)

This report is directed primarily for our shareholders, customers, employees, partners, non-governmental organisations (NGOs) and anyone with an interest in Postbank's sustainability performance.

Priority Topics in the Report

When selecting the content of this report, Postbank applied the principle of materiality and focused on topics relevant to an assessment of its financial and sustainability performance, 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 and subsidiary companies of EFG Group operating in Bulgaria to identify which social, environmental and ethical topics are most relevant to them;
- Expectations made explicit through international standards.

For performance indicators covered in the report, the Bank gathered information at different levels within the organisation: Finance Division, Compliance, Corporate Governance, Legal Division, Clients Relations, Central Operations, Human Resources, Corporate Communications 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

“This report describes our financial performance and illustrates how we aim to secure a successful future not only for our own banking business but also for our internal and external stakeholders.”

- Activities in support of the community
- Environmental efficiency of operations

Scope and Content of the Report

The Financial and Sustainability Report 2011 covers the period from 1 January to 31 December 2011. It includes information, unless otherwise specified, about the performance of the Head Office of Postbank, with legal name Eurobank EFG Bulgaria AD, its branch network and the subsidiaries of Eurobank EFG Group registered and operating in Bulgaria:

- Bulgarian Retail Services AD
- EFG Leasing EAD
- EFG Auto Leasing EOOD
- EFG Property Services Sofia AD
- Eurobank EFG Factors SA, Branch Bulgaria
- IMO Property Investments Sofia EAD
- IMO Central Office EAD
- IMO Rila EAD
- IMO 03 EAD

These companies specialize in services supplementing the Bank's business and also use its administrative processes and resources.

The report's boundary excludes affiliates of Eurobank which operate outside the Bulgarian market.

During the period under review, 01 January 2011 - 31 December 2011, no significant changes occurred in the size and ownership

of the Bank as the merger plan of Eurobank EFG (EFGr AT) and Alpha Bank (ACBr AT), announced in August 2011, was pushed through a cancellation over the impact of the Greek state debt restructuring plan on the local banking. In the first months of 2011 the structure of Postbank was changed and two-tier management system was implemented and three new subsidiaries of EFG Group were incorporated in Bulgaria. Significant changes occurred, however, regarding the used methodology and basis for reporting the data which may affect the possibility for comparing the information to previous reporting periods as specified in the environmental section of the report.

Stakeholders

Postbank uses a structured approach for defining stakeholders and identifying material aspects in relation to sustainable development which are significant to the company. This approach determines internal initiatives and the overall sustainable development policy and at the same time ensures support for the organization's business strategy.

Through this approach were defined 4 groups of stakeholders that affect significantly or are significantly affected by the economic, environmental and social performance of the company, namely:

- Clients
- Employees
- Shareholders
- Suppliers

The Bank is 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 its stakeholders. However, it is acknowledged that fully integrated reporting is not achieved by simply combining different corporate reporting components. Postbank

will further invest in developing an effective integrated management and reporting processes. The preparation and presentation of the socio-economic and environmental information in this report has been made in accordance with the requirements of the internationally recognized standard for sustainability reporting G3 of GRI. The Bank will report on annual basis its sustainability performance according to the GRI indicators for measuring the organization's impact on sustainable development. When determining the content of the Report, the Bank's team was guided by the principles of materiality, stakeholders' inclusiveness, sustainability context and completeness, established by the Guidelines of the Global Reporting Initiative. To ensure the trustworthiness of the disclosed information Postbank engaged two different specialised audit companies – one to perform an independent financial audit of the financial statements and the other to perform assurance engagement of the socio-economic and environmental information presented in the report.

GRI APPLICATION LEVEL AND CONTENT INDEX

GRI APPLICATION LEVEL

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	E X T E R N A L L Y A R E S P O R T E T N E T
G3 Management Approach Disclosures	Not required	
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 environmental.	

GRI CONTENT INDEX

STANDARD DISCLOSURES PART I: Profile Disclosure

1. Strategy and Analysis

Profile Disclosure	Pages	Description
1.1	FR 5-7, 55	Statement from the most senior decision maker of the organization

2. Organizational Profile

Profile Disclosure	Pages	Description
2.1	FR 9	Name of the organization.
2.2	FR 9	Primary brands, products, and/or services.
2.3	FR 9	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.
2.4	FR 37	Location of organization's headquarters.
2.5	FR 9	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 17	Nature of ownership and legal form.
2.7	FR 9	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).

2.8	FR	9	Scale of the reporting organization.
2.9	FR	101-102	Significant changes during the reporting period regarding size, structure, or ownership.
2.10	FR	91-93	Awards received in the reporting period.

3. Report Parameters

Profile Disclosure	Pages	Description	
3.1	FR	101	Reporting period (e.g., fiscal/calendar year) for information provided.
3.2	FR	Nov 2011	Date of most recent previous report.
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	101	Process for defining report content.
3.6	FR	101	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).
3.7	FR	101	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).
3.8	FR	101-102	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	84-85	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	101-102	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.
3.12	FR	103-106	Table identifying the location of the Standard Disclosures in the report.

4. Governance, Commitments, and Engagement

Profile Disclosure	Pages	Description	
4.1	FR	27-30	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.
4.2	FR	28-29	Indicate whether the Chair of the highest governance body is also an executive officer.
4.3	FR	28	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	57	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.
4.14	FR	102	List of stakeholder groups engaged by the organization.
4.15	FR	102	Basis for identification and selection of stakeholders with whom to engage.

STANDARD DISCLOSURES PART III: Performance Indicators

Economic

Economic Performance

EC1	FR	61	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.
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Market presence

EO6	FR	61	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.
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EC7	PR	74	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.
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Environmental

Materials

EN1	PR	83,85	Materials used by weight or volume.
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Water

EN8	FR	85	Total water withdrawal by source.
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Compliance

EN28	FR	84	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.
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Social: Labour Practices and Decent Work

Employment

LA3	FR	76-77	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.
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Labor/management relations

LA4	FR	77	Percentage of employees covered by collective bargaining agreements.
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Occupational health and safety

LA6	PR	77	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	78	Average hours of training per employee per year by employee category.
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LA12	FR	76	Percentage of employees receiving regular performance and career development reviews.
Diversity and equal opportunity			
LA13	PR	74	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			
SO2	FR	70	Percentage and total number of business units analyzed for risks related to corruption.
SO3	FR	70-71	Percentage of employees trained in organization's anti-corruption policies and procedures.
Compliance			
SO8	FR	71	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	71	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.
PR7	FR	71	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	71	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.

FR – FULLY REPORTED
PR – PARTIALLY REPORTED

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DESIGN AND DTP

This report is printed on recycled paper.



Dalum
let the paper talk





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

Corporate Communications Department at Postbank

Email: CorporateCommunications@postbank.bg

Tel.: (359 2) 8166 000

