BULGARIAN RETAIL SERVICES AD
DIRECTORS' REPORT
FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

31 DECEMBER 2012

CONTENTS

DIRECTORS' REPORT AS OF 31 DECEMBER 2012

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

BUSINESS DESCRIPTION

Bulgarian Retail Services AD was incorporated as a joint-stock company in 2002, and as of its incorporation until 31 December 2012 it has not changed its legal form. The address of its registered office is as follows: 4-6 Kniaz Alexander Dondukov Blvd, 1000 Sofia, Bulgaria.

The Company was registered with the principal activity consultancy and other services related to data processing, management, promoting, organizing etc. with relation to payment systems and consumer lending activities, expertise, software and equipment supporting those activities, providing financial services including creation, installation and maintenance of the technical equipment required for their provision, debt collection and other.

BUSINESS OVERVIEW

Bulgarian Retail Services is part of Eurobank Ergasias Group – an international financial group.

During 2012 Bulgarian Retail Services AD and Eurobank Bulgaria AD (the "Bank') have signed several contracts for transferring of receivables under loan agreements. BRS transferred to the Bank all of its receivables under these loans agreements, together with all collaterals, privileges and other belongings, including the accrued interests, including the co-debtors under these loans. The Company received amount that equals the net book value of the transferred loans, which approximated the fair value of the assets transferred. The operation constitutes an intra-group restructuring of the lending operations in Bulgaria. Bulgarian Retail Services AD did not retain any risks or benefits on the transferred loans.

Bulgarian Retail Services AD also entered into Funded Participation Agreement and Assignment and Transfer Agreement between Eurobank Bulgaria AD and ERB New Europe Funding II B.V. relating to a portfolio of loans originated by Eurobank Bulgaria AD. BRS undertook and assumed all rights and obligations related to all receivables originating from the loan agreements subject to the agreements. Eurobank Bulgaria AD and Bulgarian Retail Services AD have separate contractual agreements to provide to BRS services regarding loans in the Company portfolio.

DEVELOPMENT AND RESULTS FROM THE BUSINESS ACTIVITY

The Company maintains strict control of the main risks it is exposed to.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and reviewing if these lending limits where appropriate.

The exposure to anyone borrower is restricted by limits covering on- and off- balance sheet exposures, and risk limits in relation to trading items such as currency swaps, and currency forward contracts. Actual exposures against limits are monitored daily.

DEVELOPMENT AND RESULTS FROM THE BUSINESS ACTIVITY (CONTINUED)

The Company maintains strict control limits on net open derivative positions by both amount and term. The Company analyzes the effectiveness of the derivative instruments on a monthly basis. The Company estimates the market risk of positions held and the maximum losses expected, based upon a number of assumptions, and reviews various market risks on a monthly basis.

The factors that generate market risk are the interest rate risk and foreign exchange risk.

The interest rate risk is the risk of potential loss from adverse changes in interest rates. These include repricing risk, yield curve risk, basis risk, spread risk, volatility risk.

In relation with interest rate exposure, the Company has the contractual right to change interest rates on all loans contracts after a certain period from the origination date of a contract. Limits are set on the level of mismatch of interest rate reprising that may be undertaken.

The foreign exchange risk is the risk of potential loss from adverse changes in foreign currency exchange rates, against the base currency. It includes outright risk, volatility risk and conversion risk. To mitigate the foreign exchange risk the Company uses derivative instruments.

In order to optimize the liquidity risk the Company sets limits for the maximum level of activities requiring cash resources ensuring that cash and maturing funds are available to meet any expected calls and to prevent unexpected levels of demand.

SHARE CAPITAL STRUCTURE

The number of the issued shares as at year-end is 70,000 (2011: 70,000) with nominal value of BGN 10 per share (2011: BGN 10). All issued ordinary shares are fully paid giving one voting right each.

The structure of the registered capital of the Company as at 31 December 2012 is as follows:

Shareholders	Shareholding Stake	Number of Shares	Nominal Value (BGN)
Eurobank Household Lending Services S.A. - Greece	99.999%	69,999	699,990
Theodoros Karakasis	0.001%	1	10
TOTAL:	**100.00%**	**70,000**	**700,000**

During the reported year the shares of the Company have not been transferred, pledged or attached.

BOARD OF DIRECTORS

As at the end of the reported period the composition of the Board of Directors, according to the valid registration in the Commercial registry, and the distribution of functions among its members are as follows:

- Petia Dimitrova – Chairperson of the Board and Executive Director;
- Emil Georgiev – Member of the Board and Executive Director;
- Elli Anastasia Giannopoulou – Member of the Board;

BOARD OF DIRECTORS (CONTINUED)

Ms. Christina Theofilidi was Member and Deputy Chairperson of the Board of Directors and Mr. Solomon Berahas was Members of the Board of Directors until August 17, 2012.
During 2012 the members of the Board of Directors did not receive remunerations from BRS in their capacity of BD members.
None of the members of the Board of Directors has owned or transferred shares or bonds of BRS.
None of the members of the Board of Directors holds special rights of acquisition of shares or bonds of BRS.
None of the members of the Board of Directors is a Partner with unlimited liability into commercial companies.
None of the members of the Board of Directors holds more than 25 per cent of the capital of another company.

The following members of the Board of Directors participate in the management of other companies as procurators, managers or board members, as follows:

Petia Dimitrova

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

BOARD OF DIRECTORS (CONTINUED)

Elli Anastasia Giannopoulou

- ERB Retail Services INF S.A., Romania – Member of the Board of Directors (until 30.11.2012)
- NEU Property Holdings Limited, Cyprus – Member of the Board of Directors (until 30.11.2012)
  - NEU II Property Holdings Limited , Cyprus – Member of the Board of Directors (until 30.11.2012)
  - NEU III Property Holdings Limited, Cyprus – Member of the Board of Directors (until 30.11.2012)
  - ERB New Europe Funding III Limited, Cyprus – Member of the Board of Directors (until 02.05.2012)
  - ERB New Europe Funding B.V., Netherlands – Member of the Board of Directors and Managing Director A (until 30.11.2012)
  - ERB New Europe Funding II B.V., Netherlands – Member of the Board of Directors and Managing Director A (until 30.11.2012)
  - Eurobank Ergasias S.A., Greece – Assistant General Manager, Head of Financial Planning & Control Division, International Division (until 26.12.2012)

Christina Theofilidi (Member and Deputy Chairperson of the Board of Directors until August 17, 2012)

- Bancpost S.A., Romania – Member of the Board of Directors
- ERB Retail Services INF S.A., Romania – Member of the Board of Directors
- Public Joint Stock Company "Universal Bank", Ukraine – Member of the Supervisory Board
- Eurobank Household Lending Services S.A., Greece – Member of the Board of Directors
- Eurobank Remedial Services S.A., Greece – Member of the Board of Directors (effective as of 01.06.2012)

Solomon Berahas (Member of the Board of Directors until August 17, 2012)

- Eurobank Household Lending Services S.A., Greece – Member of the Board of Directors (until 15.05.2012)
- Eurobank Remedial Services S.A., Greece – Deputy Chairperson of the Board of Directors (until 15.05.2012)
- ERB Retail Services INF S.A., Romania – Member of the Board of Directors (until 15.05.2012)

BRS AD has not entered into contracts in the sense of Article 240b, paragraph 1 of the Commerce Act during 2012.

FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

By its nature the Company's activities are principally related to the use of financial instruments. The Company borrows at floating rates for various periods and seeks to earn above average interest margins by investing these funds in loan portfolio.

For more detailed explanations of the financial risk management please refer to the section in the annual financial statements for financial risk management.

PLANNED BUSINESS POLICY IN 2013

The Company will follow its strategy to put strong emphasis on cost containment, including cost of funds. In terms of the lending portfolio, BRS will focus on administration and improvement of the overall quality of the portfolio.

During 2013 the Company does not plan to increase personnel and will be committed to retaining its key employees by inspiring their professional development, rewarding performance and offering various training opportunities.

MANAGEMENT RESPONSIBILITIES

The Directors are required by Bulgarian law each financial year to prepare financial statements that give a true and fair view of the financial position of the company as at the year end and its financial results. The management has prepared the enclosed financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and the Bulgarian legislation.

The Directors confirm that suitable accounting policies have been used.

The Company uses the Bulgarian lev (BGN) as a reporting currency. The 2012 financial statements are prepared in BGN.

The Directors confirm that applicable International Financial Reporting Standards (IFRS) as adopted by the European Union have been followed and the financial statements have been prepared on a going concern basis.

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

Petia Dimitrova
Executive Director and
Chairperson of the Board of Directors

БЪЛГАРИЯН РИТЕЙЛ СЪРВИСИЗ АД * BULGARIAN RETAIL SERVICES AD
София / Sofia

Milena Boyadzhieva
Chief Financial Officer

Bulgarian Retail Services AD
Sofia, 28 May 2013

BULGARIAN RETAIL SERVICES AD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

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

	Notes	Year ended 31 December	
		2012	2011
Interest income and similar income	4	41,943	62,987
Interest expense and similar charges	4	(37,942)	(48,028)
Net interest income		**4,001**	**14,959**
Fee and commission income	5	652	915
Fee and commission expense	5	(228)	(148)
Net fee and commission income		**424**	**767**
Net trading expense	6	(40)	(211)
Operating expenses	7	(740)	(416)
Provision for loan impairment	11	(40,571)	(5,592)
(Loss)/Profit before income tax		**(36,926)**	**9,507**
Income tax expense	9	(1,236)	(951)
(Loss)/Profit for the year		**(38,162)**	**8,556**
Other comprehensive (loss)/income for the year		-	-
Total comprehensive (loss)/income for the year		**(38,162)**	**8,556**

БЪЛГАРИАН РИТЕЙЛ СЪРВИСИЗ АД * BULGARIAN RETAIL SERVICES AD
София / Sofia

Petia Dimitrova
Executive Director
28 May 2013
Sofia, Bulgaria

Milena Boyadzhieva
Chief Financial Officer

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

Rositsa Boteva
Registered Auditor
28 May 2013

Petko Dimitrov
PricewaterhouseCoopers Audit OOD
28.05.2013

BULGARIAN RETAIL SERVICES AD
BALANCE SHEET
AS AT 31 DECEMBER 2012

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

	Notes	As at 31 December 2012	2011
Assets			
Cash and cash equivalents	10	86,077	552,865
Loans and advances to banks	10	-	139,240
Loans and advances to customers	11	641,927	698,167
Equipment and other non-current assets	13	25	78
Deferred income tax assets	9	1	1,210
Current income tax receivable		1,351	1,379
Other assets	12	3	321
Total assets		**729,384**	**1,393,260**
Liabilities			
Bank borrowings	14	603,390	1,287,081
Derivative financial instruments	15	192	2,138
Deferred income tax liabilities	9	2	4
Other liabilities	16	61,727	1,802
Total liabilities		**665,311**	**1,291,025**
Shareholders' equity			
Share capital	17	700	700
Other reserves		70	70
Retained earnings		63,303	101,465
Total shareholders' equity		**64,073**	**102,235**
Total shareholders' equity and liabilities		**729,384**	**1,393,260**

Petia Dimitrova
Executive Director
28 May 2013
Sofia, Bulgaria

Milena Boyadzhieva
Chief Financial Officer

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

Rositsa Boteva
Registered Auditor
28 May 2013

Petko Dimitrov
PricewaterhouseCoopers Audit OOD
28.05. 2013

The accompanying notes set out on pages 12 to 45 form an integral part of these financial statements

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

	Share capital	**Reserves**	**Retained earnings**	**Total**
At 1 January 2011	**700**	**70**	**92,909**	**93,679**
Profit for the year	-	-	8,556	8,556
Total comprehensive income for the year	-	-	**8,556**	**8,556**
At 31 December 2011	**700**	**70**	**101,465**	**102,235**
At 1 January 2012	**700**	**70**	**101,465**	**102,235**
Loss for the year	-	-	(38,162)	(38,162)
Total comprehensive loss for the year	-	-	**(38,162)**	**(38,162)**
At 31 December 2012	**700**	**70**	**63,303**	**64,073**

БЪЛГАРИЯН РИТЕЙЛ СЪРВИСИЗ АД * BULGARIAN RETAIL SERVICES AD
София
Sofia

Petia Dimitrova
Executive Director
28 May 2013
Sofia, Bulgaria

Milena Boyadzhieva
Chief Financial Officer

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

Rositsa Boteva
Registered Auditor
28 May 2013

Petko Dimitrov
PricewaterhouseCoopers Audit OOD
28.05. 2013

BULGARIAN RETAIL SERVICES AD
CASH FLOW STATEMENT
AS AT 31 DECEMBER 2012

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

	Notes	Year ended 31 December 2012	Year ended 31 December 2011
Cash flow from operating activities			
Interest and similar income received		44,238	58,637
Interest paid		(39,733)	(46,332)
Fees and commission receipts		922	2,201
Fees and commission paid		(638)	(148)
Amounts paid to and on behalf of employees		(143)	(123)
Other expenses paid		(272)	(410)
Net trading and other income/(losses)		22	(400)
Income tax paid		-	-
Cash from operating activities before changes in operating assets and liabilities		**4,396**	**13,425**
Changes in operating assets and liabilities			
Loans and advances to customers		80,471	52,928
Derivative financial liabilities		(65,098)	(13,012)
Due from other banks		136,887	-
Net decrease/(increase) in other assets		165	(85)
Net increase/(decrease) in other liabilities		59,925	113
Net cash from operating activities		**216,746**	**53,369**
Cash flows used in investing activities			
Purchase of equipment		-	(39)
Net cash used in investing activities		-	**(39)**
Cash flows used in financing activities			
Decrease in due to banks		(683,534)	-
Net cash used in financing activities		**(683,534)**	-
Net (decrease)/increase in cash and cash equivalents		**(466,788)**	**53,330**
Cash and cash equivalents at beginning of year		552,865	499,535
Cash and cash equivalents at end of year	10	**86,077**	**552,865**

БЪЛГАРИАН РИТЕЙЛ СЪРВИСИЗ АД * BULGARIAN RETAIL SERVICES AD
София Sofia

Petia Dimitrova
Executive Director
28 May 2013
Sofia, Bulgaria

Milena Boyadzhieva
Chief Financial Officer

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

Rositsa Boteva
Registered Auditor
28 May 2013

Petko Dimitrov
PricewaterhouseCoopers Audit OOD
28.05. 2013

The accompanying notes set out on pages 12 to 45 form an integral part of these financial statements

1 Company background and significant accounting policies

(1) Company background

Bulgarian Retail Services AD ("the Company") was incorporated in 2002 and commenced its lending activities in January 2003. The Head Office is in Sofia, Bulgaria. Until the end of the 1st quarter of 2005 the Company's activities included issuing of credit cards and providing services in relation to the issued credit cards, such as transactions processing, establishment of the necessary retail network and offering of different methods of repayment for client's liabilities.

On 26 March 2005, Bulgarian Retail Services AD transferred its credit card loan portfolio and some fixed assets (all POS devices) to Eurobank Bulgaria AD (Bulgarian Post Bank AD). After that date the Company ceased issuing credit cards but continued to provide services in relation to issued credit cards by other related companies including: Eurobank Bulgaria AD, Eurocredit Retail Services, ERB Retail Services IFN SA, Eurobank A.D. Beograd. At the end of 2009, the Company ceased providing credit card processing services.

The Company loan portfolio consists of loans transferred during 2006, 2007, 2008, 2011 and 2012 for which it has paid amount that equals the net book value of the transferred loans, which approximated the fair value of the assets transferred. Both companies are part of Eurobank Ergasias Group. Eurobank Bulgaria AD has separate contractual agreements to provide services regarding the transferred loans. The Company acquired all risks and benefits related to the transferred loans.

Shareholders of Bulgarian Retail Services AD are:

Eurobank Household Lending Services S.A., a joint-stock company, incorporated and existing under the laws of Greece with its registered seat and address of management at 41, Syggrou Av. & Petmeza St., registered with the Prefecture of Athens on February 12, 1997 under Registration № 37552/01/B/97/84 - a shareholder with 69,999 shares, being 99.999% of the capital issued by Bulgarian Retail Services AD and

Theodoros Karakassis, citizen of Greece, born on October 24, 1947 in Drama, Greece, passport №N875062, issued on August 23, 1999 by the Prefecture of Athens, residing in Athens at 16, F. Negri Str. - a shareholder with 1 share, being 0.001% of the capital of Bulgarian Retail Services AD.

Company address of management is: 4-6, Kniaz Alexander Dondukov Blvd., Sofia, Bulgaria.

(2) Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

1 Company background and significant accounting policies (continued)

(3) Basis of preparation

The financial statements of the Company have been prepared in accordance with accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as endorsed by the European Union (EU) and in particular with those IFRS and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements.
The policies set out below have been consistently applied to the years 2011 and 2012. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

The Company's financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

Impact of the economic crisis and situation in Greece

Greece entered into a new funding and restructuring programme with the European Commission, the ECB and the eurozone member-states as agreed in the Eurogroup meeting of February 21st 2012. The programme aimed at bringing the country's public debt-to-GDP ratio below 120% by 2020.

The new funding and reform programme improved the country's financial position and outlook, via the reduction of public debt and its servicing costs from 2012 onwards.

On the back of these developments, and after the implementation/legislation of a long list of structural reforms and fiscal austerity measures for 2013-16 by the Greek Government, the Eurogroup reached on November 26th, 2012 an agreement on a set of new measures for the reduction of Greek public debt to 124.0% of GDP by 2020 and 110.0% of GDP in 2022. This debt path is consistent with the debt sustainability required by the IMF.

Position of the Group

Greek sovereign debt exchange programme

On 21 February 2012 the Euro-area finance ministers agreed on a bail out programme for Greece, including financial assistance from the Official Sector and a voluntary debt exchange agreed with the Private Sector forgiving 53.5% of the face value of Greek debt. All exchanged bonds were derecognized and the new Greek government bonds (nGGBs) recognized at fair value, based on market quotes at the date of recognition.

Following the Eurogroup's decisions on 27 November 2012 and as part of debt reduction measures, the Greek State announced on 3 December 2012 an invitation to eligible holders of nGGBs to submit offers to exchange such securities for six months zero coupon notes to be issued by the European Financial Stability Fund (EFSF). Under its participation to the Greek state's debt buyback program, the Eurobank Ergasias Group submitted for exchange the 100% of its nGGBs portfolio of total face value € 2.3 bn.

1 Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

Position of the Group (continued)

Recapitalization Framework and Process

Given the severity of the impact of the Greek Government Bond exchange program (PSI+), on 21 February 2012 the Euro Area finance ministers allocated a total of € 50 bn of the second support program for Greece specifically for the recapitalisation of the Greek banking system. These funds were directed to the Hellenic Financial Stability Fund (HFSF) whose mandate has been extended and enhanced accordingly. € 39 bn of these funds were remitted to Greece in 2012, and the final € 11 bn in 2013.

Recapitalization of Eurobank Ergasias S.A.

The Bank of Greece, after assessing the business plan and the capital needs of Eurobank (the "Bank") has concluded on 19 April 2012 that Eurobank is a viable bank and, on 8 November 2012, notified the Bank that its Tier I capital should increase by € 5,839 million. The Bank, the HFSF and the European Financial Stability Facility (EFSF) signed on 28 May 2012, on 21 December 2012 and on 30 April 2013 a trilateral presubscription agreement (PSA) for the advance to the Bank of EFSF notes of face value of € 3,970 million, € 1,341 million and € 528 million, respectively (total € 5,839 million), as advance payment of its participation in the share capital increase of the Bank.

On 7 April 2013, the relevant regulatory authorities, with the consent of the management of both banks, decided that National Bank of Greece (NBG) and Eurobank will be independently recapitalized in full. As a consequence, the merger process of the two Banks was suspended. Following the above decision, the BoD evaluated the specificities of the exercise in relation with the attraction of capital from private investors and, in particular, the uncertainty regarding the completion or not of the merger with NBG, and the ensuing inability of properly assessing the investment proposal, as well as the absence of tens of thousands of Eurobank's traditional shareholders who were substituted, due to the recent Voluntary Tender Offer, by NBG's stake of approximately 85% in the Bank's capital. As a consequence, the BoD proposed to the Extraordinary General Meeting on 30 April 2013 that the share capital increase of € 5,839 million be fully subscribed by the HFSF.

On 30 April 2013, Eurobank's Extraordinary Shareholders General Meeting:

1. Approved the decrease of the share capital of the Bank by means of the parallel (i) increase of the nominal value of each ordinary share with voting rights and decrease of the total number of the existing ordinary shares thereof through reverse split, at a ratio of 10 old shares for each 1 new share, and (ii) decrease of the nominal value of the ordinary share of the Bank (as it will result after the reverse split) to Euro 0.30, for the purpose of forming a special reserve of an equal amount, in accordance with Greek commercial legislation.
2. Approved the increase of the share capital of the Bank, in accordance with the provisions of Law 3864/2010 and the Act of the Cabinet 38/9.11.2012, in order to raise Euro 5,839 million, covered entirely by the HFSF with the contribution of bonds, issued by the EFSF and owned by the HFSF. The capital increase was certified on 31 May and the listing of the new shares is expected to be completed shortly after obtaining the relevant approvals from Greek regulatory authorities.

1 Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

On 28 March 2013, the BoG issued an Executive Committee Act (13/28.03.2013) bringing the limit for the Core Tier I capital to 9% of Risk Weighted Assets and for Equity Core Tier I to 6%, effective from 31 March 2013. In accordance with the above targets and further to recent changes in the Greek regulatory framework, the minimum target of 9% is not met, based on the Group's capital adequacy figures as at 31 March 2013. Such impact is expected to be mitigated through capital actions, additional to the recapitalization, currently under implementation by the Bank.

Position of the Company

Bulgarian Retail Services AD finances its activities through a revolving short term borrowing from

Eurobank Private Bank Luxembourg S.A., own funding and equity. The Company's management has no intention to increase the exposure in the foreseeable future.

a) Amended and new standards and interpretations effective in 2012 for EU

- IFRS 7, Amendment - Disclosures, Transfers of Financial Assets

b) Standards and Interpretations issued but not yet effective for EU

- IAS 1, Amendment - Presentation of Items of Other Comprehensive Income (effective 1 January 2013)
- IAS 12, Amendment - Deferred tax: Recovery of Underlying Assets (effective 1 January 2013)
- IAS 19, Amendment - Employee Benefits (effective 1 January 2013)
- IAS 27, Amendment - Separate Financial Statements (effective 1 January 2014)
- IAS 28, Amendment - Investments in Associates and Joint Ventures (effective 1 January 2014)
- IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)
- IFRS 7, Amendment - Disclosures, Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)
- IFRS 9, Financial Instruments (effective 1 January 2015, not yet endorsed by EU)
- IFRS 9 and IFRS 7, Amendment - Mandatory Effective Date and Transition Disclosures (effective 1 January 2015, not yet endorsed by EU)
- IFRS 10, Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11, Joint Arrangements (effective 1 January 2014)
- IFRS 12, Disclosure of Interests in Other Entities (effective 1 January 2014)
- IFRS 13, Fair Value Measurement (effective 1 January 2013)
- IFRS 10, 11 and 12 Amendments - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective 1 January 2013, not yet endorsed by EU)
- Annual Improvements to IFRSs 2009–2011 Cycle (effective 1 January 2013, not yet endorsed by EU)
- IFRS 10, 12 and 27 Amendments - Investment Entities (effective 1 January 2014, not yet endorsed by EU)

1 Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

a) Amended and new standards and interpretations effective in 2012 for EU (continued

- IFRS 9 is part of IASB's project to replace IAS 39 Financial Instruments which has not been finalised yet and as a result, it is not practicable to quantify its impact.

The application of the above mentioned standards and interpretations is not expected to have a material impact on the Company's financial statements in the period of the initial application

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

(4) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in the national currency of Bulgaria, the Leva (BGN), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the Central Bank's exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Such balances are translated at the Central bank's year-end exchange rates.

At 31 December 2012, monetary assets and liabilities are translated at the reference Central Bank exchange rate – BGN 1 for EUR 0.5113 (2011: BGN 1 for EUR 0.5113) and BGN 1 for CHF 0.617642 (2011: BGN 1 for CHF 0.621527).

(5) Interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period using effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount. When appropriate the Company uses a shorter amortisation period. This is the period to the next repricing date when the market rates are changed before the expected maturity of the instrument.

1 Company background and significant accounting policies (continued)

(5) Interest income and expense (continued)

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income includes coupons earned on fixed income investment and trading securities. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognized based on the interest rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(6) Fees and commissions income and expense

Fee and commission expense consists mainly of mediation and administration fees for services received from related parties in Bulgaria. Fees generated from and to related parties are described in Note 19.

Fees and commissions, except for those, which form part of the effective interest rate of the instrument, are generally recognized on an accrual basis when the service has been provided. Loan commitment fees that are likely to be drawn down are deferred and recognized as an adjustment to the effective interest rate on loans.

(7) Non – derivative financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category includes financial assets held for trading.
A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments.

Financial assets held for trading are initially recognised at fair value excluding transaction costs and subsequently re-measured at fair value based on current bid prices at the reporting date. All related realized and unrealized gains and losses are included in net trading income in the period in which they arise. Interest earned whilst holding financial assets held for trading is reported as interest income.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the Bank upon initial recognition designates as at fair value through profit or loss; (b) those that the Bank upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

1 Company background and significant accounting policies (continued)

(8) Derivative financial instruments

Derivatives are financial instruments :

(a) whose value is changed in response to the change in specified interest rate, financial instrument price, foreign exchange rate, index of prices and rates, credit rates or credit index or other variable;

(b) that requires no initial net investment or an initial net investment is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;

(c) that is settled at a future date.

Derivative financial instruments including currency swaps, interest rate swaps and currency forwards are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and pricing models as appropriate. The positive fair value of the derivatives is carried as asset and the negative fair value is carried as liability. The changes in the fair value of derivatives are included in the income statement if any.

The Company has not entered into transactions where the fair value was different from the transaction price. The best evidence of fair value at initial recognition is the transaction price (i.e., the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

(9) Impairment of financial assets

(1) Assets carried at amortized cost

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data about the following loss events:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;
- Downgrading below investment grade level;

1 Company background and significant accounting policies (continued)

(9) Impairment of financial assets (continued)

(1) Assets carried at amortized cost (continued)

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

1 Company background and significant accounting policies (continued)

(9) Impairment of financial assets (continued)

(1) Assets carried at amortized cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement in impairment charge for credit losses.
The loan loss identification period is between three and twelve months.

(2) Financial assets carried at fair value

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the financial asset below its cost is considered in determining whether the assets are impaired.

If any such evidence exists for available for- sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments, classified as available-for-sale, are not reversed through the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

(10) Equipment and other tangible fixed assets

All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement when the expenditure is incurred.

Depreciation is calculated on the straight-line method to allocate the cost of each asset to their residual values over their estimated useful life.

Depreciation rates are between 8% and 24% per annum on computer equipment and fixtures and fittings.The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposal of property and equipment are determined by comparing proceed with carrying amount. These are included in the income statement.

1 Company background and significant accounting policies (continued)

(11) Intangible assets

Costs that are directly associated with identifiable non-monetary asset without physical substance controlled by the Company and which will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Expenditure which enhances or extends the performance of intangible assets beyond their original specifications is recognized as a capital improvement and added to the original costs of the asset.

Costs associated with maintaining intangible assets are recognized as an expense as incurred.

Intangible assets are amortized using the straight-line method over their useful lives.
Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An intangible asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(12) Borrowings

Borrowings are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

(13) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash in hand and call deposits held with banks.

(14) Operating leases

Payments made under operating leases are charged against income in equal instalments over the period of the lease.

(15) Current and deferred income tax

Taxation has been provided for in the financial statements in accordance with Bulgarian legislation currently in force. Charge for taxation in the income statement for the year comprises current tax and changes in deferred tax. Current tax is calculated on the basis of the taxable profit for the year, using the tax rates enacted at the balance sheet date. Income tax payable on profits, based on the applicable tax law is recognized as an expense in the period in which profits arise. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The principal temporary differences arise from depreciation of property, plant and equipment, revaluation reserve of financial instruments, provisions for court cases, the difference on balance sheet provision expenses according to the local and IFRS requirements and provisions for untaken annual leaves.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

1 Company background and significant accounting policies (continued)

(16) Employee benefits

(1) Social, pension and health funds.
The Company is obliged by the current Bulgarian legislation to make fixed contribution on behalf of the employees in a social fund operated by the Government. All those payments/liabilities are recognized as an expense in the period to which those relate.

(2) Pension obligations.
In accordance with article 222, paragraph 3 of the Bulgarian Labour Code, in the event of termination of a labour contract after the employee has reached the lawfully required retirement age, regardless of the reason for the termination, the employee is entitled to a compensation as follows: 2 gross monthly salaries in all cases and 6 gross monthly salaries if the employee has been engaged with the Company for at least 10 years.
In the end of every reporting period the Company estimates and recognizes the provision for its pension obligations. In calculating the provision the Company estimates the present value of its future pension obligations considering the probability of the employees to retire while employed in the Company.

(17) Provisions
Provisions for restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination of rent and other contracts, consultancy and audit fees, employees' payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

(18) Share capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

(19) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1 Company background and significant accounting policies (continued)

(20) Comparatives

The Company has not performed any reclassifications on balance sheet and income statement positions for 2012.

2 Financial Risk Management

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks.
The activity of the Company and all risk related policies and procedures are in the process of full alignment with Eurobank Ergasias Group risk guidelines and are controlled and guided by the Risk unit of the Parent company. The adequacy of internal control systems is evaluated by Eurobank Ergasias Group's Internal Auditors. Risk functions are managed by the Company's Management.
The most important types of risk are credit risk, market risk, operational risk and liquidity risk. Market risk includes currency risk, interest rate and other price risk.

The impact of the financial crisis is still affecting the activity of the Company. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

Strategy in using financial instruments

The Company supports its borrowers by offering various restructuring and renegotiation solutions, which improve their ability to repay the amounts owed. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

The amount of provision for impaired loans is based on management's appraisals of these assets at the balance sheet date after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and collateral's sale.

(1) Credit risk measurement

The Company assumes exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Company's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and the geographical and industry segments. Such risks are monitored regularly.
Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and capital repayment obligations and reviewing these lending limits where appropriate. Credit operations are governed by a comprehensive set of policies and procedures to ensure that all aspects of credit risk are adequately covered.

2 Financial Risk Management (continued)

(1) Credit risk measurement (continued)

(a) Loans and advances

The Company loan portfolio consists mostly of loans referred from Eurobank Bulgaria AD. The Company assesses the credit risk on the referred loans individually and on a portfolio basis before the referral takes place.

The Company has an agreement with Eurobank Bulgaria AD, under which Eurobank Bulgaria AD is obliged to service the loans and provide the necessary information to the Company to assess the risks related with the loan portfolio.

The credit risk of loans and advances to customers is managed through a comprehensive set of policies and procedures to ensure that all aspects of credit risk are adequately covered.

The credit quality of the wholesale loans is assessed on a case-by-case basis using the borrower's credit rating and based on a profound analysis of a set of qualitative and quantitative factors. The borrower's rating could be within a rating scale from 1 to 11. The Bank categorized as neither past due nor impaired wholesale loans which borrower's credit rating is from 1 to 6 and with zero days past due as loans bearing satisfactory risk and these with rating 7 under watch list. The overdue loans, which borrower's ratings are from 1 to 6 are presented as past due but not impaired loans. The wholesale loans to customers with credit ratings from 8 to 11 are considered individually impaired loans (loans to borrowers with rating 8 and 9 are categorized as potentially problematic and those in10 and 11 as loss making).

Qualitative factors are those that deal with the borrower's management, industry, operating conditions, the market sector in which the borrower operates securities, loan servicing, etc. Quantitative factors are those that refer to a set of ratios (e.g. profitability, leverage, liquidity) emerging from the borrower's financial statements (balance sheet, income statement, notes to FS).

The classification of retail clients is based on the full delinquency analysis by group according to which loans with zero overdue days are presented in category satisfactory risk and the rest in category past due but not impaired or impaired. The grouping is based on the common characteristics of the respective products, the similar risks they bear and the type of collateral that secures them. In case that a borrower is client to more than one of the above mentioned groups, the classification of each single retail loan of one and the same retail client should be done independently from the other loans of the same customer.

The Company manages limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties and groups, and to industries.

Risks are monitored on a revolving basis and are subject to an annual or more frequent review. The exposure to any one borrower is further restricted by sub limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored on a daily basis.

The exposure to any borrower is restricted by limits covering on- and/or off- balance sheet. The credit equivalent amounts for off-balance sheet facilities are determined in accordance with Eurobank Ergasias Group and Group Market Risk regulations and guidelines.

Exposures to credit risk are managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing the lending limits where appropriate.

2 Financial Risk Management (continued)

(1) Credit risk measurement (continued)

(a) Loans and advances (continued)

The management of the Company reviews the reports provided from Eurobank Bulgaria AD on regular basis and takes appropriate actions to mitigate credit risk.

Some other specific control and mitigation measures are outlined below:

(b) Collateral

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities and
- Issued guarantees.

The corporate and small business loans as at 31 December 2012 are covered with collaterals at 57% and 72% respectively (2011: 84% and 75% respectively). Consumer loans are not collateralized. Mortgage loans are fully collateralized.

Long-term finance and lending to corporate entities are generally secured. In order to minimize the credit loss the Company will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities are generally unsecured.

(2) Maximum exposure to credit risk before collateral held or other credit enhancements

The table below represents a worst case scenario of credit risk exposure to the Company as at 31 December 2012, without taking account of any collateral held or other credit enhancements attached. These are on-balance-sheet assets and the exposures set out below are based on net carrying amounts as reported in the balance sheet.
As shown below, 88% of the total maximum exposure is derived from loans and advances to customers (2011: 50%).

(all amounts are in thousand BGN unless otherwise stated)

2 Financial Risk Management (continued)

(2) Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

Maximum exposure

	2012	2011
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to customers:	**641,927**	**698,167**
Mortgages	372 ,983	648,890
Consumer loans	2	2
Small Business lending	8,393	12,233
Corporate customers	260,549	37,042
Other assets	**3**	**185**
Cash with banks	**86,077**	**692,105**
At 31 December	**728,007**	**1,390,457**

(3) Loans and advances to customers

Loans and advances are summarized as follows:

Balance at 31 December 2012	**Loans and advances to customers**
Neither past due nor impaired	301,891
Past due but not impaired	110,527
Impaired	281,393
Gross	**693,811**
Less: allowance for impairment	(51,884)
Net	**641,927**
Included in gross loans and advances are:	
Past due more than 90 days	**258,840**
Of which non-performing loans	**208,948**

Balance at 31 December 2011	**Loans and advances to customers**
Neither past due nor impaired	532,796
Past due but not impaired	123,744
Impaired	56,791
Gross	**713,331**
Less: allowance for impairment	(15,164)
Net	**698,167**
Included in gross loans and advances are:	
Past due more than 90 days	**51,618**
Of which non-performing loans	**51,101**

(all amounts are in thousand BGN unless otherwise stated)

2 Financial Risk Management (continued)

(3) Loans and advances to customers (continued)

The total impairment provision for loans and advances is BGN 51,884 thousands (2011: BGN 15,164 thousands). During 2012 the Company acquired corporate loan portfolio under Funded participation agreements from Eurobank Bulgaria AD for consideration amounting to BGN 184,383. The sub-participated corporate loan portfolio includes one real estate project which value is assessed at full stage of completion (discounted at the respective discount rate) while at the date of the transfer it is partially finished. The above mentioned consideration given for the project exceeds by BGN 3,926 thousand the already constructed part. This difference is included in the impairment provision for the year. Further information of the impairment allowance for loans and advances to customers is provided in Note 11.

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at 31 December 2012 can be assessed by reference to the internal standard grading system. The following information is based on that system:

Balance at 31 December 2012	Loans and advances neither past due nor impaired
Low – acceptable risk	269,905
Watch list	31,986
Total	**301,891**

Balance at 31 December 2011	Loans and advances neither past due nor impaired
Low – acceptable risk	532,347
Watch list	449
Total	**532,796**

(b) Loan and advances past due but not impaired

		Retail customers		Corporate entities	
Balance at 31 December 2012	**Consumer Lending**	**Mortgage Lending**	**Small Business**	**Wholesale**	**Total**
Past due up to 29 days	-	41,540	942	1,841	44,323
Past due 30 - 59 days	-	31,583	926	1,012	33,521
Past due 60 - 89 days	-	17,260	-	418	17,678
Past due 90 - 179 days	-	13,432	-	1,573	15,005
Total	-	**103,815**	**1,868**	**4,844**	**110,527**

(all amounts are in thousand BGN unless otherwise stated)

2 Financial Risk Management (continued)

(3) Loans and advances to customers (continued)

	Retail customers			Corporate entities	
Balance at 31 December 2011	**Consumer Lending**	**Mortgage Lending**	**Small Business**	**Wholesale Banking**	**Total**
Past due up to 29 days	-	63,220	2,164	1,784	67,168
Past due 30 - 59 days	-	24,569	-	6,165	30,734
Past due 60 - 89 days	-	16,490	136	-	16,626
Past due 90 - 179 days	-	8,719	-	497	9,216
Total	**-**	**112,998**	**2,300**	**8,446**	**123,744**

(c) Loans and advances individually impaired (SBB & Wholesale)

For individually assessed accounts, loans are treated as impaired as soon as there is objective evidence that an impairment loss has been incurred. The criteria used by the Company to determine that there is objective evidence of impairment include:

- known cash flow difficulties experienced by the borrower
- overdue contractual payments of either principal or interest
- breach of loan covenants or conditions;
- the probability that the borrower will enter bankruptcy or other financial reorganisation; and a downgrading in credit rating by an external credit rating agency.

Further information on impaired loans is provided below in "Impairment assessment".
The criteria used by the Company to determine that there is objective evidence of impairment are provided in point (1).

Balance at 31 December 2012	**Small Business**	**Wholesale Banking**
Individually assessed loans	2,889	221,372
Total	**2,889**	**221,372**

Balance at 31 December 2011	**Small Business**	**Wholesale Banking**
Individually assessed loans	1,560	5,223
Total	**1,560**	**5,223**

(all amounts are in thousand BGN unless otherwise stated)

2 Financial Risk Management (continued)

(3) Loans and advances to customers (continued)

(d) Loans and advances collectively assessed (MLU & CLB)

Balance at 31 December 2012	Consumer Lending	Mortgage Lending	Small Business
Collectively assessed loans	2	57,048	82
Total	**2**	**57,048**	**82**

Balance at 31 December 2011	Mortgage Lending	Small Business
Collectively assessed loans	46,841	3,167
Total	**46,841**	**3,167**

Management considers the loans covered by collateral as impaired because experience shows that a significant proportion of the collateral cannot be enforced due to administrative and legal difficulties. The impairment provisions reflect the probability that management will not be able to enforce its rights and repossess collateral on defaulted loans. Despite difficulties in enforcing repossession of collateral, the Company's management will vigorously pursue the outstanding debts with all possible means at their disposal.

For collectively assessed accounts, loans are treated as impaired based on historical loss data for groups of loans with similar characteristics. Not all loans collectively assessed for impairment are considered impaired. Based on past experience, consumer loans less than 90 days past due and mortgage loans less than 180 days past due are not considered impaired, unless specific information indicates to the contrary. Consumer loans over 90 days past due and mortgage loans over 180 days past due are considered as having impairment indicators and are collectively assessed for impairment.
Wholesale borrowers are rated on a case-by-case basis following the Internal Credit Rating System. The credit rating is based on a profound analysis of qualitative and quantitative factors. Qualitative factors are those that deal with the borrower's management, industry, operating conditions, the market sector in which the borrower operates, securities, loan servicing etc. Quantitative factors are those that refer to a set of ratios (main ratios: profitability, leverage, liquidity) emerging from the borrower's financial statements (balance sheet, income statement, notes to the financial statements etc.)

The classification of retail clients is based on the full delinquency analysis by groups. The grouping is based on the common characteristics of the respective products, the similar risks they bear and the type of collateral that secures them.

(4) Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 December 2012. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties.

(*all amounts are in thousand BGN unless otherwise stated*)

2 Financial Risk Management (continued)

(4) Concentration of risks of financial assets with credit risk exposure (continued)

	Bulgaria	Other countries in Europe	Total
Loans and advances to customers:	**635 546**	**6,381**	**641,927**
- Mortgages	372,570	413	372,983
- Consumer lending	2	-	2
- Small business lending	8,393	-	8,393
- Corporate lending	254,581	5,968	260 549
Other assets	3	-	3
31 December 2012	**635,549**	**6,381**	**641,930**
31 December 2011	**838,441**	**1,640**	**840,081**

The borrowers in the Company's loan portfolio are mainly Bulgarian individuals and entities. BRS provided services to Eurobank Bulgaria AD. Balances with related parties are presented in Note 19.

(b) Industry sectors

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorized by the industry sectors of our counterparties.

	Commerce and services	Private individuals	Manufact-uring	Construction	Other	Total
Loans and advances to customers:	**80,392**	**373,191**	**29,840**	**72,737**	**85,767**	**641,927**
- Mortgages	-	372,983	-	-	-	372,983
-Consumer loans	-	2	-	-	-	2
-Small business lending	2,741	206	1,204	1,379	2,863	8,393
-Corporate lending	77 651	-	28 636	71,358	82,904	260,549
Other assets	-	-	-	-	3	3
31 December 2012	**80,392**	**373,191**	**29,840**	**72,737**	**85,770**	**641,930**
31 December 2011	**28,781**	**649,108**	**6,168**	**8,968**	**147,056**	**840,081**

2 Financial Risk Management (continued)

(5) Market risk

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The factors that generate market risk are the interest rate risk, foreign exchange risk and the equity price risk.

The interest rate risk is the risk of potential loss from adverse changes in interest rates. These include re-pricing risk, yield curve risk, basis risk, spread risk, volatility risk.

The foreign exchange risk is the risk of potential loss from adverse changes in foreign currency exchange rates, against the base currency. It includes outright risk, volatility risk and conversion risk.

The Company mitigates the foreign currency risk by entering into foreign currency swap deals (Note 15) that cover the foreign currency mismatch of Company's assets and liabilities.

The equity price risk is the risk of potential loss from adverse changes in equity prices. It includes outright risk, volatility risk and other risks, spread risk, dividend risk.

The Company estimates the market risk of positions held and the maximum losses expected, based upon a number of assumptions, and reviews various market risks on a monthly basis.

The Market Risk Policy is in compliance with the Parent company Risk Guidelines, which pertain to market risk.

(6) Sensitivity of assets and liabilities

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Management of the Company set limits on the level of mismatch of interest rate reprising that may be undertaken, which were monitored regularly.

The Company is exposed to the fluctuations of the different types of market risk. The sensitivity analysis below illustrates the potential impact on the income statement and equity for "reasonably possible" shifts. Sensitivity to changes to two of the major market risk factors - FX and interest rates, has been calculated and presented in the below table. The calculation parameters used have been determined based on the current market environment and the dynamics during 2012 and represent reasonable possible shifts in the market variables. The 2011 figures have been calculated with the same parameters.

Interest rate risk sensitivity has been estimated by applying a parallel yield curve shift to all relevant on- and off-balance sheet positions and calculating the changes in their present value. The results have been allocated to two columns depending on the accounting treatment of each position: Income statement - for items with revaluation reflected in the P&L accounts; Equity effect - for items with revaluation that affects the equity reserves;

(all amounts are in thousand BGN unless otherwise stated)

2 Financial Risk Management (continued)

(6) Sensitivity of assets and liabilities (continued)

2012

	Total Sensitivity	**Sensitivity of income statement**	**Sensitivity of equity***
Interest Rate			
+250 bps for BGN; 200 bps for all other - parallel shift	(1,005)	-	(1,005)
-250 bps for BGN; 50 bps - EUR; 25 bps - CHF parallel shift	282	-	282
Foreign exchange			
-25% depreciation of local currency	(9,705)	(9,705)	-
+20% appreciation of local currency	(7,764)	(7,764)	-

2011

	Total Sensitivity	**Sensitivity of income statement**	**Sensitivity of equity***
Interest Rate			
+250 bps for BGN; 200 bps for all other - parallel shift	(5,051)	1	(5,052)
-250 bps for BGN; 50 bps - EUR; 25 bps - CHF parallel shift	1,288	-	1,288
Foreign exchange			
-25% depreciation of local currency	30	30	-
+20% appreciation of local currency	(24)	(24)	-

For the estimation of the Interest Rate Sensitivity, the Company's assets and liabilities were distributed into time bands based on their maturity and repricing characteristics. For Equity Sensitivity, the calculations are based on the full revaluation of the positions. For trading book positions, the fair value movements are reflected directly into P&L. For Foreign Exchange Sensitivity, the calculations are based on the open foreign currency positions of the Company.

**The effect in equity represents the impact of market changes on the fair value of financial assets and liabilities carried at amortized cost; hence, these reasonable possible shifts do not have a direct impact on the financial performance and financial positions of the Company.*

(all amounts are in thousand BGN unless otherwise stated)

2 Financial Risk Management (continued)

(7) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Company designates appropriate liquidity policies which have to ensure that sufficient liquid assets are maintained to meet liabilities as they arise.

The maturities of assets and liabilities and the ability to replace at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Company and its exposure to changes in interest rates and exchange rates.

(a) Non-derivative cash flows

The table below presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash inflows.

All payments are estimated based on spot rate.

As at 31 December 2012	Gross nominal outflow	Less than 1 month	1-3 months	3 -12 months	1-5 years	More than 5 years
Non-derivative liabilities						
Bank borrowings	617,792	1,135	2,222	614,435	-	-
Other liabilities	61,727	50	61,677	-	-	-
Total liabilities (contractual maturity dates)	**679,519**	**1,185**	**63,899**	**614,435**	**-**	**-**
Total assets (contractual maturity dates)	**865,967**	**138,946**	**24,409**	**61,963**	**170,897**	**469,753**

As at 31 December 2011	Gross nominal outflow	Less than 1 month	1-3 months	3 -12 months	1-5 years	More than 5 years
Non-derivative liabilities						
Bank borrowings	1,293,438	3,462	1,289,976	-	-	-
Other liabilities	1,802	1,802	-	-	-	-
Total liabilities (contractual maturity dates)	**1,295,240**	**5,264**	**1,289,976**	**-**	**-**	**-**
Total assets (contractual maturity dates)	**1,258,757**	**11,641**	**468,382**	**61,242**	**442,932**	**868,391**

The liquidity table above discloses the contractual undiscounted cash flows as at the end of 2012 and 2011. It should be noted that in October 2012, the short term bank borrowing was extended to 20 December 2013 as explained in Note 14.

(all amounts are in thousand BGN unless otherwise stated)

2 Financial Risk Management (continued)

(7) Liquidity risk (continued)

(b) Derivative cash flows - Derivatives settled on a net basis

The table below analyses the Company's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. All payments are estimated based on spot rate.

As at 31 December 2012	Gross nominal outflow	Less than 1 month	1-3 months	3 -12 months	1-5 years	More than 5 years
Derivatives held for trading:						
– Foreign exchange derivatives	**612**	612	-	-	-	-
Total	**612**	612	-	-	-	-

As at 31 December 2011	Gross nominal outflow	Less than 1 month	1-3 months	3 -12 months	1-5 years	More than 5 years
Derivatives held for trading:						
– Foreign exchange derivatives	**676**	676	-	-	-	-
Total	**676**	676	-	-	-	-

(8) Capital risk management

The Company's Management objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- To maintain a strong capital base to support the development of its business and to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company didn't pay dividend to shareholders.

Consistent with others in the business, the Company monitors capital on the net basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total long term debt less cash and cash equivalents. Total capital is calculated as "equity" as shown in the balance sheet plus net debt.

During 2012, the Company's strategy was to renegotiate the credit facility received from Eurobank Private Bank (Luxembourg) S.A. and extend the terms of the facility.

2 Financial Risk Management (continued)

(9) Fair values of financial assets and liabilities

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation and is best evidenced by a quoted market price.

a) Loans and advances to customers

For loans and advances to customers quoted market prices are not available as there are no active markets where these instruments are traded. The fair value is determined using generally accepted valuation techniques with current market parameters. The fair value is estimated by discounting future expected cash flows over the time period they are expected to be recovered, using appropriate risk-adjusted rates (note 11).

b) Bank borrowings

Bank borrowings represent short term floating rate facilities. The fair value of floating rate borrowings is not materially different from their carrying amount.

3 Critical accounting estimates, and judgements

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Company reviewed its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Company made judgements as to whether there was any observable data indicating that there was a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease could be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management used estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows were reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Effective interest rates

The application of the effective interest rate method for loan receivables requires the use of estimates about the expected life and other patterns and characteristics of the portfolio. In building up these estimates the Company utilizes the experience of other entities in Eurobank Ergasias Group and makes adjustments, as appropriate, to reflect Bulgarian market conditions.

(all amounts are in thousand BGN unless otherwise stated)

3 Critical accounting estimates, and judgements (continued)

(c)Fair value of derivatives

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data. Therefore areas such as credit risk volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

4 Net interest income and similar income

Interest income	**2012**	**2011**
Loans and advances to customers	41,735	49,601
Due from other banks	208	13,386
	41,943	**62,987**
Interest expense and similar charges		
Banks and other financial institutions	26,640	43,211
Expense for derivative instruments	11,302	4,817
	37,942	**48,028**

Interest expense and similar charges amounts include BGN 1,275 thousand (2011: BGN 1,631 thousand) commission expense for letter of guarantee cost related to Eurobank Ergasisas SA guarantee for the Company loan facility from Eurobank Private Bank Luxembourg SA.

In the 2011 financial statements BGN 2,139 thousand were presented as fee and commission income and in 2012 comparative figures the same are presented under Interest income and similar income being interest related fees received.

5 Net fee and commission income

	2012	**2011**
Fees and commission income		
Loans fees related to earlier payment of loans	652	915
	652	**915**
Fee and commission expense		
Fee for loan portfolio processing and bank commissions	228	148
	228	**148**

Fees generated from related parties are disclosed in Note 19.

Fee and commission expense relates to loan portfolio processing based on contractual agreement with Eurobank Bulgaria AD for services concerning the transferred loans. For further details refer to Note 19.

(all amounts are in thousand BGN unless otherwise stated)

6	**Net trading income/expense**	**2012**	**2011**
	Foreign exchange translation gains less losses	(40)	(211)
		(40)	**(211)**

7	**Operating expenses**	**2012**	**2011**
	Consulting and other professional services	316	36
	Rents	200	244
	Staff costs (Note 8)	144	103
	Depreciation (Note 13)	20	22
	Maintenance of equipment and buildings	4	9
	Communication and courier expenses	2	1
	Materials	1	1
	Other operating costs, net	53	-
		740	**416**

8	**Staff costs**	**2012**	**2011**
	Wages and salaries	130	96
	Other staff costs	14	7
		144	**103**

The average number of employees of the Company during the year was 4 (2011: 4).

9	**Current and deferred income tax**	**2012**	**2011**
	Current income tax charge	-	919
	Deferred income tax charge	1,207	32
	Income tax related to previous year	29	-
	Income tax expense	**1,236**	**951**

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect. The Company has had corporate tax audit for the period 2003–2008.

The tax on the Company's financial result before tax differs from the theoretical amount that would have arisen using the applicable tax rate of the Company as follows:

(all amounts are in thousand BGN unless otherwise stated)

9 Current and deferred income tax

	2012	2011
(Loss)/profit before income tax	(36,926)	9,507
(Credit)/charge calculated at a tax rate of 10% (2011: 10%)	(3,693)	951
Expenses for which no deferred income tax assets was recognized	4,881	-
Effect of expenses not deductable for tax purposes	19	-
Income tax related to previous year	29	-
Income tax expense	**1,236**	**951**

Deferred income taxes are calculated on temporary differences under the liability method using an effective tax rate of 10% (2011: 10%).
The movement on the deferred income tax account is as follows:

	2012	2011
Deferred tax asset at the beginning of the period, net	1,206	1,238
Income statement (charge)	(1,207)	(32)
Deferred tax (liability)/asset at end of year, net	**(1)**	**1,206**

	2012	2011
Deferred income tax liabilities		
Accelerated tax depreciation	2	4
	2	**4**

	2012	2011
Deferred income tax assets		
Unused holidays	1	1
Impairment of loans and advances	-	1,209
	1	**1,210**
Net deferred income tax (liability)/asset	**(1)**	**1,206**

The deferred tax (charge) in the income statement comprises the following temporary differences:

Depreciation	2	1
Impairment of loans and advances	(1,209)	(31)
Net deferred income tax charge	**(1,207)**	**(30)**

10 Cash and cash equivalents/Bank balances

	2012	2011
Cash in hand	-	1
Cash equivalents	86,077	552,864
Loans and advances to banks	-	139,240
	86,077	**692,105**

(all amounts are in thousand BGN unless otherwise stated)

11 Loans and advances to customers

	2012	2011
Retail customers:		
Mortgages	407,642	659,535
Consumer loans	2	2
Small Business Banking	8,669	12,765
	416,313	**672,302**
Corporate customers:		
Large corporate customers	142,671	22,386
Small and Medium Enterprises	134,827	18,643
	277,498	**41,029**
Gross loans and advances	**693,811**	**713,331**
Less allowance for loan losses on loans and advances	(51,884)	(15,164)
	641,927	**698,167**

As at 31 December 2012, the fair value of loans and advances to customers was BGN 685,914 thousand.
Included within loans and advances to customers is related accrued interest receivable of BGN 11,401 thousand (2011: BGN 6,485 thousand).

Reconciliation of allowance account for losses on loans and advances by class is as follows:

	Retail customers			Wholesale	
	Consumer lending	Mortgages	Small Business Lending	Corporate Lending	Total
Balance at 1 January 2011	-	**6,589**	**499**	**4,013**	**11,101**
Charge for the year	-	5,522	195	(24)	**5,693**
Amounts written off	-	(1,709)	(169)	-	**(1,878)**
FX revaluation through PL	-	242	6	-	**248**
At 1 January 2012	-	**10,644**	**531**	**3,989**	**15,164**
Charge for the year	-	27,383	284	12,986	**40,653**
Amounts written off	-	(3,429)	(543)	(26)	**(3,998)**
FX revaluation through PL	-	61	4	-	**65**
At 31 December 2012	-	**34,659**	**276**	**16,949**	**51,884**

The impairment reported in the Statement of comprehensive income differs from the one reported in the present note with the annual expense for bad debt collection services amounting to BGN 9 thousand (2011: BGN 8 thousand), and annual income from bad debt collection amounting to BGN 91 thousand (2011: BGN 109 thousand).

(all amounts are in thousand BGN unless otherwise stated)

11 Loans and advances to customers (continued)

	2012	2011
The ten largest loans and advances to customers	104,274	33,376
Percentage of gross loans	15.31%	4.68%

12 Other assets

	2012	2011
Other debtors	2	165
Recoverable VAT	-	136
Other receivables	1	20
	3	**321**

The fair value of the receivables from related parties and other receivables disclosed above approximate their carrying value as at 31 December 2012 and 31 December 2011.

13 Equipment and other non-current assets

	Computer equipment and software	Machinery and office equipment	Total
2011			
Opening net book value	54	5	59
Additions	-	41	41
Depreciation charge	(17)	(5)	(22)
Closing net book value	**37**	**41**	**78**

	Computer equipment and software	Machinery and office equipment	Total
As at 31 December 2011			
Cost	227	62	289
Accumulated depreciation	(190)	(21)	(211)
Net book value	**37**	**41**	**78**
2012			
Opening net book value	37	41	78
Disposals	-	(33)	(33)
Depreciation charge	(15)	(5)	(20)
Closing net book value	**22**	**3**	**25**
As at 31 December 2012			
Cost	212	10	222
Accumulated depreciation	(190)	(7)	(197)
Net book value	**22**	**3**	**25**

(all amounts are in thousand BGN unless otherwise stated)

14	**Bank borrowings**	**2012**	**2011**
	Short-term bank borrowings (Note 19.5)	603,390	1,287,081
		603,390	**1,287,081**

Included within bank borrowings is related accrued interest payable of BGN 146 thousand (2011: 455 thousand).

On 27 February 2006 the Company signed a contract with Eurobank Private Bank (Luxembourg) for working capital facility to be used solely for the purchase of receivables from Eurobank Bulgaria AD. The facilities were secured by a bank guarantee, issued by Eurobank Ergassias S.A. and covering the whole amount and term of the loan. The interest rate of the facility is 1-month Euribor plus 2,075% p.a. (2011: 2,075% p.a.). In October 2012, the borrowing was extended to 20 December 2013.

15 Derivative financial instruments

The Company utilizes currency swaps, which are negotiated between the Company and Eurobank Bulgaria AD for non-hedging purposes.

Currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or a combination of currencies or interest rates (i.e., cross-currency interest rate swaps). The Company's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market.

The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which, instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below.

	Contract/notional amount	**Assets**	**Liabilities**
Year ended 31 December 2012			
Foreign exchange derivatives			
OTC currency swaps	344,172	-	192
Total OTC currency derivatives	**344,172**	**-**	**192**
Total recognised derivative assets / liabilities	**344,172**	**-**	**192**

(all amounts are in thousand BGN unless otherwise stated)

15 Derivative financial instruments (continued)

Year ended 31 December 2011	Contract / notional amount	Assets	Liabilities
Foreign exchange derivatives			
OTC currency swaps	439,642	-	2,138
Total OTC currency derivatives	**439,642**	-	**2,138**
Total recognised derivative assets / liabilities	**439,642**	-	**2,138**

16 Other liabilities

	2012	2011
Related parties payables (Note 19.4)	61,677	1,754
Trade payables	31	29
Payables to employees, social securities and taxes	10	10
Retirement benefits obligations	2	2
Other liabilities and accruals	7	7
	61,727	**1,802**

The fair value of trade and other payables disclosed above approximates their carrying value as at 31 December 2012 and 31 December 2011.

17 Share capital

The number of the issued shares as at year-end is 70,000 (2011: 70,000) with nominal value of BGN 10 per share (2011: BGN 10). All issued ordinary shares are fully paid giving one voting right each.

18 Contingent liabilities and commitments

Non-cancellable operating lease commitments

Non-cancelable operating lease commitments, contracted as at the balance sheet date, but not recorded in the financial statements, are payable as follows:

	2012	2011
Up to 1 year	-	169
Between 1 and 5 years	-	-
	-	**169**

19 Related party transactions

The Company is a member of Eurobank Ergasias Group. The Company's immediate parent is Eurobank Household Lending Services S.A. which in turn is 100% owned by Eurobank Ergasias S.A (Greece).

Until 23 July 2012, Eurobank Ergasias S.A. was a member of the EFG Group, which held 44.70% of the Bank's ordinary shares and voting rights, through wholly owned subsidiaries of the ultimate parent company.

(all amounts are in thousand BGN unless otherwise stated)

19 Related party transactions (continued)

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

A number of transactions are entered into with related parties in the normal course of business. The volumes of related party transactions outstanding at the year end, and relating expense and income for the year are as follows:

(1) Loan portfolio purchased and acquired

During 2012 Bulgarian Retail Services AD sold loans to Eurobank Bulgaria AD in the amount of BGN 167,688 thousand (2011: BGN 14,092 thousand).

Eurobank Bulgaria AD has transferred loan receivables to the Company during 2012 for BGN 184,383 thousand as disclosed in note 2 Financial risk management (3).

All risks and rewards related to the portfolio sub participated from Eurobank Bulgaria AD to ERB New Europe Funding II BV in 2011 were transferred from the latter to BRS as of 31.12.2012. With regards to the above, the Bank's obligation as at 31.12.2012 related to a guarantee issued in 2011 in favour of ERB New Europe Funding II BV amounting to BGN 8,936 thousand was fully covered by BRS. ERB New Europe Funding II B.V. has transferred BGN 52, 328 thousand under Funded participation agreements.

The remaining portfolio consists of loans transferred during the years 2006-2008.

Both companies are part of Eurobank Ergasias Group. Eurobank Bulgaria AD has separate contractual agreements to provide services regarding the referred loans.

	2012	2011
(2) Received services fee expense		
Eurobank Bulgaria AD (expenses for loan portfolio processing)	97	136
	97	**136**
(3) Key management personnel salaries and short-term benefits	26	16

(4) Payables to related parties (Note 16):	**2012**	**2011**
ERB New Europe Funding II B.V.	52,328	-
Eurobank Bulgaria AD	9,284	3
Eurobank Ergasias SA	65	1,751
	61,677	**1,754**

(5) Borrowings from related parties (Note 14):	**2012**	**2011**
Eurobank Private Bank (Luxembourg)	603,390	1,287,081
	603,390	**1,287,081**

(all amounts are in thousand BGN unless otherwise stated)

19 Related party transactions (continued)

(6) Collateral for loans from Eurobank Private Bank (Luxembourg) from Eurobank Ergasias S.A.

Guarantees received	1,733,022	1,733,022
Commission expense for Letter of guarantees	967	1,492

Collateral for loans from Eurobank Private Bank (Luxembourg) from Eurobank BulgariaAD.

Guarantees received	488,958	-
Commission expense for Letter of guarantees	308	-

(7) Interest expenses to related parties

Eurobank Private Bank (Luxembourg)	25,364	37,969
Eurobank Bulgaria AD/SWAP deals	11,302	4,107

(8) Derivatives outstanding, contracted with Eurobank Bulgaria AD

Year ended 31 December 2012	Contract/notional amount	Assets	Liabilities
Foreign exchange derivatives			
OTC currency swaps	344,172	-	192
Total OTC currency derivatives	**344,172**	**-**	**192**
Total recognised derivative assets / liabilities	**344,172**	**-**	**192**

Year ended 31 December 2011	Contract / notional amount	Assets	Liabilities
Foreign exchange derivatives			
OTC currency swaps	439,642	-	2,138
Total OTC currency derivatives	**439,642**	**-**	**2,138**
Total recognised derivative assets / liabilities	**439,642**	**-**	**2,138**

(9) Company's bank accounts with Eurobank Bulgaria AD

The Company has operating bank accounts with Eurobank Bulgaria AD which balances as of 31 December 2012 by currencies are as follows:

As at 31 December	2012	2011
EUR	5,145	599,575
BGN	79,738	89,181
CHF	1,194	994
	86,077	**689,750**

20 Events after the balance sheet date

Eurobank Ergasias S.A. shareholding structure

Until 23 July 2012, Eurobank Ergasias S.A. was a member of the EFG Group, which held 44.70% of the Bank's ordinary shares and voting rights, through wholly owned subsidiaries of the ultimate parent company.

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

National Bank of Greece S.A. Voluntary Tender Offer (VTO)

On 5 October 2012, the National Bank of Greece (NBG) announced its intention to launch a voluntary exchange offer to acquire all Eurobank's shares offering 58 new shares of NBG for every 100 shares of Eurobank tendered. NBG also stated that, Eurobank shareholders holding 43.6% of Eurobank's ordinary share capital have committed to tender their shares in the tender offer.

The offer was formally launched on 11 January 2013. On the same date, the Board of Directors of Eurobank Ergasias S.A., having considered the content of the VTO information memorandum and the reports provided by the Bank's financial advisors, concluded in summary that the Offer Consideration satisfies the requirements of the Law and is fair from a financial point of view.

On 15 February 2013, NBG announced that all necessary regulatory approvals have been obtained.

On 18 February 2013, NBG announced that during the offering's acceptance period for Eurobank's shareholders, 84.35% of Eurobank's shareholders have accepted legally the VTO; thus NBG holds 84.38% of Eurobank's paid in Share Capital.

The VTO would have been followed by the merger of the two banks, the process of which initiated on 19 March 2013.

On 7 April 2013, the relevant regulatory authorities with the consent of the management of both banks decided that the Bank and NBG will be independently recapitalized in full. As a consequence, the merger process of the two banks was suspended.

In this respect, the Extraordinary General Meeting of shareholders of the Bank, convened on 30 April 2013, decided the increase of the Bank's ordinary share capital, in order to raise € 5,839 million, subscribed by way of contribution in kind from HFSF, in accordance with Law 3864/2010 and Act of Cabinet 38/9.11.2012.

Independent auditor's report

To Shareholders of the Bulgarian Retail Services AD

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Registered with the Sofia City Court under company file number 13424/1997.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Bulgarian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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Opinion

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

Report on Other Legal and Regulatory Requirements

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

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

In our opinion, the Annual Report set out on pages 3 to 7, is consistent with the accompanying financial statements of the Company as of 31 December 2012.

Rositsa Boteva
Registered Auditor

Petko Dimitrov
PricewaterhouseCoopers Audit OOD

28.5.2013
Sofia, Bulgaria