BULGARIAN RETAIL SERVICES AD

INDEPENDENT AUDITOR'S REPORT
DIRECTORS' REPORT
FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

31 DECEMBER 2013

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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 2013 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.

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.

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 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

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

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

In our opinion, the Annual Report set out on pages 1 to 5, is consistent with the accompanying financial statements of the Company as of 31 December 2013.

Milka Damianova
Registered Auditor

Stefan Weiblen
PricewaterhouseCoopers Audit OOD

2 June 2014
Sofia, Bulgaria

Специализирано одиторско предприятие "ПрайсуотърхаусКупърс Одит" ООД
София
Рег. №085

DIRECTORS' REPORT AS OF 31 DECEMBER 2013

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

BUSINESS DESCRIPTION

Bulgarian Retail Services AD was incorporated as a joint-stock company in 2002, and as of its incorporation until 31 December 2013 it has not changed its legal form. The address of its registered office is as follows: 260 Ring Road Blvd, 1766 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 a part of Eurobank Ergasias Group – an international financial group.

During 2013 Bulgarian Retail Services AD (BRS, "the Company") 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.

In previous years Bulgarian Retail Services AD also entered into Assignment agreements for transfer of receivables under loan agreements and Funded Participation Agreements relating to portfolios 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 administration and collection services regarding loans in the Company portfolio.

DEVELOPMENT AND RESULTS FROM THE BUSINESS ACTIVITY

During 2013 the Company continues to adhere to its strategy based on reducing the cost of funding, preserving the sources of income and debt collection and control over the costs, including impairment.

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.

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.

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.

Gross loans and advances to customers portfolio decreased by 20% to BGN 552,658 thousands. The decrease represented mainly by transfers of mortgage loans to the Eurobank Bulgaria, settlement of some of the non-performing loans transferred to the Company, drop in the exchange rate at the end of December 2013 for the assets denominated in CHF and natural repayments from customers.

During 2013 cession agreements for the amount of BGN 16,069 thousands have been signed between BRS and Eurobank Bulgaria regarding transfer of mortgage loans from BRS to the Bank.

Loans and advances to banks decreased significantly in line with the Company strategy to decrease the exposure to Luxemburg, all available funds are used for repayment of the loan. Borrowings decreased by 28% or BGN 170,493 thousands repaid to Eurobank Private Bank Luxemburg during 2013. The financing agreement is revolving on 12 months, next revolving date is 20.12.2014. All interest payments are regularly serviced in line with the agreement.

SHARE CAPITAL STRUCTURE

The number of the issued shares as at year-end is 70,000 (2012: 70,000) with nominal value of BGN 10 per share (2012: 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 2013 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:

- Theodoros Karakasis – Chairman of the Board of Directors
- Milena Boyadzhieva – Member of the Board of Directors and Executive Director
- Mariana Hristova – Member of the Board of Directors and Executive Director
- Vasiliki Dimitrakopoulou – Member of the Board of Directors
- Dimitrios Strongylopoulos – Member of the Board of Directors

Until July 19, 2013 the composition of the Board of Directors was 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

During 2013 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:

Theodoros Karakasis

- Eurobank Bulgaria AD, Bulgaria – Chairman of the Supervisory Board
- Bancpost S.A., Romania – Deputy Chairman of the Board of Directors
- ERB Retail Services IFN S.A., Romania – Member of the Board of Directors
- ERB Leasing IFN S.A., Romania – Member of the Board of Directors
- Eurobank Property Services S.A., Romania – Chairman of the Board of Directors
- ERB Property Services d.o.o. Beograd, Serbia – Chairman of the Supervisory Board
- Eurobank A.D. Beograd, Serbia – Chairman of the Management Board
- ERB Leasing EAD, Bulgaria (former name EFG Leasing EAD date of change 1.02.2013) – Member of the Board of Directors
- ERB Property Services Sofia AD, Bulgaria (former name EFG Property Services Sofia AD, date of change 25.3.2013) – Chairman of the Board of Directors
- CEH Balkan Holdings Limited – Member of the Board of Directors
- ERB New Europe Funding B.V., The Netherlands – Managing Director A (effective as of 1.02.2013)
- ERB New Europe Funding II, The Netherlands – Managing Director A (effective as of 1.02.2013)
- Eurobank Ergasias S.A., Greece – Advisor
- Greek-Serbian Chamber of Commerce – Deputy Chairman of the Board of Directors
- Hellenic-Romanian Chamber of Commerce and Industry – Member and Secretary General of the Board of Directors (until December 2013)

BOARD OF DIRECTORS (CONTINUED)

Mariana Hristova

- Plovdiv Free Zone AD, Bulgaria – Member of the Board of Directors

Dimitrios Strongylopoulos

- IMO Property Investments Bucuresti S.A., Romania – Member of the Board of Directors (effective as of 25.01.2013);
- IMO Property Investments AD Beograd, Serbia – Member of the Supervisory Board;
- ERB Leasing A.D. Beograd, Serbia – Member of the Management Board;
- NEU Property Holdings Limited, Cyprus – Member of the Board of Directors;
- NEU II Property Holdings Limited, Cyprus – Member of the Board of Directors;
- NEU III Property Holdings Limited, Cyprus – Member of the Board of Directors;
- ERB Leasing EAD (former name EFG Leasing EAD date of change 1.02.2013), Bulgaria – Member of the Board of Directors (effective as of 1.02.2013);
- IMO Property Investments Sofia EAD, Bulgaria – Member of the Board of Directors (effective as of 4.02.2013).

Petia Dimitrova

- Eurobank Bulgaria AD, Bulgaria – Chairperson of the Management Board and Executive Director
- ERB Property Services Sofia AD (former name EFG Property Services Sofia AD, date of change 25/3/2013), Bulgaria – Member of the Board of Directors
- IMO Property Investments Sofia EAD, Bulgaria – Member of the Board of Directors and Executive Director (until 4.02.2013)
- IMO Rila EAD, Bulgaria – Deputy Chairperson of the Board of Directors and Executive Director (until 24.06.2013)
- IMO Central Office EAD, Bulgaria – Deputy Chairperson of the Board of Directors and Executive Director (until 6.06.2013)
- IMO 03 EAD, Bulgaria - Member of the Board of Directors and Executive Director (until 7.06.2013)
- ERB Leasing EAD (former name EFG Leasing EAD date of change 1.02.2013), Bulgaria – Member of the Board of Directors (until 1.02.2013)
- Bulgarian Business Leaders Forum (BBLF), Bulgaria – Member of the Board of Directors
- American Chamber of Commerce in Bulgaria, Bulgaria – Member of the Board of Directors
- State-owned enterprise Communicative construction and rehabilitation, Bulgaria – Member of the Board of Directors (until 3.04.2013)
- Confederation of Employers & Industrialists in Bulgaria, Bulgaria – Member of the Management Board (effective as of 5.12.2013)

BRS AD has not entered into contracts in the sense of Article 240b, paragraph 1 of the Commerce Act during 2013.

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 2014

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 2014 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 2013 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.

БЪЛГЕРИЯН РИТЕЙЛ СЪРВИСИЗ АД * BULGARIAN RETAIL SERVICES AD
София
Sofia

Milena Boyadzhieva
Executive Director and
Member of the Board of Directors

Mariana Hristova
Executive Director and
Member of the Board of Directors

Bulgarian Retail Services AD
Sofia, 30 May 2014

BULGARIAN RETAIL SERVICES AD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Notes	Year ended 31 December 2013	2012
Interest income and similar income	4	26,012	41,943
Interest expense and similar charges	4	(16,493)	(37,942)
Net interest income		**9,519**	**4,001**
Fee and commission income	5	346	652
Fee and commission expense	5	(335)	(228)
Net fee and commission income		**11**	**424**
Net trading income/(expense)	6	105	(40)
Operating expenses	7	(424)	(740)
Provision for loan impairment	11	(57,783)	(40,571)
Loss before income tax		**(48,572)**	**(36,926)**
Income tax expense	9	(231)	(1,236)
Loss for the year		**(48,803)**	**(38,162)**
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		**(48,803)**	**(38,162)**

The financial statements on pages 6 to 54 were authorized and signed by:

БЪЛГЕРИЬН РИТЕЙЛ СЪРВИСИЗ АД * BULGARIAN RETAIL SERVICES AD
София
Sofia

Milena Boyadzhieva
Executive Director
30 May 2014
Sofia, Bulgaria

Mariya Garalova
Chief Financial Officer

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

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ ПрайсуотърхаусКупърс Одит ООД
София
Рег. №085

Milka Damianova
Registered Auditor
2 June 2014

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
2 June 2014

BULGARIAN RETAIL SERVICES AD
BALANCE SHEET
AS AT 31 DECEMBER 2013

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

	Notes	As at 31 December 2013	2012
Assets			
Cash and cash equivalents	10	1,507	86,077
Derivative financial instruments	15	255	-
Loans and advances to customers	11	445,223	641,927
Equipment and other non-current assets	13	10	25
Deferred income tax assets	9	-	1
Current income tax receivable		1,310	1,351
Other assets	12	4	3
Total assets		**448,309**	**729,384**
Liabilities			
Bank borrowings	14	432,897	603,390
Derivative financial instruments	15	-	192
Deferred income tax liabilities	9	1	2
Other liabilities	16	141	61,727
Total liabilities		**433,039**	**665,311**
Shareholders' equity			
Share capital	17	700	700
Other reserves		70	70
Retained earnings		14,500	63,303
Total shareholders' equity		**15,270**	**64,073**
Total shareholders' equity and liabilities		**448,309**	**729,384**

The financial statements on pages 6 to 54 were authorized and signed by:

Milena Boyadzhieva
Executive Director
30 May 2014
Sofia, Bulgaria

БЪЛГЕРИЪН РИТЕЙЛ СЪРВИСИЗ АД * BULGARIAN RETAIL SERVICES AD * София Sofia

Mariya Garalova
Chief Financial Officer

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

Milka Damianova
Registered Auditor
2 June 2014

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ "ПрайсуотърхаусКупърс Одит" ООД София Рег. №085

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
2 June 2014

BULGARIAN RETAIL SERVICES AD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Share capital	Reserves	Retained earnings	Total
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**
At 1 January 2013	**700**	**70**	**63,303**	**64,073**
Loss for the year	-	-	(48,803)	(48,803)
Total comprehensive loss for the year	**-**	**-**	**(48,803)**	**(48,803)**
At 31 December 2013	**700**	**70**	**14,500**	**15,270**

The financial statements on pages 6 to 54 were authorized and signed by:

Milena Boyadzhieva
Executive Director
30 May 2014
Sofia, Bulgaria

БЪЛГЕРИЪН РИТЕЙЛ СЪРВИСИЗ АД * BULGARIAN RETAIL SERVICES AD
София Sofia

Mariya Garalova
Chief Financial Officer

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

Milka Damianova
Registered Auditor
2 June 2014

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ "ПрайсуотърхаусКупърс Одит" ООД
София
Рег. №085

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
2 June 2014

BULGARIAN RETAIL SERVICES AD
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Notes	Year ended 31 December 2013	2012
Cash flow from operating activities			
Interest and similar income received		26,729	44,238
Interest paid		(16,679)	(39,733)
Fees and commission receipts		139	590
Fees and commission paid		(856)	(237)
Amounts paid to and on behalf of employees		(131)	(143)
Other expenses paid		(465)	(272)
Net trading and other (losses)/income		(71)	22
Income tax paid		(190)	-
Cash from operating activities before changes in operating assets and liabilities		**8,476**	**4,465**
Changes in operating assets and liabilities			
Loans and advances to customers		133,909	80,402
Derivative financial liabilities		4,730	(65,098)
Due from other banks		-	136,887
Net (increase)/decrease in other assets		(1)	165
Net (decrease)/increase in other liabilities		(61,264)	59,925
Net cash from operating activities		**85,849**	**216,746**
Cash flows used in investing activities			
Purchase of equipment		(1)	-
Net cash used in investing activities		**(1)**	**-**
Cash flows used in financing activities			
Decrease in due to banks		(170,418)	(683,534)
Net cash used in financing activities		**(170,418)**	**(683,534)**
Net decrease in cash and cash equivalents		**(84,570)**	**(446,788)**
Cash and cash equivalents at beginning of year		86,077	552,865
Cash and cash equivalents at end of year	10	**1,507**	**86,077**

The financial statements on pages 6 to 54 were authorized and signed by:

Milena Boyadzhieva
Executive Director
30 May 2014
Sofia, Bulgaria

Mariya Garalova
Chief Financial Officer

БЪЛГЕРИЯН РИТЕЙЛ СЪРВИСИЗ АД * BULGARIAN RETAIL SERVICES AD * София Sofia

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

Milka Damianova
Registered Auditor
2 June 2014

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
2 June 2014

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №085 "ПрайсуотърхаусКупърс Одит" ООД

1 Company background and significant accounting policies

(1) Company background

Bulgarian Retail Services AD (the Company) was incorporated in 2002 and 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.
At the end of 2009, the Company ceased providing credit card processing services. Currently the Company is providing financial services related to loan portfolio acquired from related parties.
The address of its registered office is as follows: 260 Okolovrasten pat Str. 1766 Sofia, Bulgaria.

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: 260, Ring Road Blvd., Sofia, Bulgaria.

Following the completion of *Eurobank Ergasia S.A.* share capital increase and the commencement of trading of the new ordinary shares on the Athens Exchange on May 9,2014, the percentage of the ordinary shares with voting rights held by Hellenic Financial Stability Fund decreased from 95.23% to 35.41% (see also note 19).

The Company loan portfolio consists of loans transferred from Eurobank Bulgaria AD during 2006, 2007, 2008, 2011 and under contracts for Funded Subparticipation agreements from 2012 with Eurobank Bulgaria AD and ERB New Europe Funding II B.V. For all of them BRS has paid amount that equals the net book value of the transferred loans, which approximated the fair value of the assets transferred. The Company acquired all risks and benefits related to the transferred loans. All contracting parties are part of Eurobank Ergasias Group. BRS has separate contractual agreements with the Eurobank Bulgaria AD to provide services regarding the transferred loans.

(2) Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1 Company background and significant accounting policies (continued)

(3) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the 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 2013 and 2012. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

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.

Going concern

As at 31 December the Company's Financial Statements are prepared on the principle of going concern which implies that the Company will continue operations in 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 21 February 2012. The programme aimed at bringing the country's public debt-to-GDP ratio below 120,0% 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 26 November 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 was 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 bailout 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 derecognised and the new Greek government bonds (nGGBs) recognised 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 billion.

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 programme (PSI+), on 21 February 2012 the Euro Area finance ministers allocated a total of €50 billion of the second support programme 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 billion of these funds were remitted to Greece in 2012 and the final €11 billion in 2013.

Recapitalization of Eurobank Ergasias S.A.

The Bank of Greece, after assessing the business plan and the capital needs of Eurobank Ergasias S.A. has concluded on 19 April 2012 that Eurobank Ergasias S.A. is a viable bank and, on 8 November 2012, notified Eurobank Ergasias S.A. that its Tier I capital should increase by €5.839 million. Eurobank Ergasias S.A., 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 Eurobank Ergasias S.A. 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 Eurobank Ergasias S.A.

On 7 April 2013, the relevant regulatory authorities, with the consent of the management of both banks, decided that National Bank of Greece S.A. (NBG) and Eurobank Ergasias S.A. will be independently recapitalised in full. As a consequence, the merger process of the two Banks was suspended. Following the above decision, the Board of Directors of Eurobank Ergasias S.A. 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, the ensuing inability of properly assessing the investment proposal, as well as the absence of tens of thousands of Eurobank Ergasias S.A.'s traditional shareholders who were substituted, due to the recent Voluntary Tender Offer, by NBG's stake of approximately 85% in Eurobank Ergasias S.A.'s capital. As a consequence, the Board of Directors of Eurobank Ergasias S.A. 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, the Extraordinary General Meeting approved the increase of the share capital of the Eurobank Ergasias S.A., in accordance with the provisions of Law 3864/2010 and Act of Cabinet 38/9.11.2012, in order to raise € 5,839 million by issuing 3,789,317,358 new ordinary shares, 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 2013 and the listing of the new shares was completed on 19 June 2013 after obtaining the relevant approvals from Greek regulatory authorities.

1 Company background and significant accounting policies (continued)
(3) Basis of preparation (continued)
Position of the Group (continued)

Recapitalization of Eurobank Ergasias S.A. (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. According to the new definition of Core Tier I capital, AFS reserve is fully recognised, while deferred tax asset's recognition is limited to 20% of Core Tier I capital. On 23 December 2013, the BoG issued an Executive Committee Act (36/23.12.2013) lifting the aforementioned limitation related to the deferred tax asset's recognition, effective from 31 December 2013. As at 31 December 2013, the Core Tier I ratio stood at 10.4% and proforma with the completion of transaction with Fairfax Financial Holdings Limited (increase of Fairfax's participation in Eurobank Properties S.A. through share capital increase) and the implementation of Basel II IRB credit risk methodology to New Hellenic Postbank's mortgage portfolio at 11,3%.

On 14 November 2013, Eurobank Ergasias S.A. announced the initiation of the process to raise approximately € 2 bn through a capital increase. On 14 January 2014, Eurobank Ergasias S.A. and HFSF announced that the transaction timetable will be adjusted to allow for the finalization of the assessment of forward looking capital needs of the Greek banking sector and the new recapitalization framework. The BoG, following the assessment of Eurobank's capital needs, concluded on 6 March 2014 and notified Eurobank that its Core Tier I capital should increase by € 2,945 million. Eurobank Ergasias S.A. with its letter to BoG on 24 March 2014, submitted its capital enhancement plan whereby revised its capital actions providing for an additional positive impact on regulatory capital of € 81 million and stated that it intends to cover the remaining capital needs of € 2,864 million through a share capital increase, which constitutes a step towards further strengthening Eurobank's capital position and enhances Eurobank.'s ability to support the Greek economy. The proposed capital increase will be effected through a marketed equity offering.

On 12 April 2014, the Extraordinary General Meeting approved the share capital increase of Eurobank Ergasias S.A. by €2,864m.The new shares are to be offered through an international private placement.

On 15 April, Eurobank Ergasias S.A. announced that, following the approval by Hellenic Financial Stability Fund,has signed an agreement with a group of international Investors in relation to its capital increase; under the terms of such agreement, the specific Investors agreed to commit to subscribe for newly issued ordinary shares of Eurobank at a price of 0.30 per newly issued ordinary share.The aggregated commitments of the said Investors amount to approximately €1,332 million(representing approximately 46.5% of the share capital Increase).

On 29 April 2014, Eurobank completed successfully its combined equity offer of €2,864m.,as both public offering and international offering were oversubscribed.The new shares will be listed on the main market of the Athens Stock Exchange and their trading commenced on May 9,2014.

Related party transactions - Eurobank Ergasias S.A. shareholding structure

EFG Group was the controlling shareholder of the Eurobank Ergasias S.A., holding 44.70% of the Eurobank's ordinary shares and voting rights until 23 July 2012. In May 2013, following its full subscription in Eurobank's recapitalisation of € 5,839 million, the HFSF became the controlling shareholder and a related party of Eurobank. On 19 June 2013, HFSF acquired 3,789,317,358 Eurobank's ordinary shares with voting rights, representing 98.56% of its ordinary share capital. Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the controlling percentage of HFSF increases to 95.23%.

1 Company background and significant accounting policies (continued)
(3) Basis of preparation (continued)
Related party transactions(continued)

Following the completion of Bank's share capital increase and the commencement of trading of the new ordinary shares on the Athens Exchange on May 9,2014, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 95.23% to 35.41%

Eurobank Ergasias Group regards other Greek Banks controlled, jointly controlled or significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, as well as the members of key management personnel of HFSF, as related parties. Eurobank Ergasias Group's transactions with HFSF's related Greek banks are made in the ordinary course of business, are carried out on market terms, are not influenced by the HFSF as the controlling shareholder of the Bank and are not included in the related party transactions presented.

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

On 15 February 2013, the National Bank of Greece SA (NBG) acquired 84.35% of Eurobank's voting shares following the completion of a Voluntary Tender Offer (VTO) launched on 11 January 2013. The VTO would have been followed by the merger of the two banks, the process of which initiated on 19 March 2013.

On 28 March 2013, BoG sent letters to all viable banks, including Eurobank Ergasias S.A. and NBG, stating that each bank should proceed with its recapitalization by the end of April 2013 and requesting them to proceed with the relevant necessary actions. On 7 April 2013, as the joint banks' request for the extension of the recapitalization process up to 20 June 2013 was not granted, the relevant regulatory authorities with the consent of the management of both banks decided that the Eurobank 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 Eurobank Ergasias S.A., convened on 30 April 2013, decided the increase of the Eurobank'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. As a result of the above mentioned share capital increase of the Bank, the percentage of the voting rights held by NBG as at 31 December 2013 was reduced below 5%.

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) The following new standards and amendments to existing standards, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), applied from 1 January 2013:

IAS 1, Amendment - Presentation of Items of Other Comprehensive Income

The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The adoption of the amendments did not have impact on the presentation of other comprehensive income in the Company's financial statements.

IAS 12, Amendment - Deferred tax: Recovery of Underlying Assets

The amendment provides a practical approach for measuring deferred tax assets and deferred tax liabilities when investment property is measured using the fair value model in IAS 40 "Investment Property". The amendment has no impact on the Company's financial statements.

IAS 19, Amendment - Employee Benefits

The amendment has no impact on the Company's financial statements.

1 Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

a) The following new standards and amendments to existing standards, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), applied from 1 January 2013 (continued):

IFRS 7, Amendment - Disclosures, Offsetting Financial Assets and Financial Liabilities
The amendment requires disclosure of the effect or potential effect of netting arrangements on an entity's financial position. In particular, it requires information about all recognised financial instruments that are set off, according to IAS 32 "Financial Instruments: Presentation", as well as about those recognised financial instruments that, although they are not set off under IAS 32 "Financial Instruments: Presentation", are subject to an enforceable master netting arrangement or similar agreement.

The amendment has no impact on the Company's financial statements.

IFRS 13, Fair value measurement
IFRS 13 establishes a single framework for measuring fair value, provides a revised definition of fair value and introduces more comprehensive disclosure requirements on fair value measurement. The disclosure requirements of IFRS 13 do not require comparative information to be provided for periods prior to initial application (1 January 2013). There was no material impact on the financial statements of the Company from the prospective adoption of the measurement requirements of IFRS 13. New disclosures and enhancements to existing disclosures are provided in notes 2.7 Fair value of financial assets and liabilities.

Annual Improvements to IFRSs 2009–2011 Cycle
Improvements to IFRSs comprise amendments to a number of standards aiming to clarify:

- the requirements for comparative information in IAS 1 "Presentation of Financial Statements";

- when certain types of equipment are classified as property, plant and equipment in IAS 16 "Property Plant and Equipment";

- the accounting for the tax effect of distributions to holders of equity instruments in IAS 32 "Financial Instruments: Presentation"; and

- interim financial reporting requirements regarding total segment assets and liabilities in IAS 34 "Interim Financial Reporting"

The above improvements to IFRSs did not have a material impact on the Company's financial statements.

1 Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

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

A number of new standards, amendments and interpretations to existing standards are effective after 2013, as they have not yet been endorsed for use in the European Union or have not been early applied by the Company. Those that may be relevant to the Company are set out below:

IAS 19, Amendment- Defined Benefit Plans: Employee Contributions (effective 1 January 2015, not yet endorsed by EU)

The amendment clarifies the accounting for post- employment benefit plans where employees or third parties are required to make contributions which do not vary with the length of employee service, for example, employee contributions calculated according to a fixed percentage of salary. The amendment allows these contributions to be deducted from pension expense in the year in which the related employee service is delivered, instead of attributing them to periods of employee service.

The adoption of the amendment is not expected to have any impact on the Company's financial statements.

IAS 27, Amendment - Separate Financial Statements (effective 1 January 2014)

The amendment is issued concurrently with IFRS 10 Consolidated Financial Statements and together they supersede IAS 27 'Consolidated and Separate Financial Statements'. The amendment prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

The adoption of the amendment is not expected to have any impact on the Company's financial statements.

IAS 28, Amendment - Investments in Associates and Joint Ventures (effective 1 January 2014)

The amendment replaces IAS 28 'Investments in Associates', prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The adoption of the amendment is not expected to have a material impact on the Company's financial statements.

IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)

The amendment clarifies the requirements for offsetting financial assets and financial liabilities.

The adoption of the amendment is not expected to have a material impact on the Company's financial statements.

1 Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

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

IAS 36, Amendment - Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)

The amendments restrict the requirement to disclose the recoverable amount of an asset or cash generating unit only to periods in which an impairment loss has been recognized or reverses.

They also include detailed disclosure requirements applicable when an asset or cash generating unit's recoverable amount has been determined on the basis of fair value less costs of disposal.

The adoption of the amendment is not expected to have a material impact on the Company's financial statements.

IAS 39, Amendment - Novation of derivatives and continuation of hedge accounting (effective 1 January 2014)

The amendment provides relief from discontinuing hedge accounting when, as a result of laws and regulations, a derivative designated as a hedging instrument is novated to effect clearing with a central counterparty and specific criteria are met.

The adoption of the amendment is not expected to have a material impact on the Company's financial statements.

IFRS 9, Financial Instruments (effective date to be determined by IASB)

IFRS 9, Financial instruments, is a new standard for financial instruments that is ultimately intended to replace current IAS 39 Financial Instruments: Recognition and Measurement in its entirety.

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. It requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment which is not held for trading, in other comprehensive income, with only dividend income generally recognized in profit or loss.

IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities, as well as derecognition requirements, IFRS 9 requires that, in cases where a financial liability is designated as at fair value through profit or loss, the part of a fair value change due to the reporting entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Fair value changes attributable to a financial liability's credit risk are not subsequently reclassified in profit or loss. According to IAS 39 which currently applies, the amount of the change in the fair value of the financial liability designated as fair value through profit or loss is recognized in profit or loss.

1 Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

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

IFRS 9, Financial Instruments (effective date to be determined by IASB) (continued)

Based on IFRS 9 and IFRS 7 Amendments, Mandatory Effective Date and Transition Disclosures, issued in December 2011, entities were required to apply IFRS 9 for annual periods beginning on or after January 1, 2015, with earlier application permitted. Additionally, IFRS 9 should be applied to all financial instruments outstanding as of the effective date, as if the classification and measurement under IFRS 9 had always been applied, but comparative periods do not need to be restated.

IFRS 9 was amended in November 2013 with IFRS 9 Financial Instruments: Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 to include a new general hedge accounting model that will better reflect reporting entities' risk management activities in the financial statements and some related amendments to IAS 39 and IFRS 7. The amendments also allow entities to early adopt the provision in IFRS 9 as issued in 2010, related to the presentation of changes in an entity's own credit risk within other comprehensive income without applying the other requirements of IFRS 9 at the same time. In addition, the January 1 2015 mandatory effective date is removed and a new mandatory effective date will be set upon completion of the impairment phase of the accounting for financial instruments.

Entities that adopt IFRS 9 as amended in November 2013 can choose an accounting policy of either adopting the new IFRS 9 hedge accounting model now or continuing to apply the hedge accounting model in IAS 39 for the time being.

As IFRS 9 is an ongoing IASB project, which has not yet been finalized, it remains impractical to quantify its effect, as at the date of the publication of these financial statements.

IFRS 10, Consolidated Financial Statements (effective 1 January 2014)

IFRS 10 replaces the part of IAS 27 'Consolidated and Separate Financial Statements' that deals with consolidated financial statements and SIC 12 'Consolidation-Special Purpose Entities'. Under IFRS 10, there is a new definition of control, providing a single basis for consolidation for all entities. This basis is built on the concept of power over the investee, variability of returns from the involvement with the investee and their linkage, replacing thus focus on legal control or exposure to risks and rewards, depending on the nature of the entity.

The adoption of this standard is not expected to have a material impact on the Company's financial statements.

IFRS 11, Joint Arrangements (effective 1 January 2014)

IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities- Non – monetary Contributions by Venturers'. Under IFRS 11, there are only two types of joint arrangements, joint operations and joint ventures and their type is determined by focusing on the rights and obligations of the arrangement, rather than its legal form. The equity method of accounting is now mandatory for joint ventures. The option to use the proportionate consolidation method to account for joint ventures, which is not applied by the Group, is no longer allowed.

The adoption of this standard is not expected to have any impact on the Company's financial statements.

1 Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

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

IFRS 12, Disclosure of Interests in Other Entities (effective 1 January 2014)

IFRS 12 specifies the disclosures required to enable users of financial statements to evaluate the nature of and risks associated with the reporting entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

The adoption of this standard is not expected to have any impact on the Company's financial statements.

IFRS 10, 11 and 12 Amendments - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective 1 January 2014)

The amendments clarify the transition guidance in IFRS 10 and provide additional transition relief in IFRS 10, 11 and 12, requiring adjusted comparative information to be limited only to the preceding comparative period. In addition, for disclosures related to unconsolidated structured entities, the requirement to present comparative information for periods before IFRS 12 is first applied, is removed.

IFRS 10, 12 and IAS 27 Amendments - Investment Entities (effective 1 January 2014)

The amendments require that 'investment entities', as defined below, account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss. The only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. Under the amendments an 'Investment entity' is an entity that:

(a) obtains funds from one or more investors for the purpose of providing those investors with investment management services;
(b) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
(c) measures and evaluates the performance of substantially all of its investments on a fair value basis.
The amendments also set out disclosure requirements for investment entities.

The adoption of the amendments is not expected to affect Company's financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2015, not yet endorsed by EU)

The amendments introduce key changes to seven IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Definition of vesting condition in IFRS 2 "Share – based Payment";
- Accounting for contingent consideration in a business combination in IFRS 3 "Business Combinations";

1 Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

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

Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2015, not yet endorsed by EU) (continued)

- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets in IFRS 8 "Operating Segment";
- Short-term receivables and payables in IFRS 13 "Fair Value Measurement";
- Revaluation method—proportionate restatement of accumulated depreciation in IAS 16 "Property, Plant and Equipment";
- Key management personnel in IAS 24 "Related Party Disclosures"; and
- Revaluation method—proportionate restatement of accumulated amortization in IAS 38 "Intangible Assets";

Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 January 2015, not yet endorsed by EU)

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2011-13 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Scope exceptions for joint ventures in IFRS 3 "Business Combinations";
- Scope of portfolio exception in IFRS 13 "Fair Value Measurement";
- Clarifying the interrelationship between IFRS 3 "Business Combinations" and IAS 40 "Investment Property" when classifying property as investment property or owner-occupied property in IAS 40; and
- Meaning of "effective IFRSs" in IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRIC 21, Levies (effective 1 January 2014, not yet endorsed by EU)

IFRIC 21 Levies clarifies that an entity recognizes a liability for a levy that is not income tax when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, for example a specified level of revenue, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

The adoption of the interpretation is not expected to have a material impact on the Company's financial statements.

1 Company background and significant accounting policies (continued)

(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, Leva (BGN), which is the Company's functional and presentation currency. Except as indicated, financial information presented in BGN has been rounded to the nearest thousand.

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 2013, monetary assets and liabilities are translated at the reference Central Bank exchange rate – BGN 1 for EUR 0.5113 (2012: BGN 1 for EUR 0.5113) and BGN 1 for CHF 0.6267 (2012: BGN 1 for CHF 0.6176).

(5) Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective interest rate method. The effective interest rate method is a method of calculating the amortized 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 amortization period.
This is the period to the next repricing date when the market rates are changed before the expected maturity of the instrument.

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.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1 Company background and significant accounting policies (continued)

(6) Fees and commissions income and expense

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.

Commissions and fees relating to foreign exchange transactions, remittances, bank charges are recognised on the completion of the underlying transaction.
Fee and commission expense consists mainly of administration fees for services received from related parties in Bulgaria. Fees generated from and to
related parties are described in Note 19.

(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 the price within the bid-ask spread that is most representative of fair value in the circumstances used to measure fair value. 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 Company intends to sell immediately or in the short term, which are classified as held for trading, and those that the Company upon initial recognition designates as at fair value through profit or loss; (b) those that the Company 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, currency forwards, forward rate agreements, options and futures are usually not recognised initially on the face of the balance sheet as they are often entered into at no cost (i.e. the net fair value of the receivables and payables is zero). When the net investment is not zero derivatives are initially recognised as financial instruments at fair value. The fair value is determined by quoted prices, discounted cash flows models and other valuation techniques. The positive net fair value is recognised as asset while the negative is recognised as liability. The changes in the fair value of derivatives are included in the income statement.

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.

In determining whether a loan is individually significant for the purposes of assessing impairment, the Company considers a number of factors, including importance of the individual loan relationship and how it is managed, the size of the loan, and the product line. Consequently, loans to corporate clients and financial institutions as well as investment securities, are generally considered as individually significant. Retail lending portfolios are generally assessed for impairment on a collective basis as they consist of large homogenous portfolios, while exposures that are managed on an individual basis are assessed individually for impairment.

The Company assesses at each balance sheet date whether there is an objective evidence of impairment

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

1 Company background and significant accounting policies (continued)

(9) Impairment of financial assets (continued)

(1) Assets carried at amortized cost (continued)

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;

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

1 Company background and significant accounting policies (continued)

(9) Impairment of financial assets (continued)

(1) Assets carried at amortized cost (continued)

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.

The loan loss identification period is between three and twelve months.

Reversals of impairment

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 recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account or the asset's carrying amount as appropriate. The amount of the reversal is recognised in the income statement.

Write-off of loans and advances

A loan and the associated provision are written off when there is no realistic prospect of recovery. The Company considers all relevant information including the occurrence of a significant change in the borrower's financial position such that the borrower can no longer pay the obligation.

The timing of write-off is mainly dependent on whether there is any underlying collateral as well as the Company's estimate of the amount collectible. The number of days past due is considered by the Company as an indicator, however it is not regarded as a determining factor. Especially for collateralized exposures, the timing of write-offs is mainly dependant on local jurisdictions and consequently maybe delayed due to various legal impediments.
Unpaid debt continues to be subject to enforcement activity even after it is written-off, except for limited cases where debt is forgiven by the Company as an expression of its social responsibility.

Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

1 Company background and significant accounting policies (continued)

(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.

(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 rate 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 to the income statement on a straight-line basis over the period of the lease.

1 Company background and significant accounting policies (continued)

(15) Current and deferred income tax

Taxation has been provided for in the financial statements in accordance with Bulgarian legislation currently in force. The 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 and retirement benefit obligations.

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

(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 to 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, Para. 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 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.
Provision has been made for the actuarial value of the lump sum payable on retirement using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the income statement so as to spread the cost over the period of service of the employees, in accordance with the actuarial valuations which are performed every year.
The obligation is calculated as the present value of the estimated future cash outflows using interest rates of Bulgarian government bonds at the end of the reporting period. The currency and term to maturity of the bonds used are consistent with the currency and estimated term of the retirement benefit obligations. Actuarial gains and losses that arise in calculating the Company's obligation are recognised directly in other comprehensive income in the period in which they occur and are not reclassified to the income statement in subsequent periods.
Past service costs and interest expense are recognised immediately in the income statement.

1 Company background and significant accounting policies (continued)

(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 and only when there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis, or realize the asset and settle the liability simultaneously.

(20) Comparatives

The Company has not performed any reclassifications on balance sheet and income statement positions for 2013.

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.

2 Financial Risk Management (continued)

Strategy in using financial instruments (continued)

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.

(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 Company 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).

2 Financial Risk Management (continued)

(1) Credit risk measurement (continued)

(a) Loans and advances (continued)

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.

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.

Long-term financing 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.

(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 2013, 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, 99.99 % of the total maximum exposure is derived from loans and advances to customers (2012: 88%).

(all amounts are in thousands 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

	2013	2012
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to customers:	**445,223**	**641,927**
Mortgages	301,598	372,983
Consumer loans	2	2
Small Business lending	7,660	8,393
Corporate customers	135,963	260,549
Other assets	4	3
Cash with banks	1,507	86,077
At 31 December	**446,734**	**728,007**

(3) Loans and advances to customers

Loans and advances are summarized as follows:

Balance at 31 December 2013	**Loans and advances to customers**
Neither past due nor impaired	202,399
Past due but not impaired	84,674
Impaired	265,585
Gross	**552,658**
Less: allowance for impairment	(107,435)
Net	**445,223**
Included in gross loans and advances are:	
Past due more than 90 days	263,293
Of which non-performing loans	250,981

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

(all amounts are in thousands 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 107,435 thousands (2012: BGN 51,884 thousands). 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 2013 can be assessed by reference to the internal standard grading system. The following information is based on that system:

Satisfactory risk	As at 31 December 2013	As at 31 December 2012
Mortgages	185,996	246,779
Corporate Lending	12,798	19,294
Consumer Lending	-	-
SBB Lending	3,185	3,832
Total Satisfactory risk	**201,979**	**269,905**
Watch list (Corporate Lending)	420	31,986

(b) Loan and advances past due but not impaired

	Retail customers		Corporate entities	
Balance at 31 December 2013	**Mortgage Lending**	**SBB Lending**	**Corporate Lending**	**Total**
Past due up to 29 days	36,565	487	3,552	40,604
Past due 30 - 59 days	18,519	224	-	18,743
Past due 60 - 89 days	12,215	189	-	12,404
Past due 90 - 179 days	11,917	-	1,007	12,923
Total	**79,216**	**900**	**4,559**	**84,674**

(all amounts are in thousands BGN unless otherwise stated)

2 Financial Risk Management (continued)

(3) Loans and advances to customers (continued)

(b) Loan and advances past due but not impaired (continued)

	Retail customers		Corporate entities	
Balance at 31 December 2012	**Mortgage Lending**	**SBB Lending**	**Corporate Lending**	**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**

(c) Loans and advances individually impaired

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 reorganization;
- 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 2013	**SBB Lending**	**Corporate Lending**	**Total**
Past due up to 29 days		5,520	5,520
Past due 30 - 89 days	-	2,001	2,001
Past due 90 - 179 days	-	574	574
Past due less than 1 year	-	11,847	11,847
Past due over 1 year	3,982	167,060	171,042
Individually impaired loans	**3,982**	**187,002**	**190,984**
31 December 2012			
Past due up to 29 days	-	8,828	8,828
Past due 30 - 89 days	-	15,933	15,933
Past due 90 - 179 days	-	1,648	1,648
Past due less than 1 year	621	65,630	66,251
Past due over 1 year	2,268	129,333	131,601
Individually impaired loans	**2,889**	**221,372**	**224,261**

(all amounts are in thousands BGN unless otherwise stated)

2 Financial Risk Management (continued)

(3) Loans and advances to customers (continued)

(c) Loans and advances individually impaired (continued)

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.)

Small business lending loans over 90 days overdue are assessed on a case-by-case basis, following the provisioning policy.

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.

(d) Impaired loans and advances collectively assessed

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.

31 December 2013	Consumer Lending	Mortgage Lending	SBB Lending	Total
Past due up to 29 days	-	225	-	225
Past due 30 - 89 days	-	-	-	-
Past due 90 - 179 days	-	5,121	-	5,121
Past due less than 1 year	-	13,739	-	13,739
Past due over 1 year	-	55,516	-	55,516
Collectively assessed for impairment	**-**	**74,602**	**-**	**74,602**

31 December 2012	Consumer Lending	Mortgage Lending	SBB Lending	Total
Past due up to 29 days	-	-	-	-
Past due 30 - 89 days	-	-	-	-
Past due 90 - 179 days	-	-	-	-
Past due less than 1 year	-	15,547	-	15,547
Past due over 1 year	2	41,501	82	41,585
Collectively assessed for impairment	**2**	**57,048**	**82**	**57,132**

(all amounts are in thousands BGN unless otherwise stated)

2 Financial Risk Management (continued)

(3) Loans and advances to customers (continued)

(d) Impaired loans and advances collectively assessed

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

Information about collateral at 31 December 2013 is as follows:

	Corporate loans	Consumer loans	SBB loans	Mortgage loans	Total
Unsecured loans	1,262	2	126	5,837	**7,227**
Loans guaranteed by other banks	-	-	-	-	-
Loans guaranteed by other parties, including credit insurance	-	-	-	-	-
Loans collateralised by:					
- residential real estate	22,594	-	2,251	294,583	**319,428**
- other real estate	52,573	-	4,518	141	**57,232**
- tradable securities	-	-	-	-	-
- cash deposits					
- other assets	59,534	-	765	1,037	**61,336**
Total loans and advances to customers	**135,963**	**2**	**7,660**	**301,598**	**445,223**

Information about collateral at 31 December 2012 is as follows:

	Corporate loans	Consumer loans	SBB loans	Mortgage loans	Total
Unsecured loans	1,357	2	152	10,948	**12,009**
Loans guaranteed by other banks	-	-	-	-	-
Loans guaranteed by other parties, including credit insurance	871	-	-	-	**871**
Loans collateralised by:					
- residential real estate	26,538	-	2,466	360,975	**389,979**
- other real estate	118,180	-	4,959	151	**123,290**
- tradable securities					
- cash deposits					
- other assets	113,603	-	816	1,359	**115,778**
Total loans and advances to customers	**260,549**	**2**	**8,393**	**372,983**	**641,927**

The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

(all amounts are in thousands BGN unless otherwise stated)

2 Financial Risk Management (continued)

(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 2013. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties.

	Bulgaria	Other countries	Total
Loans and advances to customers:	**439,766**	**5,457**	**445,223**
- Mortgages	301,174	425	301,598
- Consumer lending	2	-	2
- Small business lending	7,660	-	7,660
- Corporate lending	130,930	5,032	135,963
Derivative financial instruments	255	-	255
Other assets	4	-	4
31 December 2013	**440,025**	**5,457**	**445,482**
31 December 2012	**635,549**	**6,381**	**641,930**

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	Manu-facturing	Con-struction	Financial institutions	Other	Total
Loans and advances to customers:	**42,848**	**301,790**	**10,316**	**50,168**	-	**40,101**	**445,223**
- Mortgages	-	301,599	-	-	-	-	301,598
-Consumer loans	-	2	-	-	-	-	2
-Small business lending	2,495	189	977	1,115	-	2,884	7,660
-Corporate lending	40,353	-	9,339	49,053	-	37,217	135,963
Derivative financial instruments	-	-	-	-	255	-	255
Other assets	-	-	-	-		4	4
31 December 2013	**42,848**	**301,790**	**10,316**	**50,168**	**255**	**40,105**	**445,482**
31 December 2012	**80,392**	**373,191**	**29,840**	**72,737**	-	**85,770**	**641,930**

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 variables. Market risks arise from open positions in interest rate and currency products, which may be exposed to general or specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates. The main 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 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 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 2013 and represent reasonable possible shifts in the market variables. The 2012 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; Non-trading book effect - for items carried at amortized cost.

(all amounts are in thousands BGN unless otherwise stated)

2 Financial Risk Management (continued)

(6) Sensitivity of assets and liabilities (continued)

2013

	Total Sensitivity	Sensitivity of income statement	Non-trading book sensitivity
Interest Rate			
+250 bps parallel shift for BGN; +200 bps for all other (EUR&CHF)	(786)	1	(787)
-250 bps parallel shift for BGN; ---50 bps for all other (EUR&CHF)	213	(3)	216
Foreign exchange			
-25% depreciation of local CCY (BGN) against all foreign CCYs	(1,401)	(1,401)	-
+20% appreciation of local CCY (BGN) against all foreign CCYs	(1,121)	(1,121)	-

2012

	Total Sensitivity	Sensitivity of income statement	Non-trading book sensitivity
Interest Rate			
+250 bps parallel shift for BGN; +200 bps for all other (EUR&CHF)	(1,005)	1	(1,005)
-250 bps parallel shift for BGN; - 50 bps for all other (EUR&CHF)	282	-	282
Foreign exchange			
-25% depreciation of local CCY (BGN) against all foreign CCYs	(9,705)	(9,705)	-
+20% appreciation of local CCY (BGN) against all foreign CCYs	(7,764)	(7,764)	-

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 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.

(all amounts are in thousands BGN unless otherwise stated)

2 Financial Risk Management (continued)

(7) Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price). When a quoted price for an identical asset or liability is not observable, fair value is measured using valuation techniques that are appropriate in the circumstances, and maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect assumptions that market participants would use when pricing financial instruments, such as quoted prices in active markets for similar instruments, interest rates and yield curves, implied volatilities and credit spreads.

(a) Fair values of financial assets and liabilities not measured at fair value

The following table presents the carrying amounts and fair values of financial assets and liabilities which are not carried at fair value on the balance sheet, analysed by the level in the fair value hierarchy into which each fair value measurement is included:

	At 31 December 2013				
	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Amount
Financial assets					
Loans and advances to customers	-	-	462,229	**462,229**	**445,223**

	At 31 December 2012				
	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Amount
Financial assets					
Loans and advances to customers	-	-	685,914	**685,914**	**641,927**

The assumptions and methodologies underlying the calculation of fair values of financial instruments not carried at fair value on the balance sheet date are in line with those used to calculate the fair values for financial instruments carried at fair value and are as follows:

2 Financial Risk Management (continued)

(7) Fair values of financial assets and liabilities (continued)

(a) Fair values of financial assets and liabilities not measured at fair value (continued)

* *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 values are estimated by discounting future expected cash flows over the time period they are expected to be recovered, using appropriate risk-adjusted rates. Loans are grouped into homogenous assets with similar characteristics, as monitored by Management, such as product, borrower type and delinquency status, in order to improve the accuracy of the estimated valuation outputs. In estimating future cash flows, the Company makes assumptions on expected prepayments, product spreads and timing of collateral realization. The discount rates incorporate inputs for expected credit losses and interest rates, as appropriate.

* *Bank borrowings*

For borrowed funds, cash and cash equivalents and loans and advances to banks, which are either short term or re-priced at frequent intervals, the carrying amounts represent reasonable approximations of fair values.

(b) Financial instruments measured at fair value

Trading assets, derivatives and other transactions undertaken for trading purposes, as well as available-for-sale securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value by reference to quoted market prices when available. If quoted prices are not available, the fair values are estimated using valuation techniques.

These financial instruments carried at fair value are categorised into the three levels of the fair value hierarchy as at 31 December 2013 based on whether the inputs to the fair values are observable or unobservable, as follows:

Level 1 – Financial instruments measured based on quoted prices in active markets for identical financial instruments that an entity can access at the measurement date. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. These include actively quoted debt instruments, equity and derivative instruments traded on exchanges, as well as mutual funds and unit-linked products that have regularly and frequently published quotes.

Level 2 – Financial instruments measured using valuation techniques with the following inputs: i) quoted prices for similar financial instruments in active markets, ii) quoted prices for identical or similar financial instruments in markets that are not active, iii) inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers and iv) may also include other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments mainly include over-the-counter (OTC) derivatives and less-liquid debt instruments.

Level 3 – Financial instruments measured using valuation techniques with significant unobservable inputs. When developing unobservable inputs, best information available is used, including own data, while at the same time market participants' assumptions are reflected (e.g. assumptions about risk). Level 3 financial instruments include unquoted equity instruments.

(all amounts are in thousands BGN unless otherwise stated)

2 Financial Risk Management (continued)

(7) Fair values of financial assets and liabilities (continued)

(b) Financial instruments measured at fair value (continued)

The fair value hierarchy categorization of the Company's financial assets and liabilities carried at fair value is presented in the following table:

	31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Derivative financial instruments	-	255	-	255
Total financial assets	**-**	**255**	**-**	**255**
Financial liabilities measured at fair value:				
Derivative financial instruments	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**

	31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Derivative financial instruments	-	-	-	-
Total financial assets	**-**	**-**	**-**	**-**
Financial liabilities measured at fair value:				
Derivative financial instruments		192	-	192
Total financial liabilities	**-**	**192**	**-**	**192**

Company's valuation processes

The Company uses widely recognized valuation models for determining the fair value of common financial instruments, such as interest and cross currency swaps, that use only observable market data and require little management estimation and judgment. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded and simple over-the-counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values.

Where valuation techniques are used to determine the fair values of financial instruments, they are validated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments, and periodically reviewed by qualified personnel independent of the personnel 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. Fair values estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that market participants would take them into account in pricing the instrument. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counterparty, where appropriate.

(all amounts are in thousands BGN unless otherwise stated)

2 Financial Risk Management (continued)

(7) Fair values of financial assets and liabilities (continued)

(b) Financial instruments measured at fair value (continued)

Company's valuation processes (continued)

The Company follows fair valuation processes and procedures, which are established at a Group level by Global Market Counterparty Risk Sector. Some of the specific valuation controls include: verification of observable pricing, re-performance of model valuations, a review and approval process for new models and/or changes to models, calibration and back-testing against observable market transactions, where available, analysis of significant valuation movements, etc. Where third parties' valuations are used for fair value measurement, these are reviewed in order to ensure compliance with the requirements of IFRS 13.

Valuation techniques

OTC derivative financial instruments are fair valued by discounting expected cash flows using market interest rates at the measurement date. Counterparty credit risk adjustments and own credit risk adjustments are applied to OTC derivatives, where appropriate.

(8) 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) Cash flows

The table below presents the cash flows receivable and payable by the Company under financial assets/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 flows. All payments are estimated based on spot rate.

As at 31 December 2013	**Gross nominal outflow/ inflow**	**Less than 1 month**	**1-3 months**	**3 -12 months**	**1-5 years**	**More than 5 years**
Non-derivative liabilities						
Bank borrowings	436,653	1,147	1,805	433,701	-	-
Other liabilities	141	113	24	4	-	-
Total liabilities (contractual maturity dates)	**436,794**	**1,260**	**1,829**	**433,705**	-	-
Non-derivative assets						
Loans and advances to customers	570,410	59,686	9,244	32,001	116,616	352,864
Derivative financial instruments						
Gross contractual inflow	266,616	266,616				
Gross contractual outflow	266,398	266,398				
Total assets (contractual maturity dates)	**570,628**	**59,904**	**9,244**	**32,001**	**116,616**	**352,864**

(all amounts are in thousands BGN unless otherwise stated)

2 Financial Risk Management (continued)

(8) Liquidity risk

(a) Cash flows (continued)

As at 31 December 2012	Gross nominal outflow/ inflow	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	-	-	-
Derivative financial instruments						
Gross contractual inflow	344,030	344,030	-	-	-	-
Gross contractual outflow	344,798	344,798	-	-	-	-
Total liabilities (contractual maturity dates)	**680,287**	**1,953**	**63,899**	**614,435**	**-**	**-**
Non-derivative assets						
Loans and advances to customers	865,967	138,946	24,409	61,963	170,897	469,753
Derivative financial instruments						
Gross contractual inflow	-	-	-	-	-	-
Gross contractual outflow	-	-	-	-	-	-
Total assets (contractual maturity dates)	**865,967**	**138,946**	**24,409**	**61,963**	**170,897**	**469,753**

The liquidity table above discloses the contractual undiscounted cash flows as at the end of 2013 and 2012. It should be noted that in December 2013, the short term bank borrowing was extended to 31 December 2014 as explained in Note 14.

The table below analyses the Company's assets grouped based on their maturities:

	As at 31 December 2013	2012
Current Assets		
Cash and cash equivalents	1,507	86,077
Derivative financial instruments	255	-
Total current assets	**1,762**	**86,077**
Loans and advances to customers	**445,223**	**641,927**
Non-current Assets		
Equipment and other non-current assets	10	25
Deferred income tax assets	-	1
Income tax receivable	1,310	1,351
Other assets	4	3
Total non-current assets	**1,324**	**1,380**
Total assets	**448,309**	**729,384**

(9) 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 2013, 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.

3 Critical accounting estimates, and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments 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 reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company made judgments 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 loan 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 thousands BGN unless otherwise stated)

3 Critical accounting estimates, and judgments (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 inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers.

4 Net interest income and similar income

Interest income	**2013**	**2012**
Loans and advances to customers	25,853	41,735
Due from other banks	159	208
	26,012	**41,943**
Interest expense and similar charges		
Banks and other financial institutions	13,986	26,640
Expense for derivative instruments	2,507	11,302
	16,493	**37,942**

Interest expense and similar charges amounts include BGN 124 thousand (2012: BGN 1,275 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.

5 Net fee and commission income

	2013	**2012**
Fees and commission income		
Loans fees related to earlier payment of loans	346	652
Fee and commission expense		
Fee for loan portfolio processing and bank commissions	335	228

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.

6 Net trading income/(expense)

	2013	**2012**
Foreign exchange translation gains less losses	105	(40)

(all amounts are in thousands BGN unless otherwise stated)

7 Operating expenses

	2013	2012
Consulting and other professional services	255	316
Rents	18	200
Staff costs (Note 8)	125	144
Depreciation (Note 13)	16	20
Maintenance of equipment and buildings	4	4
Communication and courier expenses	4	2
Materials	-	1
Other operating costs	2	53
	424	**740**

8 Staff costs

	2013	2012
Wages and salaries	108	130
Other staff costs	17	14
	125	**144**

The average number of employees of the Company during the year was 4 (2012: 4).

9 Current and deferred income tax

	2013	2012
Current income tax charge	231	-
Deferred income tax charge	-	1,207
Income tax related to previous year	-	29
Income tax expense	**231**	**1,236**

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:

	2013	2012
(Loss)/profit before income tax	**(48,572)**	**(36,926)**
(Credit)/charge calculated at a tax rate of 10% (2012: 10%)	(4,857)	(3,693)
Expenses for which no deferred income tax assets was recognized	(337)	4,881
Effect of expenses not deductible for tax purposes	5,425	19
Income tax related to previous year	-	29
Income tax expense	**231**	**1,236**

(all amounts are in thousands BGN unless otherwise stated)

9 Current and deferred income tax (continued)

Deferred income taxes are calculated on temporary differences under the liability method using an effective tax rate of 10% (2012: 10%).
The tax loss for 2012 is BGN 3,373 thousands and the deferred tax asset not recognized was BGN 337 thousands. However, respective tax loss is offset against taxable profit in 2013. The deferred tax asset on impairment charge for 2013 not recognized is BGN 5,821 thousands (2012: BGN 4.065 thousands).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred income taxes relate to the same fiscal authority.
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 company has the right to carry forward the tax loss accumulated until the depletion thereof during the next succeeding five years.

The movement on the deferred income tax account is as follows:

	2013	2012
Deferred tax asset at the beginning of the period, net	(1)	1,206
Income statement (charge)	-	(1,207)
Deferred tax (liability)/asset at end of year, net	**(1)**	**(1)**

	2013	2012
Deferred income tax liabilities		
Accelerated tax depreciation	1	2
	1	**2**

	2013	2012
Deferred income tax assets		
Unused holidays	-	1
Impairment of loans and advances	-	-
	-	**1**
Net deferred income tax (liability)/asset	**-**	**(1)**

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

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

10 Cash and cash equivalents/Bank balances

	2013	2012
Cash equivalents	1,507	86,077

(all amounts are in thousands BGN unless otherwise stated)

	1,507	**86,077**

11 Loans and advances to customers

	2013	2012
Retail customers:		
Mortgages	339,814	407,642
Consumer loans	2	2
Small Business Banking	8,067	8,669
	347,883	**416,313**
Corporate customers:		
Large corporate customers	89,539	142,671
Small and Medium Enterprises	115,236	134,827
	204,775	**277,498**
Gross loans and advances	**552,658**	**693,811**
Less allowance for loan losses on loans and advances	(107,435)	(51,884)
	445,223	**641,927**

Included in the amount of loans and advances to customers is accrued interest of BGN 7,954 thousand (2012: BGN 11,401 thousand). In 2013 BRS sold loans to Eurobank Bulgaria AD amounting to BGN 16,069 thousand (2012: BGN 167,688 thousand). Both companies are related parties of Eurobank Group.

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 2012	-	**10,644**	**531**	**3,989**	**15,164**
Charge for the year	-	27,383	284	12,986	**40,653**
Disposal of loan portfolio	-	(3,429)	(543)	(26)	**(3,998)**
Amounts written off	-	-	-	-	-
FX revaluation through PL	-	61	4	-	**65**
At 1 January 2013	-	**34,659**	**276**	**16,949**	**51,884**
Charge for the year	-	5,980	135	53,102	**59,217**
Disposal of loan portfolio	-	(1,937)	-	(344)	**(2,281)**
Amounts written off	-	-	-	(894)	**(894)**
FX revaluation through PL	-	(487)	(4)	-	**(491)**
At 31 December 2013	-	**38,215**	**407**	**68,813**	**107,435**

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 356 thousand (2012: BGN 9 thousand), annual income from bad debt collection amounting to BGN 778 thousand (2012: BGN 91 thousand) and other income from loan repayments amounting to BGN 1,012 thousands.

(all amounts are in thousands BGN unless otherwise stated)

11 Loans and advances to customers (continued)

	2013	2012
The ten largest loans and advances to customers	71,630	84,305
Percentage of gross loans	12.96%	12.15%

12 Other assets

	2013	2012
Other debtors	3	2
Other receivables	1	1
	4	**3**

The fair value of the receivables from related parties and other receivables disclosed above approximate their carrying value as at 31 December 2013 and 31 December 2012.

13 Equipment and other non-current assets

	Computer equipment and software	Machinery and office equipment	Total
2012			
Opening net book value	37	41	78
Additions/(Disposals)	-	(33)	(33)
Depreciation charge	(15)	(5)	(20)
Closing net book value	**22**	**3**	**25**

	Computer equipment and software	Machinery and office equipment	Total
As at 31 December 2012			
Cost	212	10	222
Accumulated depreciation	(190)	(7)	(197)
Net book value	**22**	**3**	**25**
2013			
Opening net book value	22	3	25
Additions	-	1	1
Depreciation charge	(15)	(1)	(16)
Closing net book value	**7**	**3**	**10**
As at 31 December 2013			
Cost	212	11	223
Accumulated depreciation	(205)	(8)	(213)
Net book value	**7**	**3**	**10**

(all amounts are in thousands BGN unless otherwise stated)

14 Bank borrowings

	2013	2012
Short-term bank borrowings (Note 19.5)	432,897	603,390
	432,897	**603,390**

Included within bank borrowings is related accrued interest payable of BGN 72 thousand (2012: 146 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 interest rate of the facility is 1-month Euribor plus 2,75% p.a. (2012: 2,075% p.a.). In December 2013, the borrowing was extended to 31 December 2014.

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 2013			
Foreign exchange derivatives			
OTC currency swaps	266,616	255	-
Total OTC currency derivatives	**266,616**	**255**	**-**
Total recognised derivative assets/liabilities	**266,616**	**255**	**-**

(all amounts are in thousands BGN unless otherwise stated)

15 Derivative financial instruments (continued)

	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**

16 Other liabilities

	2013	2012
Related parties payables (Note 19.4)	99	61,677
Trade payables	14	31
Payables to employees, social securities and taxes	2	10
Retirement benefits obligations	2	2
Other liabilities and accruals	24	7
	141	**61,727**

The fair value of trade and other payables disclosed above approximates their carrying value as at 31 December 2013 and 31 December 2012.

17 Share capital

The number of the issued shares as at year-end is 70,000 (2012: 70,000) with nominal value of BGN 10 per share (2012: BGN 10). All issued ordinary shares are fully paid giving one voting right each.

18 Contingent liabilities and commitments

Non-cancellable operating lease commitments

During 2013 and 2012 the Company does not have contingent liabilities and commitments or contractual non-cancelable operating lease commitments.

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).

19 Related party transactions (continued)

EFG Group was the controlling shareholder of the Eurobank Ergasias S.A., holding 44.70% of the Eurobank's ordinary shares and voting rights until 23 July 2012. In May 2013, following its full subscription in Eurobank's recapitalisation of EUR 5,839 million, the HFSF became the controlling shareholder and a related party of Eurobank. On 19 June 2013, HFSF acquired 3,789,317,358 Eurobank's ordinary shares with voting rights, representing 98.56% of its ordinary share capital. Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the controlling percentage of HFSF increases to 95.23%.

Following the completion of Bank's share capital increase and the commencement of trading of the new ordinary shares on the Athens Exchange on May 9,2014, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 95.23% to 35.41%

Eurobank Ergasias Group regards other Greek Banks controlled, jointly controlled or significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, as well as the members of key management personnel of HFSF, as related parties. Eurobank Ergasias Group's transactions with HFSF's related Greek banks are made in the ordinary course of business, are carried out on market terms, are not influenced by the HFSF as the controlling shareholder of the Bank and are not included in the related party transactions presented.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. The volumes of related-party transactions, outstanding balances at the year end, and relating expense and income for the year are as follows:

(1) Loan portfolio purchased and acquired

During 2013 Bulgarian Retail Services AD sold loans to Eurobank Bulgaria AD in the amount of BGN 16,069 thousand (2012: BGN 167,688 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).During 2013 there are no transfers of loan receivables from Eurobank Bulgaria AD to the company.

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. The obligation was paid by the company during 2013.ERB New Europe Funding II B.V. has transferred BGN 52, 328 thousand under Funded participation agreements. The obligation was paid by the Company during 2013.

The remaining portfolio consists of loans transferred during the years 2006-2008.
The three companies are part of Eurobank Ergasias Group. Eurobank Bulgaria AD has separate contractual agreements to provide services regarding the referred loans.

(all amounts are in thousands BGN unless otherwise stated)

19 Related party transactions (continued)

(2) Received services fee expense

	2013	**2012**
Eurobank Bulgaria AD (expenses for loan portfolio processing)	264	97
	264	**97**

(3) Key management personnel salaries and short-term benefits

	2013	**2012**
	31	26

(4) Payables to related parties (Note 16):

	2013	**2012**
ERB New Europe Funding II B.V.	-	52,328
Eurobank Bulgaria AD	99	9,284
Eurobank Ergasias SA	-	65
	99	**61,677**

(5) Borrowings from related parties (Note 14):

	2013	**2012**
Eurobank Private Bank (Luxembourg)	432,897	603,390

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

	2013	**2012**
Guarantees received	-	603,244
Commission expense for Letter of guarantees	124	967

Collateral for loans from Eurobank Private Bank (Luxembourg) from Eurobank BulgariaAD.	**2013**	**2012**
Guarantees received	-	488,958
Commission expense for Letter of guarantees	-	308

(7) Interest expenses to related parties

	2013	**2012**
Eurobank Private Bank (Luxembourg)	13,862	25,364
Eurobank Bulgaria AD/SWAP deals	2,507	11,302

(all amounts are in thousands BGN unless otherwise stated)

19 Related party transactions (continued)

(8) Derivatives outstanding, contracted with Eurobank Bulgaria AD

	31 December 2013				
	Contract/notional amount	Level 1	Level 2	Level 3	Total
OTC currency swaps	266 616	-	255	-	255
Total financial assets	**266 616**	**-**	**255**	**-**	**255**
OTC currency swaps	-	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**

	31 December 2012				
	Contract/notional amount	Level 1	Level 2	Level 3	Total
OTC currency swaps	-	-	-	-	-
Total financial assets	**-**	**-**	**-**	**-**	**-**
OTC currency swaps	344,172	-	192	-	192
Total financial liabilities	**344,172**	**-**	**192**	**-**	**192**

(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 2013 by currencies are as follows:

As at 31 December	2013	2012
EUR	482	5,145
BGN	201	79,738
CHF	824	1,194
	1,507	**86,077**

20 Events after the balance sheet date

There are no significant post balance sheet events with effect on the financial statements as of 31 December 2013.