

**BULGARIAN RETAIL SERVICES AD
FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
31 DECEMBER 2007**

Independent auditor's report

To the Shareholders of the Bulgarian Retail Services AD

Report on the Financial Statements

We have audited the accompanying financial statements of Bulgarian Retail Services AD (the "Company") which comprise the balance sheet as of 31 December 2007 and the income statement, statement of changes in equity and cash flow statement 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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.

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bulgarian Retail Services AD as of 31 December 2007, and of 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.

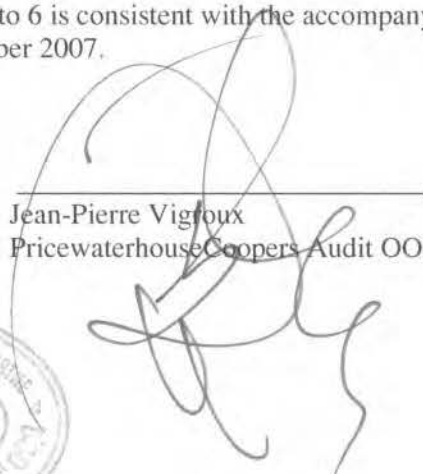
We are required by the Accounting Act to express an opinion whether the Annual Report is consistent with the annual financial statements of the Company.

In our opinion, the Annual Report set out on pages 2 to 6 is consistent with the accompanying financial statements of the Company as of 31 December 2007.



Rositsa Boteva
Registered Auditor

10 April 2008
Sofia



Jean-Pierre Vignoux
PricewaterhouseCoopers Audit OOD



**BULGARIAN RETAIL SERVICES AD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

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

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

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

DIRECTORS' REPORT AS OF 31 DECEMBER 2007

BUSINESS DESCRIPTION

The Company was incorporated as a joint-stock company in 2002, and as of its incorporation until 31 December 2007 it has not changed its legal form. The Company was registered with the principal activity 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 providing of different methods of repayment for client's liabilities.

BRS specialized in the field of credit cards (EuroLine, AmEx and Visa) and consumer loans. The Company is one of the market leaders in the provision of consumer lending products and services.

BUSINESS OVERVIEW

Bulgarian Retail Services is part of EFG Group – a strong international financial group.

The basic business activity of the Company in 2007 was providing the Bank with mediation, technical administration and credit card processing services.

The Company delivers card processing services also to other companies from EFG Eurobank Group, such as Euroline Retail Services SA – Romania, and Eurocredit Retail Services Ltd. – Cyprus.

During 2007 Bulgarian Retail Services AD and Eurobank EFG Bulgaria AD (the "Bank", "Eurobank") have signed several contracts for transferring of receivables under the loan agreements. Eurobank transferred to BRS all its receivables under these loans agreements, together with all collateral, privileges and other belongings, including the accrued interests, including the co-debtors under these loans. The Company paid 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 its consumer lending operations in Bulgaria. Eurobank EFG Bulgaria AD has separate contractual agreements to provide to BRS services regarding the transferred loans. Eurobank EFG Bulgaria AD did not retain any risks or benefits on the transferred loans.

DEVELOPMENT AND RESULTS FROM THE BUSINESS ACTIVITY

While the activity of the Company has increased during the year, it 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 these lending limits where appropriate.

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

The Company maintains strict control limits on net open derivative positions by both amount and term.

**BULGARIAN RETAIL SERVICES AD
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(All amounts are shown in BGN thousand unless otherwise stated)

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

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

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

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.

The Company has improved its performance by introducing active and proactive sales orientation, launching new products, improvements of credit policy and procedures, development of alternative channels for sales and automation of the business processes.

SHARE CAPITAL STRUCTURE

The number of the issued shares as at year-end is 70,000 (2005: 70,000) with nominal value of BGN 10 per share (2005: 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 2007 is, as follows:

Shareholders	Shareholding Stake	Number of Shares	Nominal Value (BGN)
Eurobank Cards S.A. - Greece	99.999%	69,999	699,990
Theodoros Karakassis	0.001%	1	10
TOTAL:	100%	70,000	700,000

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

BOARD OF DIRECTORS

At the beginning of the reported period the Company is managed by Board of Directors with members:

- o Georgios Kotsolakis – Chairman;
- o Cristina Theofilidi – Deputy-Chairman;
- o Ioannis Gavalas – Chief Executive Director;
- o Petya Dimitrova – Executive Director;
- o Antigonos Papadopoulos – Executive Director;

**BULGARIAN RETAIL SERVICES AD
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(All amounts are shown in BGN thousand unless otherwise stated)

- Solomon Berahas;
- Emil Georgiev.

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:

- Georgios Kotsolakis – Chairman;
- Cristina Theofilidi – Deputy-Chairman;
- Ioannis Gavalas – Chief Executive Director;
- Petya Dimitrova – Executive Director;
- Antigonos Papadopoulos – Executive Director;
- Solomon Berahas;
- Emil Georgiev.

On 12th of November 2007 with a resolution of the Board of Directors, the following members were released in their capacity of members of the Board:

- Georgios Kotsolakis – Chairman;
- Ioannis Gavalas – Chief Executive Director;
- Antigonos Papadopoulos – Executive Director;

The respective resolution has not been submitted to the Commercial registry as at 31st of December 2007.

In 2007 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 is a Partners/shareholder holding more than 25 percent 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:

Petya Dimitrova

- Eurobank EFG Bulgaria AD (old business name Bulgarian Post Bank AD) – Procurist until 01.11.2007, Executive Director as of 01.11.2007
- EFG Business Services Bulgaria EAD – Executive Director and Member of the Board
- EFG Property Services Sofia AD - Member of the Board

**BULGARIAN RETAIL SERVICES AD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

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

Emil Georgiev

- EFG Business Services Bulgaria EAD – Executive Director and Member of the Board

Georgios Kotsolakis

- EFG Eurolife General Insurance S.A., Member BoD
- EFG Eurolife Life Insurance S.A., Member BoD
- Eurobank Cards S.A, Member BoD
- Open 24 S.A, Member BoD
- EFG Retail Services IFN SA, Member BoD
- EFG Retail Services ad Beograd, Member BoD
- Euro credit Retail Services Ltd, Member BoD

Cristina Theofilidi:

- EFG Retail Services a.d. Beograd, Member
- Eurocredit Retail Services Ltd, Member
- EFG Retail Services IFN S.A., Vice President
- Pollbank Dustrybucja Sp.Zo.o. Member of SBO.J.S.C.
- Universal Bank, Member of SB-Secretary
- Bancpost SA - Member BoD;

Solomon Berahas

- Eurobank Cards S.A., Member BoD
- Financial Planning Services S.A., Vice President
- EFG Retail Services IFN S.A., Member BoD
- EFG Retail Services a.d. Beograd, Member BoD
- Eurocredit Retail Services Ltd, Member BoD.

BRS AD has not entered into contracts in the sense of Article 240b, paragraph 1 of the Commerce Act during 2007.

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 a high quality loan portfolio.

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

PLANNED BUSINESS POLICY IN 2008

- The Company plans to invest approximately BGN 1,5mln. in new technologies and human resources in 2008.

**BULGARIAN RETAIL SERVICES AD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

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

- The major purposes of the Company until the end of 2008 will be to continue its steady growth and to expand the mediation and processing services rendered in respect of Consumer Lending.
- The Company has developed its strategy, rationale and actions for 2008 to increase its business volumes and profitability through launching new initiatives and constant development.
- The strategy is focusing on improving clients' satisfaction and loyalty by focusing on specific target group needs, facilitating the loan applying process, launching innovative products and services, supported with strong media presence.
- The planned expansion through alternative networks and third parties will contribute to increase the Company's market share.
- In 2008 the increase of the personnel will not follow the expected rate of growth of the Consumer Lending business. Accordingly, some reorganizations are to take place in order to achieve better effectiveness. During 2008 the headcount will grow by 55 positions.
- During 2008 the Company will be committed to retaining our key employees by inspiring their professional development, rewarding performance and offering various training opportunities.

MANAGEMENT RESPONSIBILITIES

The Directors are required by Bulgarian law to prepare financial statements each financial year that give a true and fair view of the financial position of the company as at the year end and its financial results. The management has prepared the enclosed financial statements in accordance with 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 2007 financial statements are prepared in BGN.

The Directors confirm that the financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and on a going concern basis.


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

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

The directors of the Company are optimistic regarding the future of Bulgarian Retail Services AD, as the control and coordination which could be exercised by single management are these factors, which will contribute to the good development and the stability of the Company.



Petia Dimitrova
Executive Director,
and Member of the Board of Directors




Tatyana Doychinova
Chief Accountant

Bulgarian Retail Services AD
Sofia, 4th of April 2008

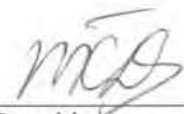
**BULGARIAN RETAIL SERVICES AD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

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


	Notes	Year ended 31 December	
		2007	2006
Interest income and similar income	4	59,693	20,801
Interest expense and similar charges	4	(38,247)	(9,978)
Net interest income		21,446	10,823
Fee and commission income	5	14,796	11,503
Fee and commission expense	5	(2,351)	(985)
Net fee and commission income		12,445	10,518
Net trading income	6	195	(777)
Operating expenses	7	(10,807)	(11,834)
Provision for loan impairment	11	(7,135)	(4,528)
Profit before tax		16,144	4,202
Income tax (expense)/credit	9	(1,616)	300
Profit for the year		14,528	4,502


Petia Dimitrova
Executive Director
4th of April 2008

Sofia, Bulgaria


Tatyana Doychinova
Chief Accountant

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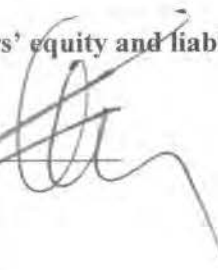

Rositsa Boteva
Statutory auditor
10th of April 2008
Sofia, Bulgaria

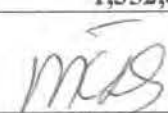


**BULGARIAN RETAIL SERVICES AD
BALANCE SHEET
AS AT 31 DECEMBER 2007**

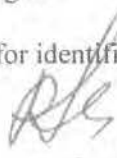
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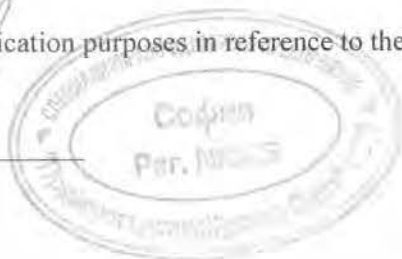
	Notes	As at 31 December	
		2007	2006
Assets			
Cash and cash equivalents	10	33,040	11,840
Loans and advances to customers	11	1,280,269	460,608
Investment securities available for sale	12	32,313	5,551
Equipment and other non-current assets	14	1,939	2,651
Deferred income tax assets	9	1,207	466
Derivative financial instruments	16	1,107	-
Other assets	13	2,943	1,937
Total assets		1,352,818	483,053
Liabilities			
Bank borrowings	15	1,330,354	477,802
Deferred tax liabilities	9	139	29
Current income tax liability		1,523	26
Derivative financial instruments	16	1,305	52
Other liabilities	17	1,732	1,908
Total liabilities		1,335,053	479,817
Shareholders' equity			
Share capital	18	700	700
Other reserves		70	-
Retained earnings		16,995	2,536
Total shareholders' equity		17,765	3,236
Total shareholders' equity and liabilities		1,352,818	483,053


Petia Dimitrova
Executive Director
4th of April 2008
Sofia, Bulgaria


Tatyana Doychinova
Chief Accountant

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



Rositsa Boteva
Statutory auditor
4th of April 2008
Sofia, Bulgaria




**BULGARIAN RETAIL SERVICES AD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007**

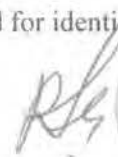
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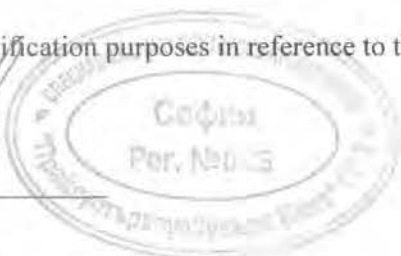
	Notes	Share capital	Other reserves	Retained earnings / (accumulated deficit)	Total
Balance at 1 January 2006		700	-	(2,023)	(1,323)
Reducing capital to cover prior year losses	18	(57)	-	57	-
Increase of capital	18	57	-	-	57
Net profit		-	-	4,502	4,502
Balance at 31 December 2006		700	-	2,536	3,236
Balance at 1 January 2007		700	-	2,537	3,237
Transfer	18	-	70	(70)	-
Net profit		-	-	14,528	14,528
Balance at 31 December 2007		700	70	16,995	17,765


Petia Dimitrova
Executive Director
4th of April 2008
Sofia, Bulgaria


Tatyana Doychinova
Chief Accountant

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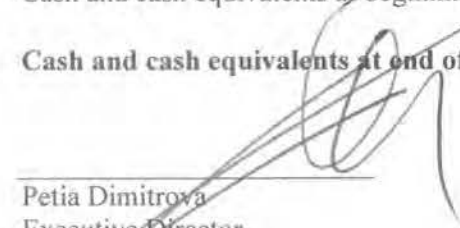

Rositsa Boteva
Statutory auditor
10th of April 2008
Sofia, Bulgaria




BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007


(In all notes all amounts are shown in BGN thousand unless otherwise stated)

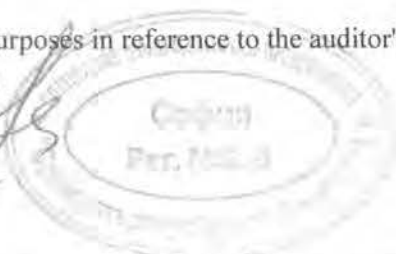
	Year ended 31 December	
	2007	2006
Cash flow from operating activities		
Interest received	54,340	15,422
Interest paid	(38,357)	(8,269)
Fees and commission received	13,612	9,707
Fees and commission paid	(2,177)	(294)
Amounts paid to and on behalf of employees	(3,925)	(4,114)
Other expenses paid	(5,594)	(6,919)
Net trading and other income received	126	(777)
Tax paid	(751)	(548)
Cash from operating activities before changes in operating assets and liabilities	17,274	4,208
Changes in operating assets and liabilities		
Net increase in trading securities	(27,464)	(5,436)
Net (increase) / decrease in loans and advances to customers	(821,522)	(459,757)
Net (increase) / decrease in other assets	(1,723)	(1,434)
Net increase / (decrease) in due to banks	853,843	474,250
Net decrease in other liabilities	1,565	565
Net cash from operating activities	21,973	12,396
Cash flows from investing activities		
Purchase of equipment	(773)	(1,685)
Net cash used in investing activities	(773)	(1,685)
Cash flows from financing activities		
Increasing of capital	-	57
Net cash from financing activities	-	57
Net change in cash and cash equivalents	21,200	10,768
Cash and cash equivalents at beginning of year	11,840	1,072
Cash and cash equivalents at end of year	33,040	11,840


 Petia Dimitrova
 Executive Director
 4th of April 2008
 Sofia, Bulgaria


 Tatyana Doychirova
 Chief Accountant

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


 Rositsa Boteva
 Statutory auditor
 10th of April 2008
 Sofia, Bulgaria



BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007

(In all notes all amounts are shown in BGN thousand unless otherwise stated)

1 Company background and significant accounting policies

(1) Company background

Bulgarian Retail Services AD (“the Company”) was incorporated in 2002 and commenced its lending activities in January 2003. The Head Office is in Sofia, Bulgaria. Until the end of the 1st quarter of 2005 the Company’s activities included issuing of credit cards and providing services in relation to the issued credit cards, such as transactions processing, establishment of the necessary retail network and offering of different methods of repayment for client’s liabilities. On 26 March 2005, Bulgarian Retail Services AD transferred its credit card loan portfolio and some fixed assets (all POS devices) to Eurobank EFG Bulgaria AD (Bulgarian Post Bank AD). After that date the Company ceased issuing credit cards but continued to provide services in relation to issued credit cards by other related companies including: Eurobank EFG Bulgaria AD, Eurcredit Retail Services, EFG Retail Services IFN SA, EFG Eurobank Belgrade.

Eurobank EFG Bulgaria AD transferred loan receivables to the Company during 2006. The Company paid amount that equals the net book value of the transferred loans, which approximated the fair value of the assets transferred. Both companies are part of the EFG Group. Eurobank EFG Bulgaria AD has separate contractual agreements to provide services regarding the transferred loans. Eurobank EFG Bulgaria AD did not retain any risks or benefits on the transferred loans.

Shareholders of Bulgarian Retail Services AD are:

1. Eurobank Cards 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 No. 37552/01/B/97/84 - a shareholder with 69,999 shares, being 99.998% of the capital issued by Bulgarian Retail Services AD and
2. Theodoros Karakassis, citizen of Greece, born on October 24, 1947 in Drama, Greece, passport No. N875062, issued on august 23, 1999 by the Prefecture of Athens, residing in Athens at 16, F.Negri St. - a shareholder with 1 share, being 0.002% of the capital of Bulgarian Retail Services AD.

Company address of management is: 30, Tsar Ivan Shishman Str.,Sofia, Bulgaria

(2) Summary of significant accounting policies

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

(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 (IFRS).

Financial statements are prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and all derivative contracts.

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007

(In all notes all amounts are shown in BGN thousand unless otherwise stated)

1 Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Where necessary corresponding figures have been adjusted to conform to changes in presentation of the current year.

1) Amendments to published standards and interpretations effective 1 January 2007

The application of the amendments and interpretations listed below did not result in substantial changes to the Company's accounting policies:

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the company's financial instruments, or the disclosures relating to taxation and trade and other payables.

2) Standards, amendments and interpretations effective in 2007 but not relevant

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the company's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the company's financial statements.

IFRS 4, 'Insurance contracts'

This standard does not have any impact on the company's financial statements.

IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'

IFRIC 9, 'Re-assessment of embedded derivatives'.

These interpretations do not have any impact on the company's financial statements.

3) Interpretations to existing standards that are not yet effective and not relevant for the company's operations

The following interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the company's operations:

IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007

(In all notes all amounts are shown in BGN thousand unless otherwise stated)

1 Company background and significant accounting policies (continued)

(3) Basis of preparation (continued)

equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. IFRIC 11 is not relevant to the company's operations.

IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the company's operations, because the company does not provide public sector services.

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the company's operations because the company does not operate any loyalty programmes.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. This standard is not relevant to the company's operations.

IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This standard is not relevant to the company, because its equity or debt securities are not publicly traded.

IFRIC 14, 'IAS 19 – The limit on a defined benefits asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation is not relevant to the company's operations.

IAS 27 R - the objective of IAS 27 is to enhance the relevance, reliability and comparability of the information that a parent entity provides in its separate financial statements and in its consolidated financial statements for a group of entities under its control. The amended Standard must be applied for annual periods beginning on or after 1 July 2009. Earlier application is permitted. However, an entity must not apply the amendments for annual periods beginning before 1 July 2009 unless it also applies IFRS 3 (as revised in 2008). The standard is not applicable for the company.

IFRS 3R - The objective of the IFRS 3R is to enhance the relevance, reliability and comparability of the information that an entity provides in its financial statements about a business combination and its effects. The IFRS 3R replaces IFRS 3 (as issued in 2004) and comes into effect for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Earlier application is permitted, provided that IAS 27 (as amended in 2008) is applied at the same time. The standard is not applicable for the company.

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007

(In all notes all amounts are shown in BGN thousand unless otherwise stated)

1 Company background and significant accounting policies (continued)

(4) Going concern basis

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

Since the foundation of the Company, its owners have provided financial support, so that the Company is able to continue its operations. The Company's ability to meet its obligations and to continue as a going concern is dependent on the funds provided by the owners. The Company's parent confirms that it is its current policy to ensure that Bulgarian Retail Services AD is in the position to meet its debts as they fall due. The Company's parent also confirms that they will provide support to Bulgarian Retail Services AD as to ensure that they will have adequate funds to meet their liabilities when they fall due. If the Company's owners do not provide financial support to Bulgarian Retail Services AD and the going concern basis could not be applied, the Company's assets and liabilities should be measured at their net realizable value. This values could be substantially different than the amounts presented in these financial statements prepared on a going concern basis.

(5) Foreign currencies transactions

Functional and presentation currency

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

Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity if any.

At 31 December 2007, monetary assets and liabilities are translated at the reference Central Bank exchange rate – BGN 1 for EUR 0.5113 (2006: BGN 1 for EUR 0.5113) and BGN 1 for USD 0.751191 (2006: BGN 1 for USD 0.67337).

(6) Interest income and expense

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

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007

(In all notes all amounts are shown in BGN thousand unless otherwise stated)

1 Company background and significant accounting policies (continued)

(6) Interest income and expense (continued)

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

Interest income includes coupons earned on fixed income investment and trading securities. When

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

(7) Fees and commissions income and expense

Fee and commission income consists mainly of mediation fees for services provided to related parties in Bulgaria and abroad in relation to issued by them credit cards. Fees generated from related parties are described in Note 20. Mediation fees income is recognized on stage of completion basis.

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

(8) Financial assets

The Company classifies its financial assets in the following categories: loans and receivables; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(a) 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 entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity 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.

(b) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale investments are initially recognized at fair value plus transaction costs and are subsequently re-measured at fair value based on current bid prices or amounts derived from cash flow models. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity. When an available-for-sale financial assets is derecognized or impaired, the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest calculated using the effective interest method is recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the Company's right to receive payment is established.

Purchases and sales of financial assets are recognized at settlement date – which is the date the Company actually trades the relevant assets. The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques consistent with the specific features of the security market in Bulgaria.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007

(In all notes all amounts are shown in BGN thousand unless otherwise stated)

I Company background and significant accounting policies (continued)

(9) Derivative financial instruments

Derivatives are financial instruments :

- (a) whose value is changed in response to the change in specified interest rate, financial instrument price, foreign exchange rate, index of prices and rates, credit rates or credit index or other variable;
- (b) that requires no initial net investment or an initial net investment is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- (c) that is settled at a future date.

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

The Company has not entered into transactions where the fair value was different from the transaction price. The best evidence of fair value at initial recognition is the transaction price (ie, 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 (ie, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

(10) Impairment of financial assets

(1) Assets carried at amortized cost

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

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

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

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.

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007

(In all notes all amounts are shown in BGN thousand unless otherwise stated)

1 Company background and significant accounting policies (continued)

(10) Impairment of financial assets (continued)

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 (ie, 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 Company and historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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

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

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. The amount of the reversal is recognised in the income statement in impairment charge for credit losses.

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

(2) Financial assets carried at fair value

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

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007

(In all notes all amounts are shown in BGN thousand unless otherwise stated)

1 Company background and significant accounting policies (continued)

(10) Impairment of financial assets (continued)

If any such evidence exists for available for- sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments, classified as available-for-sale, are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

(11) 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 15% and 30% 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.

(12) Intangible assets

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.

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
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(In all notes all amounts are shown in BGN thousand unless otherwise stated)

1 Company background and significant accounting policies (continued)

(13) Borrowings

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

(14) 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.

(15) Operating leases

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

(16) Current tax and deferred income tax

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

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

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

(17) Employee benefits

(1) Social, pension and health funds.

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

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007

(In all notes all amounts are shown in BGN thousand unless otherwise stated)

1 Company background and significant accounting policies (continued)

(17) Employee benefits (continued)

(2) Pension obligations.

In accordance with article 222, para. 3 of the Bulgarian Labor Code, in the event of termination of a labor contract after the employee has reached the lawfully required retirement age, regardless of the reason for the termination, the employee is entitled to a compensation as follows: 2 gross monthly salaries in all cases and 6 gross monthly salaries if the employee has been engaged with the Company for at least 10 years.

In the end of every reporting period the Company estimates and recognizes the provision for its pension obligations. In calculating the provision the Company estimates the present value of its future pension obligations considering the probability of the employees to retire while employed in the Company.

(18) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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.

(19) 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.

(20) Offsetting

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

(21) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

The Company made reclassification of the 2006 comparative figures in the income statement. Operating expenses in the 2006 comparative figures were decreased by BGN 691 thousand and fee and commission expense was increased by the same amount that included expenses for merchant commissions and processing services paid to Eurobank EFG Bulgaria AD.

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007

(In all notes all amounts are shown in BGN thousand unless otherwise stated)

2 Financial Risk Management

Strategy in using financial instruments

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 EFG Group risk guidelines and are controlled and guided by the Risk Unit of the Mother-company. The adequacy of internal control systems is evaluated by the EFG 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.

(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. Exposure to credit risk is managed in part by obtaining collateral.

(a) Loans and advances

The Company loan portfolio consists only of loans referred from Eurobank EFG 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 EFG Bulgaria AD, under which Eurobank EFG 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 exposure to anyone borrower is restricted by limits covering on- and off-balance sheet exposures, and risk limits in relation to trading items such as interest swaps, currency swaps, and currency forward contracts. Actual exposures against limits are monitored daily.

The Company assesses the probability of default using internal rating system from Eurobank EFG Bulgaria. The wholesale borrowers are rated on a case-by-case basis in 11 categories. The internal ratings that should be assigned to the wholesale borrowers are based on a profound analysis of a set 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.)

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007

(In all notes all amounts are shown in BGN thousand unless otherwise stated)

Financial Risk Management (continued)

The wholesale loans are rated in 11 categories. The Company groups the wholesale loans categorized from 1 to 6 category in the grade satisfactory risk and these categorized with 7 category in the grade watch list. The Company presents the wholesale loans in the category from 8 to 11 as individually impaired loans.

The classification of retail clients is based on the full delinquency analysis by groups. The grouping is based on the common characteristics of the respective products, the similar risks they bear and the type of collateral that secures them. 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 management of the Company reviews the reports provided from Eurobank EFG Bulgaria AD on regular basis and takes appropriate actions to mitigate credit risk.

(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.

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

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

(c) Derivatives

The Company maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Company (i.e., assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. Collateral or other security is not usually obtained for credit risk exposures on these instruments.

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007

(In all notes all amounts are shown in BGN thousand unless otherwise stated)

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

The table below represents a worse case scenario of credit risk exposure to the Company as at 31 December 2007, 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, 97% of the total maximum exposure is derived from loans and advances to customers (2006: 98%).

Maximum exposure	2007	2006
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to customers:	1,280,269	460,608
Mortgages	763,563	209,900
Consumer loans	342,417	117,401
Small Business lending	45,762	17,913
Corporate customers	128,527	115,394
Derivative financial instruments	786	-
Investment securities:	32,313	5,551
- Available-for-sale	32,313	5,551
Other assets	3,264	1,937
At 31 December	1,316,632	468,096

(3) Loans and advances to customers

Loans and advances are summarized as follows:

Balance at 31 December 2007	Loans and advances to customers
Neither past due nor impaired	1,097,310
Past due but not impaired	187,786
Impaired	5,168
Gross	1,290,264
Less: allowance for impairment	(9,995)
Net	1,280,269
Balance at 31 December 2006	Loans and advances to customers
Neither past due nor impaired	416,965
Past due but not impaired	46,765
Impaired	1,406
Gross	465,136
Less: allowance for impairment	(4,528)
Net	460,608

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007

(In all notes all amounts are shown in BGN thousand unless otherwise stated)

(3) Loans and advances to customers (continued)

The total impairment provision for loans and advances is BGN 9,995 thousands (2006: BGN 4,528 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 2007 can be assessed by reference to the internal standard grading system. The following information is based on that system:

Balance at 31 December 2007	Loans and advances neither past due nor impaired
Satisfactory risk	1,097,310
Total	1,097,310

Balance at 31 December 2006	Loans and advances neither past due nor impaired
Satisfactory risk	416,965
Total	416,965

(b) Loan and advances past due but not impaired

Balance at 31 December 2007	Loans and advances past due but not impaired
Past due up to 29 days	153,087
Past due 30 - 89 days	32,582
Past due 90 – less than 1 year	2,117
Total	187,786
Fair value of collateral	187,786

Balance at 31 December 2006	Loans and advances past due but not impaired
Past due up to 29 days	32,734
Past due 30 - 89 days	7,882
Past due 90 – less than 1 year	6,149
Total	46,765
Fair value of collateral	46,765

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
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(In all notes all amounts are shown in BGN thousand unless otherwise stated)

(3) Loans and advances to customers (continued)

(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 reorganisation; and a downgrading in credit rating by an external credit rating agency.

Accounts in portfolios of homogeneous loans are treated as impaired once facilities are 90 days or more overdue.

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Company as security, are as follows:

Balance at 31 December 2007	Loans and advances individually impaired
Past due 90 – less than 1 year	5,168
Total	5,168
Fair value of collateral	5,168
Balance at 31 December 2006	Loans and advances individually impaired
Past due 90 – less than 1 year	1,406
Total	1,406
Fair value of collateral	1,406

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

Based on past experience, consumer and small business loans less than 90 days past due - for mortgage loans 180 days past due - are not considered impaired, unless specific information indicates to the contrary. Certain wholesale loans for which the exposure is fully collateralized and /or the counterparty is of high credit quality are not considered impaired for a period of up to 1 year. Consumer and small business loans up to 90 days past due and mortgage loans up to 180 days past due are considered as impaired loans collectively assessed.

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
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(In all notes all amounts are shown in BGN thousand unless otherwise stated)

(3) Loans and advances to customers (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.)

The classification of retail clients is based on the full delinquency analysis by groups. The grouping is based on the common characteristics of the respective products, the similar risks they bear and the type of collateral that secures them. In 2007 the provisioning policy was updated and Retail approach was applied for SBB portfolio.

(d) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset from to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of the management, indicate that payment will most likely continue. These policies are kept under continuous review. Renegotiated loans that would otherwise be past due or impaired totaled BGN 4,020 thousands as at 31 December 2007 (2006: BGN 0).

	2007	2006
Loans and advances to customers		
– Corporate lending	4 020	-
Total	4 020	0

(4) Debt securities

The table below presents an analysis of debt securities by rating agency designation at 31 December 2007, based on the credit assessments of nominated External Credit Assessment Institutions. In the table below is shown Standard and Poor's ratings or their equivalent:

Rating	Available-for-sale securities	Total
AAA	-	-
AA- to AA+	-	-
A- to A+	-	-
Lower than A-	3,019	3,019
Unrated	29,294	29,294
Total	32,313	32,313

The unrated debt securities represent bonds of local companies. The investments in those securities are viewed as a way to gain a better credit quality mapping based on the internal rating system and maintain a readily available source to meet the funding requirement at the same time.

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(5) 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 2007. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties.

	Bulgaria	Europe	Other countries	Total
Loans and advances to customers:	1,277,129	1,907	1,233	1,280,269
- Mortgages	761,838	1,725	-	763,563
- Consumer lending	342,235	182	-	342,417
- Small business lending	45,762	-	-	45,762
- Corporate lending	127,294	-	1,233	128,527
Derivative financial instruments	786	-	-	786
Investment securities – available-for-sale	32,313	-	-	32,313
Other assets	3,264	-	-	3,264
31 December 2007	1,313,492	1,907	1,233	1,316,632
31 December 2006	459,478	1,130	-	460,608

The borrowers in the Company's loan portfolio are mainly Bulgarian individuals and entities. BRS provided services to companies from EFG Group: Eurobank EFG Bulgaria AD (Bulgaria), EFG Eurobank (Serbia), EFG Retail Services IFN SA (Romania) and Eurocredit Retail Services Ltd (Cyprus). Balances with related parties are presented in Note 20.

(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	Manufacturing	Construction	Financial Institutions	Other	Total
Loans and advances to customers:							
- Mortgages	-	763,563	-	-	-	-	763,563
- Consumer loans	-	342,417	-	-	-	-	342,417
- Small business lending	25,979	-	7,786	8,564	-	3,433	45,762
- Corporate lending	70,858	-	22,728	24,997	-	9,944	128,527
Investment securities – available-for-sales	8,049	-	13,126	1,010	10,128	-	32,313
Derivative financial instruments	-	-	-	-	786	-	786
31 December 2007	104,886	1,105,980	43,640	34,571	10,914	13,377	1,313,368
31 December 2006	42,359	329,622	29,094	57,442	-	6,619	465,136

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(6) Market risk

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

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

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

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

(7) 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. In the table below, the Company is presenting reasonable possible shifts, chosen based on the market and economic environments that have been observed during the reporting period.

	Total Sensitivity	2007 Sensitivity of income statement	Sensitivity of equity
<u>Interest Rate</u>			
+200 bps parallel shift	2,698	3,250	(552)
-200 bps parallel shift	(2,698)	(3,250)	552
<u>Foreign exchange</u>			
25% depreciation of functional ccy (BGN) over foreign cys	3,135	3,135	-
25% depreciation of foreign ccys vs functional ccy (BGN)	(2,508)	(2,508)	-

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(7) Sensitivity of assets and liabilities (continued)

	Total Sensitivity	2006 Sensitivity of income statement	Sensitivity of equity
<u>Interest Rate</u>			
+200 bps parallel shift	(376)	-	(376)
-200 bps parallel shift	376	-	376
<u>Foreign exchange</u>			
25% depreciation of functional ccy (BGN) over foreign ccys	(386)	(386)	-
25% depreciation of foreign ccys vs functional ccy (BGN)	308	308	-

In the above tables, the Company is presenting reasonable possible shifts, chosen based on the market and economic environments that have been observed during the reporting period.

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. Further breakdown was done into AFS instruments and duration based calculations were used to estimate the impact through fair value movements of a parallel interest rate shift on the Company's income statement. For Equity Sensitivity, the calculations are based on the full revaluation of the positions. For trading book positions, the fair value movements are reflected directly into P&L. For Foreign Exchange Sensitivity, the calculations are based on the open foreign currency positions of the Company.

(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;
- A prudent proportion of medium term assets are funded by medium term liabilities;
- The liquidity position is monitored closely on a daily basis and continuously throughout the dealing operations.

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

(a) Non-derivative cash flows

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

All payments are estimated based on spot rate.

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(a) Non-derivative cash flows (continued)

As at 31 December 2007	Gross nominal outflow	Less than 1 month	1-3 months	3 -12 months	1-5 years	More than 5 years
<i>Non-derivative liabilities</i>						
Due to other banks	1,373,203	5,729	11,459	1,356,015	-	-
Other liabilities	2,943	2,943	-	-	-	-
Total liabilities (contractual maturity dates)	1,376,146	8,672	11,459	1,356,015	-	-
As at 31 December 2006	Gross nominal outflow	Less than 1 month	1-3 months	3 -12 months	1-5 years	More than 5 years
<i>Non-derivative liabilities</i>						
Due to other banks	489,666	1,695	3,390	484,581	-	-
Other liabilities	1,937	1,937	-	-	-	-
Total liabilities (contractual maturity dates)	491,603	3,632	3,390	484,581	-	-

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

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

All payments are estimated based on spot rate.

As at 31 December 2007	Gross nominal outflow	Less than 1 month	1-3 months	3 -12 months	1-5 years	More than 5 years
Derivatives held for trading:						
- Foreign exchange derivatives	1,527	1,527	-	-	-	-
- Interest rate derivatives:	(136)	24	(50)	(174)	64	-
Total	1,391	1,551	(50)	(174)	64	-
As at 31 December 2006	Gross nominal outflow	Less than 1 month	1-3 months	3 -12 months	1-5 years	More than 5 years
Derivatives held for trading:						
- Foreign exchange derivatives	52	52	-	-	-	-
- Interest rate derivatives:	-	-	-	-	-	-
Total	52	52	-	-	-	-

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(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.

The Company relies on a continued financial support from the EFG Bank European Financial Group, which is a stable and reliable Financial Institution, to cover the risk from the existing liquidity gap. This policy was adopted in 2006 and will continue in the foreseeable future, and at least until 31.12.2009.

During 2007, the Company's strategy was to renegotiate the credit facility received from EFG Private Bank (Luxembourg) and extend the terms of the facility.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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(In all notes all amounts are shown in BGN thousand unless otherwise stated)

(10) Fair values of financial assets and liabilities

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

The estimated fair values of financial instruments have been determined by the Company using available market information, where it exists, and appropriate valuation methodologies.

The following table summarises the carrying amounts and fair values of financial assets and liabilities of the Company.

	Carrying value		Fair value	
	2007	2006	2007	2006
Financial assets				
Loans and advances to customers, including:				
-Mortgage customers	763 563	209 900	763 563	209 900
-Consumer customers	342 417	117 401	342 417	117 401
-SBB	45 762	17 913	45 762	17 913
-Corporate clients	128 527	115 394	128 527	115 394
Total loans and advances to customers	1 280 269	460 608	1 280 269	460 608
Financial liabilities				
Short term debt	1 330 354	477 802	1 330 354	477 802
Total due to customers	1 330 354	477 802	1 330 354	477 802

a) Loans and advances to customers

Loans and advances are carried at amortized cost and are net of provisions for impairment. The fair value of floating rate loans and advances approximates their carrying amount. Management estimates that the fair value of fixed rate loans and advances is not materially different from their carrying amount, as the Company can change the interest rates on its discretion after a certain period (up to one year). Fair value incorporates expected future losses, while amortized cost and related impairment include only incurred losses at the balance sheet date

b) Bank borrowings

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

BULGARIAN RETAIL SERVICES AD
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3 Critical accounting estimates, and judgements in applying accounting policies

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

(a) Impairment losses on loans and advances

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

(b) Effective interest rates

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

(c) Impairment of available for-sale equity investments

The Company determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(d) Fair value of derivatives

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

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4 Net interest income

	2007	2006
Interest income		
Loans and advances to customers	56,884	20,402
Investment securities	1,713	374
Income from derivative instruments	991	-
Due from other banks	105	25
	<u>59,693</u>	<u>20,801</u>
Interest expense		
Banks and other financial institutions	33,281	9,978
Expense for derivative instruments	4,966	-
	<u>38,247</u>	<u>9,978</u>

5 Net fee and commission income

	2007	2006
Fees and commission income		
Mediation fees and commissions	12,759	10,992
Loans fees related to earlier payment of loans	2,010	419
Other fees	27	92
	<u>14,796</u>	<u>11,503</u>
Fee and commission expense		
Commissions for bank guarantees	952	291
Fee for loan portfolio processing and bank commissions	947	133
Merchant commissions	449	558
Others	3	3
	<u>2,351</u>	<u>985</u>

As at 31 December 2006 merchant commissions at the total amount of BGN 558 thousand and fee for loan portfolio and processing and bank commissions at the total amount of BGN 133 thousand were classified and therefore disclosed as Operating expenses while in 2007 financial statements these two items are reclassified and presented Fee and commission expense.

Fee income of BGN 12,759 thousand (2006: BGN 10,992 thousand) relates to services provided to related parties in Bulgaria and abroad for usage of local servers. They include processing and mediation fees for usage of local servers. Fees generated from related parties are described in Note 20.

Fee and commission expense in 2007 relates to charges on guarantees received from EFG Eurobank Ergasias SA as collateral for loans received from EFG Private Bank (Luxembourg). They include and expenses for loan portfolio processing based on contractual agreement with Eurobank EFG Bulgaria AD for services regarding the transferred loans. For details refer to Note 20.

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6	Net trading income	2007	2006
	Net results from derivative instruments	786	(317)
	Foreign exchange translation gains less losses	(577)	(453)
	Foreign exchange transaction gains less losses	(14)	(7)
		<u>195</u>	<u>(777)</u>
7	Operating expenses	2007	2006
	Staff costs (Note 8)	4,478	4,513
	Rents	1,622	1,352
	Depreciation (Note 14)	969	1,005
	Representative and social expenses, business trips, etc.	784	1,064
	Communication and courier expenses	663	1,404
	Irrecoverable VAT for purchases	540	608
	Maintenance of equipment and buildings	457	349
	Consulting and other professional services	424	380
	Advertising and marketing expenses	365	321
	Materials	140	160
	Outsourcing services (data entry, collection services, etc.)	13	455
	Other operating costs, net	352	223
		<u>10,807</u>	<u>11,834</u>
8	Staff costs	2007	2006
	Wages and salaries	3,722	3,905
	Social security costs	354	292
	Pension expenses	344	316
	Other	58	-
		<u>4,478</u>	<u>4,513</u>

The average number of employees of the Company during the year was 302 (2006:298).

9	Income tax charge/(credit) and deferred income taxes	2007	2006
	Current tax charge	2,247	163
	Deferred tax charge/(credit)	(631)	(463)
	Income tax expense	<u>1,616</u>	<u>(300)</u>

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 not had corporate tax audit since its establishment in 2002.

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9 Income tax charge/(credit) and deferred income taxes (continued)

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:

	2007	2006
Profit before tax	16,144	4,202
Tax calculated at a tax rate of 10% (2006: 15%)	1,614	630
Effect of tax rate change	-	222
Utilization of previously unrecognized tax losses	-	(1,152)
Tax effect of expenses not deductible for tax purposes	(21)	-
Effect of non taxable income	23	-
Income tax (credit) / expense	1,616	(300)

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 10%, which is the tax rate effective from 1 January 2007 (2006: 15%).

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

	2007	2006
Deferred tax asset at the beginning of the period	437	(26)
Income statement credit / (charge)	631	463
Deferred tax asset/(liability) at end of year	1,068	437

	2007	2006
Deferred income tax liabilities		
Accelerated tax depreciation	51	29
Revaluation of derivatives	88	
	139	29

	2007	2006
Deferred income tax assets		
Unused holidays	57	13
Impairment of loans and advances	1,118	453
Provisions for court claims	8	
Revaluation of derivatives	24	
	1,207	466

	2007	2006
Net deferred tax asset / (liability)	1,068	437

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

	2007	2006
Depreciation	(23)	12
Unused holidays	45	(2)
Impairment of loans and advances	665	453
Provisions for court claims	8	
Revaluation of derivatives	(64)	
Net deferred tax credit / (charge)	631	463

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10 Cash and cash equivalents

	2007	2006
Cash in hand	1	113
Bank balances	33,039	11,727
	<u>33,040</u>	<u>11,840</u>

11 Loans and advances to customers

	2007	2006
Retail customers:		
Mortgages	764,816	210,029
Consumer loans	349,720	119,593
Small Business Banking	45,989	18,115
	<u>1,160,525</u>	<u>347,737</u>
Corporate customers:		
Large corporate customers	95,016	86,773
Small and Medium Enterprises	34,723	30,626
	<u>129,739</u>	<u>117,399</u>
Gross loans and advances	1,290,264	465,136
Less allowance for loan losses on loans and advances	(9,995)	(4,528)
	<u>1,280,269</u>	<u>460,608</u>

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

	Retail customers			Wholesale	Total
	Consumer lending	Mortgages	Small Business Lending	Corporate Lending	
Balance at 1 January 2006	-	-	-	-	-
Charge for the year	2,192	129	203	2,004	4,528
At 1 January 2007	2,192	129	203	2,004	4,528
Charge for the year	6,296	1,124	24	(792)	6,652
Amounts written off	(1,185)	-	-	-	(1,185)
At 31 December 2007	7,303	1,253	227	1,212	9,995

The impairment reported in the Income Statement differ form the one reported in the present note with the annual expense for bad debt collection services amounting to BGN 483 thousand.

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11	Loans and advances to customers (continued)	2007	2006
	The ten largest loans and advances to customers	63,802	34,717
	Percentage of gross loans	4.94%	7.52%

12 Investment securities, available for sale

Included in the amount of the investment securities is accrued interest in the amount of BGN 817 thousand (2006: 115 thousand).

	Corporate bonds issued by companies	2007	2006
	Listed	27,853	5,551
	Unlisted	4,460	-
	Balance at 31 December 2007	32,313	5,551

Movement in available for sale securities is reconciled as follows:

		2007	2006
	Book value as at 31 December	5,551	-
	Additions	29,639	5,436
	Disposals	3,579	-
	Accrued interest	702	115
	Book value as at 31 December	32,313	5,551

13	Other assets	2007	2006
	Receivables from related parties (Note 20)	2,454	1,237
	Deferred expenses	296	144
	Recoverable VAT	-	139
	Advances to suppliers	100	114
	Court receivables	79	79
	Advances to employees	15	8
	Other debtors	10	99
	Inventory	8	8
	Deposits to suppliers	7	37
	Trade receivables	3	36
	Other assets	50	36
	Less: provisions for court receivables	(79)	-
		2,943	1,937

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14 Equipment and other non-current assets

	Computer equipment and software	Machinery and office equipment	Intangible assets	Total
As at 31 December 2005				
Cost	1,342	2,273	-	3,615
Accumulated depreciation	(694)	(950)	-	(1,644)
Net book value	648	1,323	-	1,971
As at 31 December 2006				
Opening net book value	648	1,323	-	1,971
Additions	914	771	-	1,685
Depreciation charge	(298)	(707)	-	(1,005)
Closing net book value	1,264	1,387	-	2,651
As at 31 December 2006				
Cost	1,937	3,040	-	4,977
Accumulated depreciation	(673)	(1,653)	-	(2,326)
Net book value	1,264	1,387	-	2,651
As at 31 December 2007				
Opening net book value	1,264	1,387	-	2,651
Additions	273	55	-	328
Disposals	-	(71)	-	(71)
Depreciation charge	(423)	(546)	-	(969)
Closing net book value	1,114	825	-	1,939
As at 31 December 2007				
Cost	2,211	2,885	-	5,096
Accumulated depreciation	(1,097)	(2,060)	-	(3,157)
Net book value	1,114	825	-	1,939

The fair value of equipment and other non-current assets is closed to their book value, which is according to historical cost.

15 Bank borrowings

	2007	2006
Short-term bank borrowings (Note 20.7)	1,330,354	477,802
	1,330,354	477,802

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15 Bank borrowings (continued)

Included within bank borrowings is related accrued interest payable of BGN 2,986 thousand (2006:1,695 thousand)

On 27 February 2006 the Company signed a contract with EFG Private Bank (Luxembourg) for working capital facility for the use of receivables purchase from Eurobank EFG Bulgaria AD solely. The facilities were secured by a bank guarantee, issued by Eurobank Ergassias S.A. and covering the whole amount and term of the loans. The interest rate of the facility is 1-month Euribor plus 0.475% p.a. This facility was prolonged with one and half year. The maturity date is 20 September 2008.

16 Derivative financial instruments

The Company utilizes currency swaps, interest rate swaps and currency forwards, which are negotiated between the Company and Eurobank EFG 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 (ie, 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.

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates. No exchange of principal takes place; therefore the credit risk is negligible.

Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.

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 favorable (assets) or unfavorable (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 favorable or unfavorable, 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 2007			
Foreign exchange derivatives			
OTC currency forwards	152,440	-	140
OTC currency swaps	601,474	321	1,104
Total OTC currency derivatives	753,914	0	1,244
Interest rate derivatives			
OTC interest rate swaps	95,188	786	61
Total OTC interest rate derivatives	95,188	786	61
Total recognised derivative assets / liabilities	849,102	1,107	1,305

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007

(In all notes all amounts are shown in BGN thousand unless otherwise stated)

	Contract / notional amount	Assets	Liabilities
Year ended 31 December 2006			
OTC currency swaps	256,214	-	52
17 Other liabilities		2007	2006
Payables to employees, social securities and taxes		459	629
Trade payables		453	716
Current VAT liability		182	-
Related parties payables (Note 20.6)		146	149
Unused paid leave accrual		140	118
Retirement benefits obligations		60	-
Other liabilities and accruals		292	296
		1,732	1,908

18 Equity

The number of the issued shares as at year-end is 70,000 (2006 : 70,000) with nominal value of BGN 10 per share (2006: BGN 10). All issued ordinary shares are fully paid giving one voting right each.

On the 19th of September 2007 the General meeting of shareholders resolved the final loss of the Company to be covered in full amount by a part of the profit of the Company for 2006 (the loss for 2003 year amounting to BGN 898 thousand and the loss for 2005 year amounting to BGN 1,785 thousand). At the same time the Company took decision a part of the after tax profit at the amount of BGN 70 thousand (equal to 10% of the share capital) to be allocated to the Reserves Fund of the Company.

19 Contingent liabilities and commitments

Non-cancellable operating lease commitments

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

	2007	2006
Up to 1 year	1,667	1,422
Between 1 and 5 years	6,684	5,712
Above 5 years	5,568	4,254
	13,919	11,388

20 Related party transactions

Since the foundation of the Company, its owners have provided financial support, so that the Company is able to continue its operations. The Company's ability to meet its obligations and to continue as a going concern is dependent on the funds provided by the owners. The Company's parent confirms that it is its current policy to ensure that Bulgarian Retail Services AD is in the position to meet its debts and capital expenditure commitments as they fall due. The Company's parent also confirms that they will provide support to Bulgarian Retail Services AD as to ensure that they will have adequate funds to meet their liabilities when they fall due.

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007

(In all notes all amounts are shown in BGN thousand unless otherwise stated)

Euroline Card SA (incorporated in Greece), owns 99.99% of the ordinary shares of the Company and its ultimate parent is EFG Bank European Financial Group incorporated in Switzerland. All the voting rights in EFG Bank European Financial Group are held by the Latsis family, the ultimate controlling party of the Group.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions outstanding at the year end, and relating expense and income for the year are as follows:

(1) Loan portfolio acquired

Eurobank EFG Bulgaria AD transferred loan receivables to the Company during 2007. The Company paid amount that equals the net book value of the referred loans, which approximated the fair value of the assets transferred. Both companies are part of the EFG Group. Eurobank EFG Bulgaria AD has separate contractual agreements to provide services regarding the referred loans. Eurobank EFG Bulgaria AD did not retain any risks or benefits on the referred loans.

	2007	2006
(2) Received services fee expense		
Eurobank EFG Bulgaria AD (expenses for loan portfolio processing)	283	133
	283	133
(3) Provided services fee income	2007	2006
Eurobank EFG Bulgaria AD:		
• processing	4,346	3,590
• mediation	2,239	1,731
	6,585	5,321
EFG Retail Services IFN SA (Romania)	5,941	4,772
EFG Eurobank Belgrade- Serbia	-	688
Eurocredit Retail Services Ltd (Cyprus)	234	211
	12,760	10,992
(4) Directors' remuneration	223	587
(5) Receivables from related parties:	2007	2006
Eurobank EFG Bulgaria AD	1,094	728
EFG Retail Services IFN SA (Romania)	1,321	472
Eurocredit Retail Services Ltd (Cyprus)	39	37
	2,454	1,237

BULGARIAN RETAIL SERVICES AD
NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2007

(In all notes all amounts are shown in BGN thousand unless otherwise stated)

20 Related party transactions (continued)

(6) Payables to related parties:	2007	2006
Eurobank EFG Bulgaria AD	58	71
Business Exchanges S.A	88	49
EFG Eurobank, Greece	0	29
	<u>146</u>	<u>149</u>

(7) Borrowings from related parties

	2007	2006
EFG Private Bank (Luxembourg)	1,330,354	477,802
	<u>1,330,354</u>	<u>477,802</u>

(8) Collateral for loans from EFG Private Bank (Luxembourg) from EFG Eurobank Ergassias S.A.

Guarantees received	1,556,997	477,802
Fee paid for Letter of guarantees	951	291

(9) Interest expenses to related parties

EFG Private Bank (Luxembourg)	33,199	9,881
Eurobank Ergasias	81	96
Eurobank EFG Bulgaria AD / SWAP deals	3,951	52

(10) Derivatives outstanding, contracted with Eurobank EFG Bulgaria AD

	Contract / notional amount	Assets	Liabilities
Year ended 31 December 2007			
Foreign exchange derivatives			
OTC currency forwards	152,440	-	140
OTC currency swaps	601,474	321	1,104
Total OTC currency derivatives	753,914	0	1,244
Interest rate derivatives			
OTC interest rate swaps	95,188	786	61
Total OTC interest rate derivatives	95,188	786	61
Total recognised derivative assets / liabilities	849,102	1,107	1,305

(11) Events after the balance sheet date

There are no significant post balance sheet events with effect on the financial statements as at 31 December 2007.