



Annual Report 2013

Annual Report 2013

REVIEW OF THE YEAR	4
Letter to Shareholders	10
Members of the Executive Board and Board of Directors	12
Financial Review	14
RISK MANAGEMENT	16
RETAIL BANKING	18
Household Lending Division	19
Deposits and Personal Banking Division	20
Network performance	20
PY Segment	20
Bancassurance	21
Small Business Banking	21
CORPORATE BANKING	22
Corporate Banking	23
TREASURY DIVISION	24
Treasury Division	25
Custody Services	25
OTHER SERVICES	26
Operational Efficiency & Customer Service	27
Care for the Environment	27
Responsible Financing – Environmental and Social Risk Management System	27
GROUP SUBSIDIARIES	28
ERB Property Services	29
APPENDICES	30
CORPORATE SOCIAL RESPONSIBILITY REPORT	32
CORPORATE GOVERNANCE	42
WORKING ENVIROMENT	48
CUSTOMERS	56
SUPPLIERS	62
LOCAL COMMUNITY	64
ENVIROMENTAL PROTECTION	72
GRI INDEX AND INDICATORS	78

REVIEW OF THE YEAR



INCOME STATEMENT

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

All amounts are expressed in 000 RSD unless stated otherwise

	Note	2013	2012
Interest income	6	12,102,040	12,269,722
Interest expenses	6	(4,603,394)	(5,178,550)
NET INTEREST INCOME		7,498,646	7,091,172
Fee and commission income	7	2,270,329	2,237,312
Fee and commission expense	7	(390,542)	(282,845)
NET FEE AND COMMISSION INCOME		1,879,787	1,954,467
Net gains from sale of securities at FVtPL	8	(99)	(5,279)
Net gains from sale of securities available for sale	8	4,613	2,592
Net foreign exchange gains/(losses)	9	8,736	(4,635,404)
Dividend income		–	–
Operating and other income	10	98,700	124,084
Net provisions and impairment losses on loans and advances	11	(2,940,156)	(2,107,644)
Salaries, benefits and other personnel expenses	12	(1,929,040)	(2,005,819)
Depreciation and amortization expenses	13	(417,819)	(402,263)
Operating and other expenses	14	(3,030,869)	(2,960,838)
Income arising from change in value of assets and liabilities	15	33,762,460	26,381,287
Expenses arising from change in values of assets and liabilities	15	(33,613,345)	(21,539,419)
PROFIT BEFORE TAX		1,321,614	1,896,936
Income tax	16	–	(94,411)
Profit/(loss) from creation/reduction in deferred tax assets	16	47,078	(128,502)
PROFIT AFTER TAX		1,368,692	1,674,023
EARNINGS PER SHARE			
Basic earnings per share (expressed in RSD per share)	17	5,384	6,585

BALANCE SHEET

BALANCE SHEET AS AT 31 DECEMBER 2013

All amounts are expressed in 000 RSD unless stated otherwise

	Note	2013	2012
ASSETS			
Cash and cash equivalents	18	12,886,916	18,611,242
Callable deposits and loans	19	24,801,885	16,525,669
Interest, fees and commission receivables, change in fair value of derivatives and other receivables	20	1,139,220	1,049,448
Loans, advances and deposits	21	89,496,540	104,477,053
Securities (excluding own shares)	22	19,391,672	19,031,938
Equity investments	23	20,479	20,479
Other lending	24	2,997,771	1,820,807
Intangible assets	25	1,738,598	1,688,581
Property, plant and equipment	26	3,992,357	3,961,671
Deferred tax assets	27	245,388	175,337
Other assets, prepayments and accrued income	28	1,330,596	1,565,279
TOTAL ASSETS		158,041,422	168,927,504
LIABILITIES			
Transaction deposits	29	12,123,665	10,244,225
Other deposits	30	89,918,205	82,647,147
Borrowings	31	6,908,263	27,758,088
Interest, fees and commissions payable and change in fair value of derivatives	32	38,579	54,715
Tax liabilities	33	38,210	20,021
Provisions	34	301,818	295,251
Liabilities from profit	35	700	700
Deferred tax liabilities	27	140,799	110,200
Other liabilities, accruals and deferred income	36	1,747,764	2,385,642
TOTAL LIABILITIES		111,218,003	123,515,989
SHAREHOLDERS' EQUITY			
Share capital and other capital	37	31,481,926	31,481,926
Reserves	37	9,558,335	9,558,335
Revaluation reserves	37	185,191	141,979
Accumulated gains	37	4,229,275	2,555,252
Current year profit	37	1,368,692	1,674,023
TOTAL SHAREHOLDERS' EQUITY		46,823,419	45,411,515
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		158,041,422	168,927,504
OFF-BALANCE SHEET ITEMS			
Funds managed on behalf of third parties	38	1,638,646	1,336,391
Guaranties, sureties, assets pledged as collateral and irrevocable commitments	38	24,126,588	31,487,699
Guaranties, sureties and collaterals received	38	29,978,768	32,457,763
Derivatives	38	84,186,882	96,349,933
Other off-balance sheet items	38	295,053,712	299,598,166
		434,984,596	461,229,952

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

All amounts are expressed in 000 RSD unless stated otherwise

	2013	2012
CASH INFLOW FROM OPERATING ACTIVITIES		
Inflow from interest	9,645,027	10,228,810
Inflow from fees and commissions	2,261,720	2,179,024
Inflow from other operating income	142,188	376,761
	12,048,935	12,784,595
CASH OUTFLOW FROM OPERATING ACTIVITIES		
Outflow from interests	(4,658,738)	(5,026,398)
Outflow from fees and commissions	(362,897)	(253,084)
Outflow from gross salaries, benefits and other personnel expenses	(1,908,658)	(1,919,893)
Outflow from taxes, contributions and other duties charged to income	(1,045,148)	(991,946)
Outflow from other operating expenses	(2,618,871)	(2,909,341)
	(10,594,312)	(11,100,662)
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,454,623	1,683,933
DECREASE IN LOANS AND INVESTMENTS, AND INCREASE IN DEPOSITS		
Decrease in loans and placements with banks and other financial organizations	3,717,962	15,872,193
Decrease in securities	1,791,575	3,348,502
Increase in deposits	8,977,989	250,796
	14,487,526	19,471,491
INCREASE IN LOANS AND INVESTMENTS, AND DECREASE IN DEPOSITS		
Decrease in deposits	–	–
	–	–
NET CASH INFLOW FOR OPERATING ACTIVITIES BEFORE PROFIT TAX		
Profit tax paid	(89,978)	(108,578)
Dividends paid	–	–
NET CASH INFLOW FOR OPERATING ACTIVITIES	15,852,171	21,046,846
CASH FLOW FROM INVESTING ACTIVITIES		
Inflow from selling of long-term investments	5,593,619	5,924,016
Inflow from selling of intangible assets and fixed assets	430	2,464
	5,594,049	5,926,480
CASH OUTFLOW FROM INVESTING ACTIVITIES		
Outflow for purchase of long-term investments	(5,187,652)	(2,146,446)
Outflow for purchase of intangible assets and fixed assets	(490,632)	(412,679)
	(5,678,284)	(2,559,125)
NET CASH FLOW FROM INVESTING ACTIVITIES	(84,235)	3,367,355
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in borrowings	–	–
	–	–

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

All amounts are expressed in 000 RSD unless stated otherwise

	2013	2012
CASH OUTFLOW FROM FINANCING ACTIVITIES		
Decrease in borrowings	(21,003,729)	(1,505,242)
Decrease in subordinated liabilities	–	–
Outflow from securities	(955,851)	(10,174,642)
	(21,959,580)	(11,679,884)
NET CASH INFLOW FROM FINANCING ACTIVITIES	(21,959,580)	(11,679,884)
CASH INFLOW	32,130,510	38,182,566
CASH OUTFLOW	(38,322,154)	(25,448,249)
NET CASH INFLOW/(OUTFLOW)	(6,191,644)	12,734,317
CASH AT THE BEGINNING OF THE YEAR	18,611,242	6,143,802
FOREIGN EXCHANGE GAINS	11,073,138	20,948,026
FOREIGN EXCHANGE LOSSES	(10,605,820)	(21,214,903)
CASH AT THE END OF THE REPORTING PERIOD	12,886,916	18,611,242

CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

All amounts are expressed in 000 RSD unless stated otherwise

	Share and other capital	Share premium	Revaluation reserves	Other reserves	Retained earnings/ Accumulated loss	Total shareholder's equity
AS AT 31 DECEMBER 2011	25,429,927	6,051,999	18,930	9,558,335	2,700,630	43,759,821
AFS portfolio revaluation	–	–	148,105	–	–	148,105
Distribution of profit	–	–	–	–	(145,378)	(145,378)
Deferred tax on revaluation reserves	–	–	(25,055)	–	–	(25,055)
Current period profit	–	–	–	–	1,674,023	1,674,023
AS AT 31 DECEMBER 2012	25,429,927	6,051,999	141,979	9,558,335	4,229,275	45,411,515
AFS portfolio revaluation	–	–	50,838	–	–	50,838
Deferred tax on revaluation reserves	–	–	(7,626)	–	–	(7,626)
Current period profit	–	–	–	–	1,368,692	1,368,692
AS AT 31 DECEMBER 2013	25,429,927	6,051,999	185,191	9,558,335	5,597,967	46,823,419

LETTER TO SHAREHOLDERS

Dear Shareholders,

2013 was undoubtedly another difficult year for the Serbian economy and the banking sector as a whole. Although 2013 there was a growth in economic output (GDP grew by 2.5%), this was to a large extent the result of a low base effect and the rise in net exports due to a set of specific events (such as the full operation of the FIAT factory in Kragujevac and the renovated NIS refinery in Pancevo) rather than the implementation of structural reforms leading to sustainable growth.

The macroeconomic environment in 2013 remained challenging. A fiscal consolidation programme introduced at the end of 2012 did not halt the rise of the budget deficit and the public debt (61.2% of GDP). The unemployment rate remained amongst the highest in Europe (over 20%) whilst net FDIs stagnated at only EUR 760m.

The banking sector recorded an overall loss (EUR 18m) for the first time in a decade. Half of the 30 commercial banks operating in the country registered losses, whilst the NBS revoked the license of 2 domestic banks. Total lending dropped by 5.3% y-o-y to EUR 16.3bn mainly due to the decrease of loans to non-households (-9% y-o-y). On the other hand, deposits increased by 2.6% y-o-y reaching EUR 13.7bn. At the end of 2013, the share of NPLs in total loans reached 22.3% (with the highest share of NPLs coming from legal entities and entrepreneurs). Despite these negative trends, the quality of the banking sector's balance sheet remained satisfactory (CAD at 20.9%, NPLs provided for by 117.9%) primarily due to the prudent risk and capital management by most banks and the efforts of the supervisor.

In this adverse environment, Eurobank achieved satisfactory profitability and maintained its healthy capital and liquidity positions. In particular:

- FY 2013 **profit reached RSD 1,4bn**. Profitability was affected in the 2nd half of the year by higher provision charges due to the deteriorating financial standing of several large companies.
- **Capital Adequacy Ratio** at the end of 2013 stood at 19.5%, well above the 12% regulatory minimum.
- The **client deposit base** grew by almost 7% to **EUR 846m** whilst the cost of deposits dropped significantly. As a result,

Interest Expenses declined by 9% y-o-y. We further strengthened our liquidity position by expanding our relationship with IFIs and reducing our reliance on HO funding.

- **Total lending** grew by 3% to **EUR 860m**, outperforming the market which dropped in real terms during the year. Lending activities focused on segments with optimum risk/return ratios such as consumer finance (more than 44,000 credit cards were issued, the best performance since 2008). Gross Interest Margin was amongst the highest in the sector reaching 8.6%.
- **Expenses** were maintained at the same level as in 2012 resulting in a cumulative reduction over the last five years of 30%.

Eurobank remained committed to supporting the Serbian economy and earlier this year has received from **IFC** the award for the **“Best Partnership in Emerging Markets”** in 2013 for our cooperation in Trade Finance i.e. supporting import-export activities of Serbian companies.

We also launched an exclusive 4-year partnership with **Manchester United FC** in the area of payment cards. We are very proud to associate Eurobank Serbia to Manchester United FC, one of the top brands in the world, with which we share many common values. This is the first major partnership of its kind launched by Manchester United FC in Europe.

We remained focused on improving our customer service through the development of alternative channels and the optimisation of processes. The successful rollout of our Mobile Banking service together with the digitalization of key business processes (account opening, loan application) have contributed significantly to further improvement of the customer experience. Our Bank also has a leading presence in the social media with more than 50,000 fans at the Facebook corporate page where all key campaigns are promoted additionally.

We remain one of the leading banks in terms of assets and capital with 1,500 employees meeting the everyday needs of almost half a million clients through a nationwide network of 100 branches and business centers. Together with the other Eurobank Group affiliated companies “ERB Leasing” and “ERB

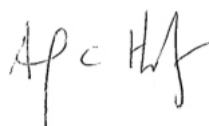
Property Services” we offer a wide range of services to our retail and corporate clients.

During 2013 our Bank continued the well-established CSR program “We Invest in European Values”, already worth around EUR 4m. We realised a number of projects and initiatives related to education, social inclusion, culture and the environment including the reconstruction of 5 more playgrounds in state-owned kindergartens across Serbia, the adjustment of the Gallery of the Serbian Academy of Sciences and Arts for persons with disabilities and reception for the top graduates from over 500 high schools across Serbia organised with the “Crown Prince Alexander II Foundation for Education”.

In recognition of the above, our Bank received in 2013 the prestigious “Virtus Award” for contribution to local communities. We were also the first bank in Serbia to receive an energy passport for our HO building in Belgrade as recognition of our investments in environmental protection and sustainable development.

Eurobank has been one of the key pillars of the Serbian banking sector for over 10 years now. Doing business here, Eurobank has proven to be a trustworthy partner supporting the domestic economy and citizens alike. Going forward, we will continue to actively contribute to the long-term growth and the improvement of the business environment in Serbia.

Belgrade, July 2014



ANTONIOS HASSIOTIS
President of the Board
of Directors



Filippos Karamanolis
President of the
Executive Board

MEMBERS OF THE EXECUTIVE BOARD



Filippos Karamanolis
President
of the Executive Board



Slavica Pavlović
Chief Financial Officer



Predrag Janković
Head of Risk
Management Division



Vuk Zečević
Head of
Treasury Division



Antonios Chatzistamatiou
Head of Corporate
Banking Division



Georgios Michalakopoulos
Head of Operations
and Organisation Division



Natasa Strugarević
Head of Human
Resources Division

BOARD OF DIRECTORS

PRESIDENT

Antonios Hassiotis

MEMBERS

**Stavros Ioannou
Nikolaos Aliprantis
Theodoros Karakasis**

INDEPENDENT MEMBERS

**Slobodan Slović
Angelos Tsihrintzis
Ivan Vujačić**

FINANCIAL REVIEW

Year 2013 was very difficult for the Serbian economy since the crisis was prolonged and there were no signs of the real recovery of the economy. Although the economy grew by 2.5% ,it was driven mostly by the net exports, and inflation was at the lowest level for the last few years (2.2%), budget deficit reached 6,5% of the GDP and unemployment remained very high at 20,1%. Banking sector in Serbia faced some serious financial distress of some banks, which affected the overall profitability of the sector in 2013. Two banks lost their licences in 2013 and overall banking sector made a loss for the first time after 2005.

In that quite unfavourable business environment, Eurobank demonstrated its strength by adjusting to extremely volatile market conditions while maintaining a vital role of one of the major systemic banks in the country with:

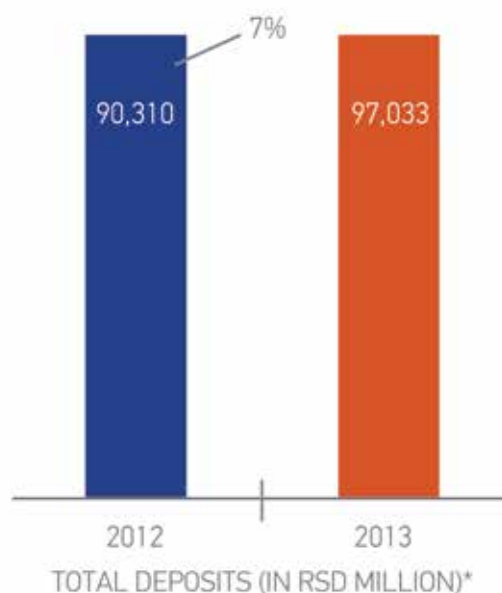
- robust liquidity and capital positions: Capital Adequacy Ratio at 19.5%; 6th bank in total deposits and 6th in total equity;
- sixth largest bank in terms of asset size with a market share of 5.6%
- good management of the operating expenses (cumulative decrease over the last years of 30%) and cost to income ratio of 55.8%
- year 2013 was a difficult one for the Serbian economy and this was especially reflected in the increased level of NPLs in the market. The Bank was also affected by general situation in the economy and recorded somewhat increased level of NPLs
- net profit of RSD 1.4 billion
- successfully continuing our CSR projects

ROBUST LIQUIDITY AND CAPITAL POSITIONS

The Bank maintained very good liquidity position in 2013. Total deposits grew by 7% reaching RSD 97 billion. Increase in deposits was accompanied by a significant reduction in interest rates. Average interest rates for EUR deposits was reduced by 1.47%.

The Bank continued extensive cooperation with the major international financial institutions.

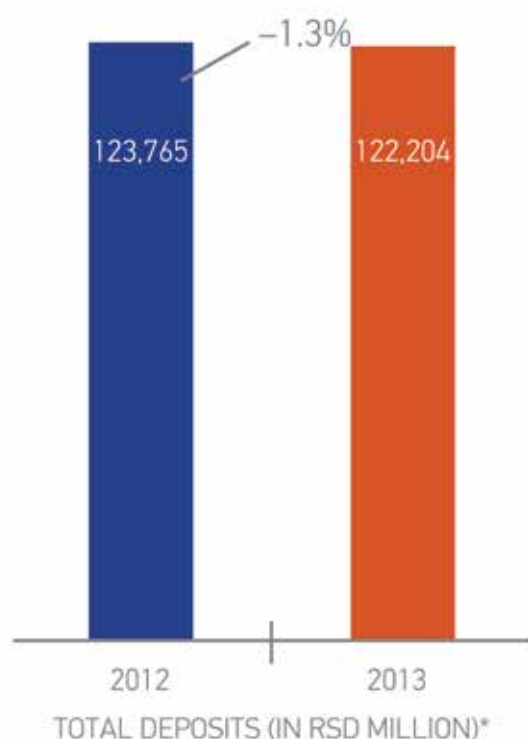
Eurobank a.d. Beograd remains one of the best capitalized banks in the Serbian market. Total shareholders' equity at the end of 2013 amounted to RSD 46.8 billion.



* Excluding deposits from local and foreign banks and short term borrowings from the parent company

NO DELEVERIGING IN LENDING

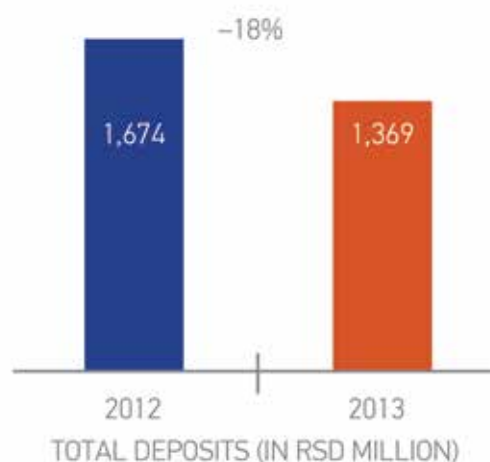
Total assets of Eurobank Serbia amounted to RSD 158 billion. In 2013, despite pointedly difficult economic situation, the Bank managed to maintain stable loan book of RSD 122 billion. The Bank selectively grew in profitable segments and deleveraged from some non – profitable relationships.



* Excluding placements to local and foreign banks and short-term placements to parent company, and including cross-border loans

REMAINED PROFITABLE

Despite the adverse circumstances that advanced well into 2013, the Bank managed to remain profitable throughout the year. Net profit reached RSD 1.4 billion (EUR 12 million).



CONTINUOUS COST CONTAINMENT INITIATIVES

The Bank continued achieving excellent results in cost containment as a part of its comprehensive cost management initiatives. The Bank has achieved cumulative decrease of over 30% in the last years.

RISK MANAGEMENT



Effective risk management is one of the main priorities of Eurobank Serbia and, at the same time, a source of competitive advantage. The Bank has made significant efforts to improve its risk management policies, procedures, methodologies and infrastructure in order to ensure the effectiveness and compliance with the regulations of the National Bank of Serbia and the practices of international credit, market and operational risk.

Eurobank Serbia implements a well-defined credit risk approval process, sets limits and controls. Credit risks are monitored on a continuous basis and are subject to quarterly reviews and approvals by the Board of Director's Risk Committee. After the credit approval, the quality of the Wholesale Banking and Retail Banking exposures is monitored and assessed by the Credit Control Department, thus safeguarding the Bank's asset quality.

Following the best practices in the area, the Bank has significantly strengthened the management team in charge of non-performing loans in the last couple of years. NPL Department operates within Risk Management Division and is in charge of managing problematic exposures where-

by strongly contributing to efficient NPL resolution and preservation of the portfolio quality.

In order to protect the Bank against unforeseen market-related losses and contribute to earnings stability through the independent identification, assessment and understanding of the market risks inherent in the business, Eurobank has developed and implemented effective risk management policies for market risk.

The Bank's liquidity policy and procedures are designed to ensure that sufficient liquid assets are maintained to meet liabilities as they arise and mitigate liquidity risks.

Eurobank Serbia recognizes that operational risk management has a crucial effect on its performance. The strategic objectives of the Bank's operational risk management is safeguarding the security of the Bank and its resources at an acceptable level by an ongoing process of anti-fraud shielding, decreasing operational losses and safeguarding the Bank's capital as well as by increasing the responsiveness and the adequacy of the Bank's actions in that respect.

RETAIL BANKING



HOUSEHOLD LENDING DIVISION

Continuing the trend, 2013 was a dynamic and challenging year for Household lending business. Despite weak market conditions, Eurobank managed to further strengthen its business and achieve strong growth in both Consumer loans and Credit cards. The positive results are achieved by the prompt responses to the market trends and continuous innovation of products and processes.

In the area of Consumer loans, in spite of the macroeconomic conditions which resulted in decrease in demand for consumer goods, Eurobank continued with successful business results.

Regarding loan demand, the trend remained the same as in previous few years. The demand for refinancing loans was still very dominant, especially for longer repayment periods. In terms of currency, loans in local currency largely prevailed in 2013 with a 99 per cent share in total annual lending activities. Throughout 2013, Eurobank deployed a variety of commercial activities and managed to disburse 39 per cent more consumer loans in terms of volume compared to 2012. Eurobank finished yet another successful year in consumer loans with increased outstanding balances in loan portfolio by 11 per cent compared to the year before.

In 2013 Highlight of the year were the two successful media campaigns for refinancing loans under the title "Frugal loan" that placed Eurobank at the very top amongst major competitors in HHLD market. In addition to the positive response from clients, the campaign was also acknowledged by Association for market communications of Serbia (UEPS) and rewarded with the Silver award for integrated promotional campaign.

With regard to Credit cards, the growing trend was maintained in 2013 as well. During the year, Eurobank increased its credit card portfolio outstanding balances by 8 per cent. Moreover, the usage was increased as credit cards performed 19 per cent more transactions than in 2012 (in terms of volume).

In the card business, Eurobank has always strived for innovations and new technologies in order to maintain its position amongst the modern card providers in Serbia. Following global trends, we have introduced the first Debit MasterCard PayPass card in Serbia through which our clients are now able to make contactless payments in a fast and convenient manner.

All Eurobank credit cards have special functionality for purchas-

es in monthly installments without interest. This service is widely used and known in the market by the "Secko" mascot.

Throughout the year, Eurobank employed a targeted and segmented strategy, which resulted in improved communication, better understanding of clients' needs and customized product offerings. Aiming to continuous improvement of customer service, the Bank launched an electronic Newsletter which is sent on the quarterly basis to all credit card holders that have an e-mail address. Additionally, a new dynamic credit card monthly statement was launched, that allows the Bank to insert customized commercial ads and personal messages to the clients.

In 2013 Eurobank has continued the strategy of continuous investment in the community in which it operates successfully. For the fourth consecutive year, the Bank continued its successful collaboration with the Foundation Ana and Vlade Divac. Common affinity Mastercard Big heart have more than 22,000 users, thanks to which 20 playgrounds in kindergartens across Serbia have been reconstructed (in 2013 – 4 playgrounds). For the "Big Heart" project the bank received the prestigious VIR-TUS award for its contribution to the local community in 2013.

In the Mortgage business, market conditions did not change compared to previous years. Due to economic crisis, demand for housing loans remained low, although real estate prices had gradually decreased over the last few years. As a result, the Bank focused on the existing client portfolio aiming to maintain good asset quality.

In May 2013, the National Bank of Serbia introduced recommendations to help existing borrowers to overcome their financial difficulties. Eurobank promptly adapted and implemented the recommended measures and invited clients to apply for new terms. Optimization and improvement of internal processes has always been one of the Bank's priorities. In 2013, Eurobank introduced a new and innovative technological solution for digital scanning and handling of documents. Digitalization shortened loan approval process, increased approval efficiency and further improved the service quality for the client.

To address the needs of all types of customers, Eurobank will continue to improve service quality, develop new and amend

the existing products always aiming for the best product offering. We will also continue to deepen the relationships with clients and ensure a more personalized approach. Finally, Eurobank always looks ahead to the future and honoring this philosophy, technologically advanced services will remain our commitment and responsibility towards clients.

DEPOSITS AND PERSONAL BANKING DIVISION

Deposits and Personal Banking Division, with its successful business strategy and innovative deposit products, justified the known epithet of Eurobank – The Bank known as savings bank!

In 2013, the Bank increased private individuals' deposits by EUR 41m, and SBB and Retail Legal Entity deposits by EUR 7m, with significantly reduced interest rate costs and increased market share. The average interest rate for euro-denominated deposits decreased by 1.47%. The most important results were achieved by two deposit actions; frozen bonds transfer orders and the Savings week. 9.838 clients demonstrated loyalty to the Bank, by giving frozen bonds transfer order to Free savings account, and the Bank recorded positive change in the amount of EUR 18m in the second quarter. Clearly-defined strategy, efficient coordination between the Deposits and Personal Banking Division and Branches, innovative deposit product "Double interest" contributed to notable results during the Savings week. Due to lower interest rate for total deposits available in the market, private individ-

ual's deposits and market share recorded growth. Thanks to its attractive offer and business strategy, Personal Banking concept made significant contribution to the achieved results. The number of clients from this segment increased by 13%, and deposit volumes by 12% compared to 2012.

NETWORK PERFORMANCE

In accordance with strategic orientation of the bank focused on continuous improvement of products and services as well as of customer satisfaction level, new service has been introduced — **mobile banking**. This service enables quick and simple access to customers' accounts, credit cards and loans.

Apart from having access to product balances, it is possible to transfer funds within clients' own accounts, to pay installments for credit cards and to buy/sell foreign currencies at favorable exchange rates. Additionally, existing service of standing order is improved with development of external standing order which enables customers to transfer funds on any account in the country and in any period.

PY SEGMENT

Regarding the business segment that covers banking with current accounts of private individuals (PY) in 2013 we increased profitability per average payrolls customer by 28% and activated 12% more accounts compared to 2012.

There was also growth of cross-sales index with a corresponding increase in the customer base. There was a decline of 1% in the market, while Eurobank's customer base grew by 3%. It opened 21,000 new current accounts, while 15,000 customers become active users of EurobankPayroll packages linked with the current account. Special attention was paid to the activation of new current accounts through various Tele-marketing actions, calling customers by branch staff.

Therefore, there was an increase in the percentage of the accounts activation of 5% compared to the 2012. We undertook the activities in 2012 and continued in 2013 not only to acquire new customers, but also to maintain the existing satisfied customers (MediFree program with additional monthly free checkups for clients of the bank). 2013 ended with 15,000 active MediFree users.

BANCASSURANCE

Bancassurance cooperation with Wiener Städtische in 2013 was quite successful.

We expanded the offer from 2012 by introducing products such as term life insurance, travel insurance, individual insurance of houses/flats and life endowment insurance and in 2013 we extended the offer by introducing new type of life endowment insurance with a guaranteed income. We had two sales campaigns for savings life insurance, the one of life endowment product with guaranteed income was extremely successful.

There are plans to introduce two new life insurance products one of which one will be dedicated to older population, in order to cover that segment of customer. Furthermore, we plan to introduce new insurance products with loans and credit cards, and we expect even better results in 2014 compared to the previous year.

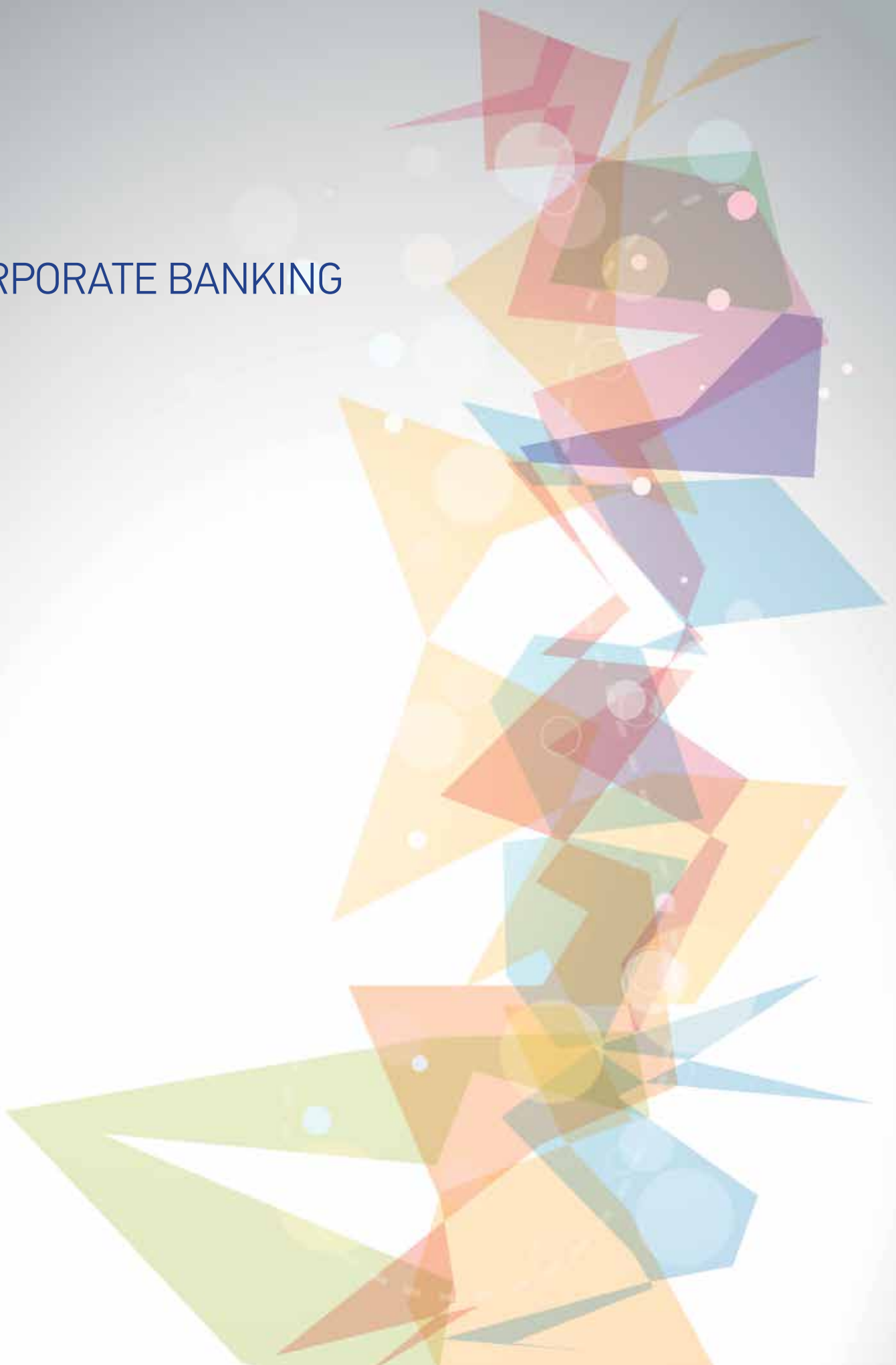
SMALL BUSINESS BANKING

Small Banking Business (SBB) market in Serbia after the period of crises continued to recuperate in 2013. In addition, since the beginning of 2013, a positive trend in terms of the total number of new business entities has been recorded. The quality of doing business is increasingly becoming a top priority for customers, so therefore SBB Division continued to follow the trend by giving full support to quality customers through a variety of financial services.

In 2013, SBB Division provided credit services at very attractive interest rates in local and foreign currencies. Eurobank SBB disbursed a significant number of loans in local currency, with a fixed interest rate and achieved an increase in deposit portfolio by 30%. Thanks to these and other activities we have maintained high level at SBB market being one of the top three banks in Serbia.

With reputation as one of the leading banks in the market, SBB Division continues to apply the role of forefront player, with obligation to support all financial needs for firms and professionals with turnover up to 1 mil Euros.

CORPORATE BANKING



CORPORATE BANKING

2013 was marked by a notable GDP growth of the Serbian economy. However, the benefits of this growth did not disseminate throughout the economy and was rather limited around the car industry and the agricultural sector. It is worth noting that, after many years of growth, lending to legal entities and deposits of legal entities decreased in 2013 vs. 2012 by 9.2% and 1.5% respectively. Furthermore, 2013 was marked by the financial distress of some very well-known TOP 100 Serbian entities that, in turn, caused a wave of distress to the trade partners of these entities.

In such environment, our Bank's Corporate Banking department succeeded to outpace the market taking into account that decrease of lending volumes was 3.6% while deposit base increased by 4.7%. Most of the lending growth was funded by new funds from IFC whose purpose is to support the international trade activity of Serbian firms.

Another area that we were committed to improving and did improve in 2013 vs. 2012 was that of the non-risk related incomes, i.e. Fees & Commissions and deposit income. Cumulatively, non-risk related incomes grew by 23% during the period.

With regards to the new round of NPLs that appeared in the market during 2013, our exposure was very limited. However, we did have a significant impact from provisions mainly originating from sale/revaluation of mortgaged assets that secure the NPLs of 2012.

The next year (2014) is expected to be quite challenging as we will have to balance between the development of new healthy relationships, especially with SMEs which are prudently managed, and, at the same time, to review the balance sheet quality of our existing clients who might be affected by the downturn of some of their partners.

TREASURY DIVISION



TREASURY DIVISION

The year 2013 for Treasury was a year full of great challenges, but the accomplishments as well. The main priority for the Treasury Division in 2013 was to ensure liquidity, sustain profitability and develop further client-oriented operations, continuations and further development of cooperation with IFIs.

Eurobank continued in 2013 with a very clear and strong development strategy, first of all, based on strengthening the liquidity position. Liquidity coordination and capital management was instrumental in dealing with all the challenges that the Bank faces.

Involvement of our Trading department in FX, Money Market and bonds trading was strong and visible. Seeking to avoid risk, the Trading department also managed to achieve the most important goal this year—to ensure liquidity with excellent cost management.

Continuously developing client-oriented operations including offering different kind of products and services to international and domestic clients, small, medium and large-sized enterprises and institutional and private customers was the main goal in 2013 in order to give our clients the opportunity to protect themselves from the different risks on financial markets. Using our group presence in the region, we managed to meet our clients' needs outside the Serbia as well, where cross-selling became a very important part of the Treasury's sales activity.

CUSTODY SERVICES

Eurobank offers a full spectrum of custodial and depository services for domestic and international institutional investors and corporate and retail clients, such as safekeeping, settlement and asset servicing. Eurobank has been a provider of securities services in the Serbian market since 2007. We offer full compatibility with SWIFT communication standards, straight through processing for clients instructions and full spectrum processing of domestic corporate events including notification within 24 hours. We provide end-to-end processing capability spanning the clearing, settlement, custody and asset servicing value chain.

Our advantages and wide range of services that we offer to customers are:

- Group system experience
- Homogeneous system and support throughout the region
- Full SWIFT capability
- Settlement with High straight through-processing rates (STP)
- Corporate actions processing and including notification within 24 hours
- Portfolio reporting: timely, accurate and tailor-made reports in client-defined intervals

OTHER SERVICES



OPERATIONAL EFFICIENCY & CUSTOMER SERVICE

Continued refining efficiency in the execution of international payments did not go unnoticed either by the bank's clients or by its correspondents. In materialization of these efforts, Eurobank was honored the STP prize by Commerzbank Frankfurt / Main for the excellent quality and performance of bank's payment transactions. The recognition came as an indisputable proof of the adoption and maintenance of high standards in carrying out international payments and of the dedication of the entire Bank's team to the satisfaction of the participating banks and their clients.

As a part of a wider Group project, the Bank has changed its name (abolition of the "EFG" prefix from the name) that included many re-branding activities in the Branches and the Head office, the replacement of advertising material, documents and the Bank's BIC code.

During the year, the Direct Debit product was successfully launched for the legal entities (awaiting certification by NBS). With the DD implementation, key processes, and not only will the payment operations be accelerated, but payments will be more reliable and easier for both the Bank and its customers.

CARE FOR THE ENVIRONMENT

The protection of the environment is one of the key pillars of corporate social responsibility in Eurobank. Striving at continuous improvements and implementation of its environmental programs and initiatives, Eurobank integrated Environmental Management System. In line with the effort to develop its Environmental Management System, overall impacts on the environment were analysed. The results served as the basis for the formulation of the following key environmental initiatives:

■ SOLID WASTE MANAGEMENT

Eurobank implemented solid waste management proce-

dures and programs following base principles of responsible waste management – reduce, reuse and recycle. In 2013, Eurobank expanded paper recycling program in all branches in Belgrade area, while recycling of empty toner cartridges is implemented in all branches in Serbia. In addition, all electric and electronic waste was recycled.

■ ENERGY AND CLIMATE CHANGE

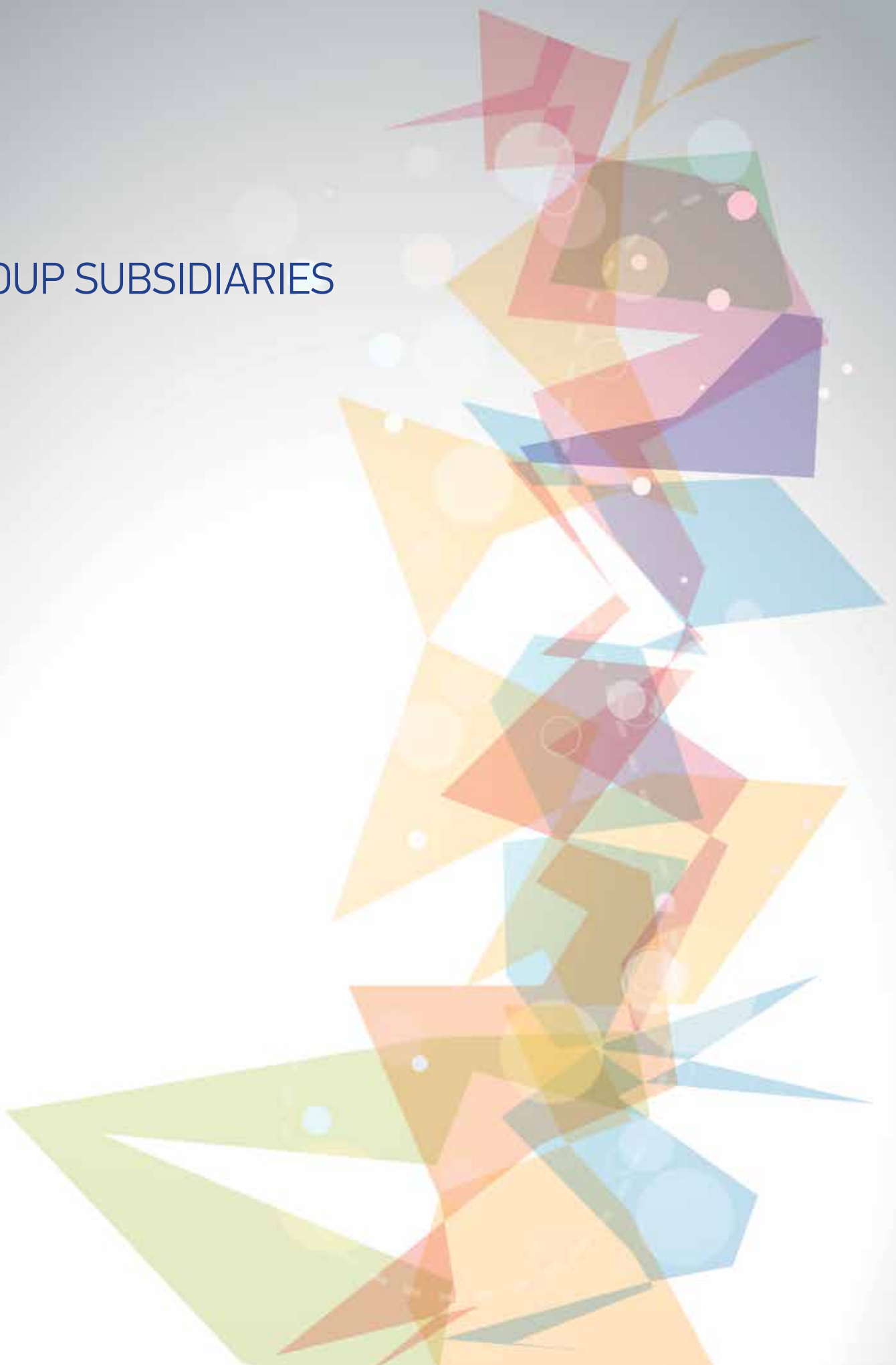
Despite the fact that the Bank's contribution to the greenhouse gas emissions mainly concerns indirect gas emissions, through electricity consumption. Due to the significance of reducing greenhouse gas emissions, the Bank monitors energy consumption of all types and corresponding emissions.

The Bank recognized the importance of energy efficiency as one of the main ways toward reducing the greenhouse gas emissions. While renovating head office building in 2009, the Bank used most qualitative facade materials, facade windows and other construction materials. Confirmation of the Bank's efforts to improve energy performances of Head office building came by the end of 2013, when the "Eurobank Centar" was certified in "C" energy grade.

RESPONSIBLE FINANCING – ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM

Responsible financing is an important part of Eurobank business development strategy. To this end, the Bank has implemented an Environmental and Social Risk Management System in credit approval process, in accordance with international standards and best practices. The ESRM was one of core elements for good cooperation in trade finance with European Bank for Reconstruction and Development. Thanks to the fruitful cooperation in the area of responsible financing, EBRD has approved a new revolving credit facility to Eurobank within the Trade Facilitation Program.

GROUP SUBSIDIARIES



ERB PROPERTY SERVICES

Despite global economic crisis ERB Property Services continued with development and expansion of its services. As exclusive appraiser of Eurobank Group, ERB Property Services performed over 1,500 evaluations for both the Bank and third party clients. All evaluations are done according to IVSC standards. The biggest projects included evaluations of BIG C, Delta, Usce, Srbostampa etc.

ERB Property Services is an exclusive sale and leasing agent as well as a consultant for the entire IMO PI portfolio. Additionally, successful cooperation continued with third party clients, including M Centers where ERB Property Services will be an exclusive leasing agent for five retail parks across Serbia.

APPENDICES



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

CONTENTS:

	Independent Auditor's Report	2
1.	General information	4
2.	Summary of significant accounting policies	4
3.	Critical accounting estimates and judgments	19
4.	Financial assets per categories and classes	20
5.	Risk management policies	20
6.	Interest income and expense	41
7.	Fee and commission income and expense	42
8.	Net gains/(losses) from sale of securities	42
9.	Net foreign exchange gains/ (losses)	43
10.	Operating and other income	43
11.	Net provisions and impairment losses on loans and advances	44
12.	Salaries, benefits and other personnel expenses	45
13.	Depreciation and amortization expenses	45
14.	Operating and other expenses	45
15.	Income and expenses arising from revaluation of assets and liabilities	47
16.	Income tax	48
17.	Earnings per share	49
18.	Cash and cash equivalents	49
19.	Callable deposits and loans	50
20.	Interest, fees and commission receivables, change in fair value of derivatives and other receivables	51
21.	Loans, advances and deposits	53
22.	Securities (excluding own shares)	55
23.	Equity investments	55
24.	Other lending	56
25.	Intangible assets	57
26.	Property and equipment	58
27.	Deferred tax assets and liabilities	60
28.	Other assets, prepayments and accrued income	61
29.	Transaction deposits	62
30.	Other deposits	63
31.	Borrowings and other financial liabilities	65
32.	Interest, fees and commissions payable and change in fair value of derivatives	66
33.	Tax liabilities	66
34.	Provisions	67
35.	Liabilities from profit	68
36.	Other liabilities, accruals and deferred income	69
37.	Shareholder's equity	70
38.	Off-balance sheet	72
39.	Contingent liabilities and commitments	73
40.	Compliance with regulatory requirements	74
41.	Related parties transactions	74
42.	Foreign Exchange rates	80
43.	Reconciliation of loans, deposits and other liabilities with clients	80
44.	Board of directors	81
45.	Events after the reporting period	81

MOORE STEPHENS

REVIZIJA I RAČUNOVODSTVO

BEOGRAD - NOVI SAD - NIŠ - ZRENJANIN

Privredno društvo za reviziju računovodstvo i konsalting
"MOORE STEPHENS Revizija i Računovodstvo" d.o.o.
Studentski Trg 4/V, 11000 Beograd, Srbija
Tel: +381 (0) 11 3283 440, 3281 194; Fax: 2181 072
E-mail: office@revizija.co.rs, www.revizija.co.rs
Matični broj/ID: 06974848; PIB/VAT: 100300288

*This is an English translation of the Independent Auditors' Report
on the Financial Statements originally issued in the Serbian language*

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Eurobank a.d. Beograd

Report on the Financial Statements

We have audited the accompanying financial statements of "Eurobank" a.d., Beograd, which comprise the balance sheet as at 31 December 2013, 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 information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the current accounting regulations in effect in the Republic of Serbia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements, in all material respects, give a true and fair view of the financial position of Eurobank a.d. as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with the current accounting regulations in effect in the Republic of Serbia, accounting policies disclosed in the notes to the financial statements and regulations of National bank of Serbia.

Nezavisni član Moore Stephens International Limited • An independent member firm of Moore Stephens International Limited

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT- *Continued*

Other Matter

The financial statements of Eurobank a.d. Beograd for the year ended 31 December 2012 were audited by another auditor, whose Report dated March, 18 2013, expressed an unqualified audit opinion on those financial statements.

Belgrade, March, 7 2014

"MOORE STEPHENS"
Revizija i Računovodstvo" d.o.o. Beograd
Bogoljub Aleksić
Managing Partner

MOORE STEPHENS
REVIZIJA I RAČUNOVODSTVO

Studentski Trg 4/V, 11000 Beograd, Srbija; Matični broj/ID: 06974848; PIB/VAT: 100300288

1. GENERAL INFORMATION

Eurobank A.D. Beograd was established by the merger of Eurobank EFG a. d. Beograd and Nacionalna Štedionica Banka a.d. that was completed on 20 October 2006.

The Bank is registered in Serbia for carrying out payment, credit and deposit operations in the country and abroad. The bank operates in accordance with Law on Banks based on the principles of liquidity, safety and profitability.

The registered office of the Bank is Vuka Karadžića 10, Belgrade.

As at 31 December 2013 the Bank had 1,548 employees (31 December 2012: 1,512 employees). The Bank's network comprises of 105 branches and business centres (31 December 2012: 107).

The Bank's Registration number is 17171178. The Bank's Tax identification number is 100002532.

These financial statements have been approved for issue by the Board of Directors on 27 February 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied 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.

2.1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Accounting and Auditing Law which requires full compliance with IFRS, as well as in accordance with the regulations of the National bank of Serbia. These regulations are as follows: Rules on the Forms and Content of Items in Financial Statement Forms to be Completed by Banks (Official gazette of RS no. 74/2008, 3/2009, 12/2009 and 5/2010), Rules on the Chart of Accounts and Content of Accounts within the Chart for Banks (Official gazette of RS no. 98/2007, 57/2008 and 3/2009), Accounting and Auditing Law (Official gazette of RS no. 111/2009)

Decision of the Ministry of Finance Republic of Serbia no. 401-00-380/2010 on 25 October 2010 (Official gazette of RS no. 77/2010 and 95/2010) sets the official translation of basic International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) as well as interpretations of the standards issued by International Financial Reporting Interpretations Committee (IFRIC) on 1 January 2009, which are in use on the date of preparation of accompanying financial statements.

The applied accounting policies differ from the IFRS requirements in the following materially significant areas:

- At the time the accompanying financial statements were approved for issue, there were amendments and supplements of the existing standards, as well as revised standards and new interpretations issued by IASB and IFRIC, being in force the current reporting period (i.e. first time adopted for the financial year starting 1 January 2013), which were not officially translated by the Ministry of Finance of the Republic of Serbia. The mentioned amendments, supplements, and new interpretations, which are not officially translated in the Republic of Serbia, are disclosed in Note 2.1. a) and b).
- The Bank has not made certain disclosures in accordance with IAS 1 Such as – Presentation of financial statements – since the presentation of the financial statements is defined by the National Bank of Serbia.
- “Off-balance sheet assets and liabilities” are disclosed in the balance sheet form (Note 38). In accordance with IFRS, off-balance sheet items do not represent either assets or liabilities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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

a) Amended and new standards and interpretations effective in 2013 for EU

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

- IAS 1, Amendment – Presentation of Items of Other Comprehensive Income
- IAS 12, Amendment – Deferred tax: Recovery of Underlying Assets
- IAS 19, Amendment – Employee Benefits
- IFRS 7, Amendment – Disclosures, Offsetting Financial Assets and Financial Liabilities
- IFRS 13, Fair value measurement
- Annual Improvements to IFRSs 2009–2011 Cycle

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

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

- IAS 19, Amendment – Defined Benefit Plans: Employee Contributions (effective 1 January 2015, not yet endorsed by EU)
- IAS 27, Amendment – Separate Financial Statements (effective 1 January 2014)
- IAS 28, Amendment – Investments in Associates and Joint Ventures (effective 1 January 2014)
- IAS 32, Amendment – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)

- IAS 36, Amendment – Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)
- IAS 39, Amendment – Novation of derivatives and continuation of hedge accounting (effective 1 January 2014)
- IFRS 9, Financial Instruments (effective date to be determined by IASB)
- IFRS 10, Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11, Joint Arrangements (effective 1 January 2014)
- IFRS 12, Disclosure of Interests in Other Entities (effective 1 January 2014)
- IFRS 10, 11 and 12 Amendments – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective 1 January 2014)
- IFRS 10, 12 and IAS 27 Amendments – Investment Entities (effective 1 January 2014)
- Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2015, not yet endorsed by EU)
- Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 January 2015, not yet endorsed by EU)
- IFRIC 21, Levies (effective 1 January 2014, not yet endorsed by EU)

These financial statements do not comply with all requirements of IFRS. Therefore, these financial statements are not prepared to present financial position of the Bank, result and cash flows in accordance with the accounting principles accepted outside of the Republic of Serbia.

c) Impact of the economic crisis in Greece

Greece entered into a new funding and restructuring programme with the European Commission, the ECB and the Eurozone member-states as agreed in the Eurogroup meeting of 21 February 2012. The programme aimed at bringing the country's public debt-to-GDP ratio below 120,0% by 2020.

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

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

d) Position of the Group

Greek sovereign debt exchange programme

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

Following the Eurogroup's decisions on 27 November 2012 and as part of debt reduction measures, the Greek State announced on 3 December 2012 an invitation to eligible holders of nGGBs to submit offers to exchange such securities for six months zero coupon notes to be issued by the European Financial Stability Fund (EFSF). Under its participation to the Greek state's debt buyback program, the Eurobank Ergasias Group submitted for exchange 100% of its nGGBs portfolio of total face value €2,3 billion.

Recapitalisation Framework and Process

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

Recapitalisation of Eurobank Ergasias S.A.

The Bank of Greece, after assessing the business plan and the capital needs of Eurobank Ergasias S.A. concluded on 19 April 2012 that Eurobank Ergasias S.A. is a viable bank and, on 8 November 2012, notified Eurobank Ergasias S.A. that its Tier I capital should increase by €5.839 million. Eurobank Ergasias S.A., the HFSF and the European Financial Stability Facility (EFSF) signed on 28 May 2012, on 21 December 2012 and on 30 April 2013 a trilateral presubscription agreement (PSA) for the advance to Eurobank Ergasias S.A. of EFSF notes of face value of €3.970 million, €1.341 million and €528 million, respectively, (total €5.839 million), as advance payment of its participation in the share capital increase of Eurobank Ergasias S.A.

On 7 April 2013, the relevant regulatory authorities, with the consent of the management of both banks, decided that National Bank of Greece S.A. (NBG) and Eurobank Ergasias S.A. will be independently recapitalised in full. As a consequence, the merger process of the two Banks was suspended. Following the above decision, the Board of Directors of Eurobank Ergasias S.A. evaluated the specificities of the exercise in relation with the attraction of capital from private investors and, in particular, the uncertainty regarding the completion or not of the merger with NBG, and the ensuing inability of properly assessing the investment proposal, as well as the absence of tens of thousands of Eurobank Ergasias S.A.'s traditional shareholders who were substituted, due to the recent Voluntary Tender Offer, by NBG's stake of approximately 85% in Eurobank Ergasias S.A.'s capital. As a consequence, the Board of Directors of Eurobank Ergasias S.A. proposed to the Extraordinary General Meeting on 30 April 2013 that the share capital increase of €5.839 million should be fully subscribed by the HFSF.

On 30 April 2013, the Extraordinary General Meeting approved the increase of the share capital of the Bank, in accordance with the provisions of Law 3864/2010 and Act of Cabinet 38/9.11.2012, in order to raise € 5,839 million by issuing 3,789,317,358 new ordinary shares, covered entirely by the HFSF with the contribution of bonds issued by the

EFSF and owned by the HFSF. The capital increase was certified on 31 May 2013 and the listing of the new shares was completed on 19 June 2013 after obtaining the relevant approvals from Greek regulatory authorities.

On 28 March 2013, the BoG issued an Executive Committee Act (13/28.03.2013) bringing the limit for the Core Tier I capital to 9% of Risk Weighted Assets and for Equity Core Tier I to 6%, effective from 31 March 2013. According to the new definition of Core Tier I capital, AFS reserve is fully recognised, while deferred tax asset's recognition is limited to 20% of Core Tier I capital. As per latest published financial statements, as at 30 September 2013, the Core Tier I ratio stood at 6.8% and proforma at 8.1% with the completion of transaction with Fairfax Financial Holdings Limited (increase of Fairfax's participation in Eurobank Properties S.A. through share capital increase) and the implementation of Basel II IRB credit risk methodology (subject to the approval of the Bank of Greece) to New TT Hellenic Postbank S.A. (NHPB) and New Proton Bank S.A. (New Proton) at 8.1%.

On 23 December 2013, the BoG issued an Executive Committee Act (36/23.12.2013) abolishing the aforementioned limitation related to the deferred tax asset's recognition, effective from 31 December 2013, which is expected to have a significant positive effect on Core Tier I ratio.

e) Position of the Bank

As at 31 December 2013, the Bank does not rely on funding from the Parent bank but predominantly on locally collected deposits, its own capital base and, to a lesser extent, funding from international financial institutions as disclosed in the Notes 29, 30, 31 and 37. The bank's capital adequacy ratio (as prescribed by NBS) is significantly higher than the regulatory minimum of 12% (Note 40).

Article 33 of the Law on Banks (RS Official Gazette No 107/05 and 91/10) prescribes that a bank's exposure to a single related party must not exceed 5% of the bank's regulatory capital. Sum of exposures to all related parties cannot exceed 20% of the bank's capital. As at 31 December 2013, 31 December 2012 and the date of approval of these financial statements, the Bank's exposures to the related parties of the bank did not exceed the amount prescribed by the Law.

2.2. BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at the fair value,
- Financial instruments at fair value through profit or loss are measured at fair value,
- Financial instruments available for sale are measured at fair value and
- Liabilities from trading activities are measured at fair value.

2.3. COMPARATIVES

Comparative figures i.e. opening balances represent the Company's figures as at 31 December 2012.

2.4. FOREIGN CURRENCY TRANSLATION

a) Transactions and balances

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

Assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the balance sheet date and exchange differences are accounted for in the income statement.

b) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The financial statements are presented in RSD (Serbian dinar), which is the Bank's functional and presentation currency.

2.5. DERIVATIVES

The Bank uses derivative financial instruments such as foreign currency derivative contracts to hedge its risks associated with interest rate and foreign currency fluctuations.

Derivative financial instruments, including foreign exchange contracts, forward currency agreements, currency swaps, and other derivative financial instruments, are initially recognized in the balance sheet at fair value on the date on which a derivative contract is entered into, and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Embedded derivatives

The Bank negotiates a foreign currency clause with the beneficiaries of the loans. Foreign-currency clause is an embedded derivative that is not accounted for separately from the host contract since the economic characteristics and risks of the embedded derivative are closely related to the host contract. Gains/losses arising on this basis are recorded in the income statement as foreign exchange gains/losses.

Offsetting financial instruments

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

2.6. INCOME STATEMENT

a) Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognized within 'interest income' and 'interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

b) Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Fees and commissions mostly comprise of fees for payment operations services, issued guarantees and other services.

Loan origination fees are deferred and amortized to interest earned on loans and advances over the life of the loan using the straight - line method, which approximates the effective interest rate method. Loan origination fees are presented within Interest income (Note 6).

2.7. PROPERTY AND EQUIPMENT

All property and equipment are carried at cost less accumulated depreciation and impairment. 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured

reliably. All other repairs and maintenance are charged to income statement of the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	YEARS
Buildings	77
Leasehold improvements	up to 18
Computer equipment	5 – 7
Furniture and other equipment	7 – 25
Motor vehicles	5

The assets' residual value represents the estimated amount that the Bank might obtain at present through the sale of the asset, decreased by the estimated cost of sale. If the Bank expects to utilize the asset until the expiration of its useful life, the residual value amounts to zero. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income/expenses in the income statement.

2.8. INTANGIBLE ASSETS

Licenses

Licenses are initially recognized at cost. They have limited useful life and are stated at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (from 1 to 15 years).

Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (15 years).

Costs associated with developing or maintaining computer software are recognized as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Bank and will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the costs of employees involved in software development.

Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding 10 years).

2.9. FINANCIAL ASSETS

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

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

Financial assets and financial liabilities are designated for at fair value through profit or loss when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortized cost;
- Certain investments, such as equity investments, are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis;
- Financial instruments, such as debt securities held, containing one or more embedded derivatives which significantly modify the cash flows.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank was to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

Held-to-maturity investments are stated at amortized cost using effective interest rate method. The amortized cost is calculated by taking into consideration all discounts and premiums received at the date of purchase.

d) Available-for-sale financial assets

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.

e) Accounting treatment and calculation

Regular-way purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognized on trade-date – the date on which the Bank commits to purchase or sell the asset. Investments are initially recognized at fair value increased for transactions costs for all financial assets not held at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. However, interest calculated using the effective interest method is recognized in the income statement. Dividends on equity instruments are recognized in the income statement when the entity's right to receive payment is established.

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 Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

2.10. IMPAIRMENT OF FINANCIAL ASSETS

a) Assets carried at cost and amortized cost

The Bank 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 only 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 (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine whether there is objective evidence of an impairment loss include:

- 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.

The estimated period between a loss occurring and its identification is determined by the local management for each identified portfolio type. In general, the periods used vary between three and twelve months; in exceptional cases longer periods are warranted.

The Bank 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 Bank 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 recognized, are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted using the financial asset's original interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current interest rate determined under the contract.

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank'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 Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. 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 Bank and their magnitude). The

methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance 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 recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement in impairment charge for credit losses.

b) Assets classified as available-for-sale

The Bank 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 securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence there are available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value – is recognized in 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.

2.11. RESERVES FOR ESTIMATED LOSSES IN ACCORDANCE WITH THE REQUIREMENTS OF THE NATIONAL BANK OF SERBIA

In accordance with the Decision of the Central Bank of Serbia, the Bank is obliged to classify loans, other placements, guarantees and other on-balance sheet and off-balance sheet exposures into the categories A, B, C, D and E, based on evaluation of their collectability and associated risk exposures, which depends upon the number of days the payments are in arrears, the financial position of the counterparty, and the quality of the collaterals obtained on the exposure. Reserve for estimated losses is calculated by applying the percentages of 0% for A category, 2% for B category, 15% for C category, 30% for D category and 100% for E category to the exposures classified in the respective categories (in 2012: 0% for A category, 2% for B category, 15% for C category, 30% for D category and 100% for E category).

Required reserve for estimated losses is calculated as a difference between total reserve calculated in accordance with the requirements of the Central bank and impairment losses calculated in accordance with policy described in the Note 2.10. Required reserve for estimated losses represents a deductible item in capital adequacy calculation (Note 5.5).

2.12. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13. SALE AND REPURCHASE AGREEMENTS

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right under contract or custom to sell or re-pledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to purchase and sell ("reverse repos") are recorded as callable deposits and credits (Note 19). The difference between purchase and sale price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

2.14. BORROWINGS

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost.

Borrowings are classified as current liabilities, unless the Bank has indisputable right to postpone the settlement of obligations for at least 12 months after the balance sheet date.

2.15. LEASES

The Bank is a lessee

Leases entered into by the Bank are primarily operating leases. With an operating lease, a significant part of both risk and benefits remains with the lessor. The total payments made under operating leases are charged to other operating expenses in the income statement on straight-line basis over the period of the lease.

When an operating lease is terminated before lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

The Bank is a lessor

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

The Bank is leasing the assets under operating lease. The asset under operating lease is included in the balance sheet of the Bank based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

2.16. INCOME TAX AND DEFERRED INCOME TAX

Income tax presents the amount calculated and paid to the tax authorities based on legislations of the Republic of Serbia. Estimated monthly instalments are calculated by the Tax authority and paid in advance on a monthly basis.

Income tax at the rate of 15% is payable based on the profit calculated as per the tax return. In order to arrive at the taxable profit, the accounting profit is adjusted for certain differences and reduced for certain investments made during the year. Tax return is submitted to tax authorities until 30th June of the following year.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences between the tax basis of assets and liabilities at the balance sheet date, and their amounts disclosed for reporting purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognized for all deductible temporary differences, unused tax assets and unused tax losses, to the extent that it is probable that future taxable profits will be sufficient to enable realization (utilization) of deductible temporary differences, unused tax assets and unused tax liabilities.

Current/deferred income tax is recognized in the current year's income statement.

2.17. EMPLOYEE BENEFITS

a) Employee's benefits

Short-term benefits to employees include salaries and social contributions. They are recognized as an expense in the period when they are incurred.

The Bank and its employees are obliged to make payments to the pension fund of the Republic of Serbia in accordance with the defined contribution plan. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due.

b) Other employee's benefits

The Bank provides other benefits for the retirement. An employee is usually entitled to these benefits if s/he is employee of the Bank until reaching the prescribed age for retirement and the minimum required years of employment. The abovementioned benefits are accumulated during the service. The defined retirement obligations are estimated annually by an independent certified actuary through the projected credit unit valuation method. The present value of benefit obligations is determined by discounting the expected future cash payments by reference to the interest rates of the high quality bonds expressed

in the same currency, which mature approximately at the same period when retirement obligations are due.

c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.18. REPOSSESSED PROPERTIES

Land and buildings repossessed through an auction process to recover impaired loans are, except where otherwise stated, included in "Other Assets". Assets acquired from an auction process are held temporarily for liquidation and are valued at the lower of cost and net realizable value. Any gains or losses on liquidation are included in "Other operating income".

2.19. RELATED PARTY TRANSACTIONS

Related parties include associates, fellow subsidiaries, directors, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of similar nature are disclosed on an aggregate basis. All banking transactions entered into with related parties are in the normal course of business and on an arm's length basis.

2.20. PROVISIONS

Provisions are recognized when the Bank 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 reliable estimates of the amount of the obligation can be made.

2.21. SHARE CAPITAL

a) Share issue costs

Share issue costs directly attributable to the issue of new shares are shown in equity as a deduction.

b) Dividends on ordinary shares

Dividends are recognized as liabilities for the period in which the decision of their payment has been reached. Dividends approved for the year after the balance sheet date are dealt with in the subsequent events note.

2.22. FINANCIAL GUARANTEES

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make

payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortization calculated to recognize in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on the experience of similar transactions and the history of past losses, supplemented by the judgment of Management. Any increase in the liability relating to guarantees is taken into the income statement.

2.23. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with Central Bank, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

2.24. ASSETS MANAGED ON BEHALF OF THIRD PARTIES

The bank manages foreign currency frozen bonds issued by the Republic of Serbia on behalf of the state and acts as an agent in this business.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. The evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses 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 are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b) Income tax

The Bank is subject to income taxes in Serbia. Certain estimates are required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

c) Fair value of financial assets and liabilities

The fair values of quoted investments in active markets are based on current bid prices (financial assets) or offer prices (financial liabilities). If there is no active market for a financial instrument, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. The valuation models reflect current market conditions at the measurement date which may not be representative of market conditions either before or after the measurement date. As at the balance sheet date management reviews its models to ensure they appropriately reflect current market conditions, including the relative liquidity of the market and credit spreads.

4. FINANCIAL ASSETS PER CATEGORIES AND CLASSES

Financial assets per categories and classes are as follows:

	2013	2012
Loans and receivables	89,496,540	104,477,053
Financial assets at fair value through profit or loss	21,697	13,093
Financial assets held to maturity	9,686,689	6,315,976
Financial assets available for sale	14,684,340	12,702,869
TOTAL	113,889,266	123,508,991

5. RISK MANAGEMENT POLICIES

The Bank's activities are exposed 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. Risk management is done through specialized Risk management division. The Bank has defined procedures for risk identification, measurement and risk management in accordance with regulations and best practices.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The Bank is exposed to the following most important risks:

- 5.1. Credit risk
- 5.2. Market risk
- 5.3. Liquidity risk
- 5.4. Operational risks

Market risk includes:

- Foreign currency risk
- Interest rate risk
- Other price risks

5.1. CREDIT RISK

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, sector risk, repayment risk, etc.).

5.1.1. MANAGEMENT OF CREDIT RISK

The Bank approves loans in accordance with its business policy and by adjusting maturity dates of loans approved and interest rates with the purpose of loans, type of the loan or client and creditworthiness of its clients.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

The Board of Directors has delegated responsibility for the approval of credit exposures to several different levels in accordance with the limits set forth by the Board. The underlying foundation of the credit processes is the application of the "four-eye principle" on one side from the Business Units and on the other side from Risk Management for all exposures above the business unit level of approval. In case of exposures approved within the business unit level of approval, the "four-eye principle" is ensured within that business unit.

Business Units, under the Corporate Banking Division, incorporate the following:

- Large Corporate (LC) Department
- Small & Medium Enterprises (SME) Department

Business Divisions, responsible for retail lending operations, incorporate the following:

- Household Lending Division
- Small Business Lending Division

The Risk Management Division (RMD) incorporates the following units handling credit risk:

- Credit Risk Department (CRD)
- Credit Control Department (CCD)
- Non-Performing Loans Department (NPL)

Credit Control Department and Credit Risk Department are responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements. This task is performed by Credit Control Department.
- Credit Risk Department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned, and provides independent credit opinion. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, countries and industries (for loans and advances), and by issuer, credit rating band and market liquidity (for investment securities).
- Developing and maintaining the Bank's risk grading policy in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is maintained by Credit Control Department. The risk grading system is used in determining where impairment allowance may be required against specific credit exposures. The current risk grading framework for wholesale placements consists of eleven grades and for retail exposures of fourteen grades (delinquency based) reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. Risk grades are subject to regular reviews.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types is the responsibility of Credit Control Department. Regular reports are provided to various Bank bodies on the credit quality of portfolios and appropriate corrective action is taken. One of its main tasks is providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank management credit risk.

Each business unit is required to implement Bank's credit policies and procedures, with credit approval authorities delegated from the Board of Directors. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

The bank has developed and adopted a credit policy for each lending business unit. Each credit policy of Eurobank a.d. Beograd (hereinafter: the Credit Policy) defines basic concepts, guidelines and rules that ensure the proper management of the process of approving, disbursing, monitoring and collecting loans and other exposures.

Credit Policy defines:

- the goals of the credit policy,
- the basic concepts of credit policy,
- lending principles,
- the organization of credit operations,
- responsibilities and decision making,
- the procedure for granting loans and other placements,

- credit risk,
- collateral instruments,
- procedures for collecting outstanding amounts.

For the purposes of implementing the relevant Credit Policy, the Bank has also passed other necessary acts, decisions, rules, procedures, etc.

When assuming credit risk, the Bank applies the following fundamental rules:

A prerequisite for every financing transaction is the understanding of the economic background of the transaction.

A loan is granted only when the Bank has sufficient information on the borrower's creditworthiness. The Bank will not grant a loan (or increase an existing one) to a borrower who is unwilling or unable to provide sufficient information.

Collateral is accepted only to support an exposure. It cannot serve as a substitute for the borrower's ability to meet obligations (exception: Lombard loans, cash collateralized loans, etc.).

The large and largest exposures towards any borrower (or group of connected borrowers), exposures towards connected persons as well as the total exposure of the Bank (both on and off-balance sheet), are kept within limits prescribed by the Law on Banks and relevant decisions of the National bank of Serbia.

The Bank approves new loans or decides to extend or not to extend the existing ones based on creditworthiness of a client, as well as the details and characteristics of the transaction.

All Bank credit facilities are based on relevant approvals, which lay down the terms and other conditions for their implementation. The approval levels and limits are defined by the relevant Board of Directors Decision on approval levels.

For wholesale placements, there are 7 approval authority levels with the highest one being Board of Directors (or other nominated authority) in case of large exposures and exposures to related parties.

For retail placements, there are also different approval levels depending on the type of business (consumer lending, mortgage lending or SBB lending), with the highest authority being specific Credit Commission for each business type.

In each committee/commission, risk management has the right of vote. All decisions must be unanimous.

In addition to a client's creditworthiness, risk limits are also determined taking into account various collateral instruments. Risk exposure to individual borrower, including

banks, is limited and includes both balance and off-balance sheet risk exposures. The total risk exposure per individual client (or group of related parties) with regards to the limits, is considered and analysed prior to completion of the transaction.

In order to ensure the safety of the business operations, and based on the estimated risks of potential losses, the Bank calculates provisions, which arise from loans and off-balance sheet exposures. Levels of provision are related to the risk grade of the placement.

Risk grading system for wholesale clients

The 11-grade system, which derives the rating of the borrower (and not the credit facility), is based on the weighted average of the following risk parameters:

- Financials
- Sector
- Management
- Operations

In addition, other factors such as debt servicing, change in the borrower's ownership, etc., may affect the final rating of a customer.

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, etc.

Quantitative factors are those that refer to a set of various ratios (main ratios: profitability, leverage, liquidity) emerging from the borrower's financial statements (balance sheet, income statement, notes to financial statements etc.)

Credit related commitments

The primary purpose of undrawn credit commitments is to ensure that funds are available to a customer in accordance with the agreement.

Guarantees and letter of credits carry the same credit risk as loans.

5.1.2. IMPAIRMENT AND PROVISIONING POLICY

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s). Individually impaired assets are those which have been individually assessed for impairment and for which an impairment loss has been recognized. For individually assessed accounts, loans are treated as impaired as soon as there is objective evidence that an impairment loss has been incurred. Accounts in portfolios of homogeneous loans are treated as impaired, once facilities are 90 days or more overdue for consumer and SBB placements, and 180 days or more overdue for mortgage placements.

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Bank believes that recognizing impairment loss is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank. The term 'past due financial asset' is defined as '1-day delay'. That is when a counterparty has failed to make a payment when contractually due. The buckets used by the Bank for the purpose of this disclosure are:

- Consumer Lending: 1 – 89 days past due
- Mortgage: 1 – 179 days past due
- SBB: 1 – 89 days past due (loans for which specific provisions have been recognized are excluded)
- Corporate Lending: 1 – 359 days past due and internal grading score below eight (loans which have been recognized as individually impaired are excluded).

Allowances for impairment

The Bank establishes allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss components that relate to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Impairment of wholesale placements

For exposures to borrowers with a rating of 8 or worse, NPV charge is calculated in accordance with IAS 39 requirements, depending on collateral and impairment analysis on "case by case" basis for the client. This charge is added up to the impairment calculated in accordance with the appropriate impairment rate and the sum represents total impairment.

Impairment of retail placements

The classification of retail clients is based on the full delinquency analysis. The required impairment is computed by applying the appropriate rate to the gross exposure per each product group and per each delinquency bucket. In case of individually impaired loans, future expected cash-flows are discounted in accordance with IAS 39 requirements, in order to arrive to appropriate level of impairment.

Special reserve

For both wholesale and retail placements, as per the regulatory requirements of the National Bank of Serbia, the Bank also calculates reserves for estimated losses as defined by the Decision on the Classification of Banks Balance Sheet Assets and Off-Balance Sheet Items, and other relevant regulations of the National Bank of Serbia.

Write-off policy

The Bank writes off a loan/security balance (and any related allowances for impairment losses) when it is determined that the loans/securities are uncollectible. This

determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or if collateral is not sufficient enough to collect entire exposure. For unsecured retail loans, write-off decisions are generally based on a product specific past due status. Any write-off is approved by the relevant body in accordance with the decision of Board of Directors.

5.1.3. COLLATERALS

For a majority of exposures, the Bank requires collateral. Collateral is not generally held over loans and advances to banks. Most often the collateral consists of one or more of the following collateral instruments (or instruments for credit support):

- cash deposits in dinars and foreign currencies,
- guarantees from the government, government funds or first class banks,
- guarantees from parent companies, other legal entities and individual persons,
- letters of comfort from parent companies,
- mortgage over real estate,
- pledge over movable property,
- own blank bills of exchange,
- pledge over shares or ownership stakes,
- a pledge over other securities (e.g. bonds) or precious metals,
- assignment of receivables (with or without notification) etc.,
- assignment of insurance policies.

The Bank reserves the right to request any other type of instruments (or variation of the above instruments) which it may deem necessary.

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are generally updated periodically in accordance with the relevant credit policy.

5.1.4. CREDIT MONITORING

The Bank constantly monitors the state of the borrower's business and any change in its creditworthiness. To this end, besides the regular evaluation of financial statements, the responsible business units conduct regular checks of the borrower's business operations.

The monitoring of the borrower is institutionalized through regular credit reviews. Credit reviews are prepared by the relevant business unit and approved by the relevant approval authority. In case of wholesale customers, the review frequency depends on their risk grade.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the Balance sheet. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment.

5.1.5. LOANS AND ADVANCES

Loans and advances are summarized as follows:

	31 December 2013		31 December 2012.	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	73,111,958	1,301,803	72,389,754	17,826,598
Past due but not impaired	8,203,875	–	7,104,122	–
Impaired	17,843,182	–	16,026,708	–
TOTAL GROSS AMOUNT	99,159,015	1,301,803	95,520,584	17,826,598

a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at 31 December 2013 can be assessed by reference to the Bank's standard grading system. The following information is based on that system:

	31 December 2013		31 December 2012.	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired – grades:				
Satisfactory risk (wholesale grades 1 to 6)	29,380,708	1,301,803	27,710,035	17,826,598
Watch list and special mention (wholesale grade 7)	356,681	–	264,169	–
Total retail	43,374,569	–	44,415,550	–
TOTAL GROSS AMOUNT	73,111,958	1,301,803	72,389,754	17,826,598

b) Loans and advances past due but not impaired

The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

Loans and advances past due but not impaired as at 31 December 2013 are as follows:

		Retail customers		Wholesale	
31 December 2013	Mortgages	Consumer lending	Small Business lending	Corporate lending	TOTAL
Past due up to 29 days	89,199	1,358,702	957,613	314,071	2,719,585
Past due 30 – 89 days	695,755	1,133,083	1,161,410	1,100,608	4,090,856
Past due 90 – less than 1 year	677,829	–	–	715,605	1,393,434
TOTAL GROSS AMOUNT	1,462,783	2,491,785	2,119,023	2,130,284	8,203,875

Loans and advances past due but not impaired as at 31 December 2012 are as follows:

		Retail customers		Wholesale	
31 December 2012	Mortgages	Consumer lending	Small Business lending	Corporate lending	TOTAL
Past due up to 29 days	24,535	1,146,194	1,361,391	569,084	3,101,204
Past due 30 – 89 days	706,917	979,994	1,366,452	400,340	3,453,703
Past due 90 – less than 1 year	403,476	–	–	145,739	549,215
TOTAL GROSS AMOUNT	1,134,928	2,126,188	2,727,843	1,115,163	7,104,122

c) Impaired loans and advances collectively assessed

The breakdown of the gross amount of impaired loans and advances collectively assessed by class are as follows:

	31 December 2013	31 December 2012
	Consumer Lending	Consumer lending
Collectively impaired loans – gross	2,418,781	2,089,442

d) Impaired loans and advances individually assessed

The breakdown of the gross amount of individually impaired loans and advances by class as at 31 December 2013 are as follows:

		Retail	Wholesale	
31 December 2013	Mortgages	SBB	Corporate lending	TOTAL
Individually impaired loans – gross	640,904	11,096,873	3,686,624	15,424,401

The breakdown as at 31 December 2012 is as follows:

		Retail	Wholesale	
31 December 2012	Mortgages	SBB	Corporate lending	TOTAL
Individually impaired loans – gross	545,735	10,858,805	2,532,726	13,937,266

e) Financial Effect of Collaterals

The corporate and small business banking portfolios are covered by collateral 46% and 81% respectively (in 2012: 42% and 75% respectively). Consumer loans are generally not collateralized with exception of cash deposits taken as collateral in certain circumstances. Mortgage loans are fully collateralized. Collateral coverage disclosed satisfies the criteria prescribed by relevant regulations and it includes: cash deposits, high quality securities and mortgages if meeting prescribed criteria. The bank also holds other collaterals not disclosed above, such as: pledges over receivables, own blank bills of exchange, movable goods and other collaterals which do not satisfy aforementioned criteria and whose fair value is difficult to measure.

5.1.6. SECURITIES, TREASURY BILLS AND OTHER ELIGIBLE BILLS

As at 31 December 2013, the Bank has dinar bonds of the Republic of Serbia, the Ministry of Finance in the total amount of RSD 9,324,458 thousand, and foreign currency trading securities of the Republic of Serbia (frozen savings bonds) in the amount of RSD 9,985,866 (Note 22). The abovementioned bonds and trading securities are not rated. The rating of country is BB– based on Standard and Poor's rating.

As at 31 December 2012, the Bank has dinar bonds of the Republic of Serbia, the Ministry of Finance in the total amount of RSD 10,141,453 thousand, and foreign currency trading securities of Republic of Serbia (frozen savings bonds) in the amount of RSD 8,870,806 (Note 22). The abovementioned bonds and trading securities are not rated.

5.1.7. REPOSSESSED COLLATERAL

As at 31 December 2013 Bank had the following assets that were obtained by taking possession of collateral held as security:

Nature of assets	Carrying amount	
	2013	2012
Residential property	11,510	11,510

5.7.8. CONCENTRATION OF RISKS OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE

a) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by the geographical sectors of counterparties:

	Serbia	Greece	Western Europe	TOTAL
Interest, fees and commission receivable	1,138,972	248	–	1,139,220
Loans and advances to banks	522,644	650,042	129,117	1,301,803
Loans and advances to customers:				
– Corporate lending	33,522,317	–	–	33,522,317
– Consumer lending	20,948,118	–	–	20,948,118
– Mortgages	22,657,685	–	–	22,657,685
– Small business lending	11,066,617	–	–	11,066,617
Securities (excluding own shares)	19,385,086	–	6,586	19,391,672
Other lending	7,998,825	–	–	7,998,825
Other assets, prepayments and accrued income	974,041	134,780	77,692	1,186,513
AS AT 31 DECEMBER 2013	118,214,305	785,070	213,395	119,212,770
AS AT 31 DECEMBER 2012	110,336,129	17,419,180	135,022	127,890,331

b) Industry sectors

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

	Commerce and services	Construction	Financial services	Manufacturing	Private individuals	Other	TOTAL
Interest, fees and commission receivable	240,251	60,808	21,689	54,805	471,731	289,936	1,139,220
Loans and advances to banks	–	–	1,301,803	–	–	–	1,301,803
Loans and advances to customers							
– Corporate lending	18,544,837	1,494,216	–	10,589,309	–	2,893,955	33,522,317
– Consumer lending	–	–	–	–	20,948,118	–	20,948,118
– Mortgages	–	–	–	–	22,657,685	–	22,657,685
– Small business lending	3,348,483	484,088	–	1,535,741	4,599,440	1,098,865	11,066,617
Securities (excluding own shares)	–	–		12,187	–	19,379,485	19,391,672
Other lending	–	–	5,001,054	–	–	2,997,771	7,998,825
Other assets, prepayments and accrued income	–	–	–	–	–	1,186,513	1,186,513
AS AT 31 DECEMBER 2013	22,133,571	2,039,112	6,324,546	12,192,042	48,676,974	27,846,525	119,212,770
AS AT 31 DECEMBER 2012	22,088,317	2,177,436	17,870,630	9,891,747	49,101,682	26,760,519	127,890,331

5.2. MARKET RISK

The Bank 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 movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

5.2.1. FOREIGN EXCHANGE RISK

Exposure to foreign currency risk is monitored on regular basis by complying with the requirements of the National Bank of Serbia. The Bank manages its foreign currency position by granting loans that are indexed to foreign currency. The Bank also actively manages the foreign currency risk by careful estimation of the open foreign currency positions and compliance with the risk ratios prescribed by the National Bank of Serbia as well as the limits prescribed in the internal acts enacted by the Bank's management and Risk Management Committee. The Bank uses scenario analysis for measurement of FX risk.

5.2.2. INTEREST RATE RISK

Interest rate risk is the exposure of bank's financial condition to adverse movements in interest rates. Generally, there are two ways in which the bank could be affected by changes in interest rates. Firstly, changes in interest rates affect the value of banks assets, liabilities and off-balance sheet items, and secondly, they impact the bank's future cash flows that the bank will obtain. Interest rate risk could come in the variety of forms, including reprising risk, yield curve risk, basis and optionality risk. The Bank's interest rates are set by taking into account the market interest rates and other factors (such as the cost of risk, reserve requirement, etc.) and the Bank regularly adjusts them.

The purpose of the interest rate management activities is to optimize the net interest income, and to maintain the interest margins on a consistent level in accordance with the Bank's business strategy. The management is based on maturities matching of the assets, liabilities and off balance sheet items, on the basis of: macro and micro economic estimations, estimations of the conditions for achieving liquidity, and the estimation of the interest rates' trends.

For the purpose of measurement of interest rate risk, Bank uses sensitivity analysis by applying duration-based sensitivity weights, followed with stress tests incorporating various changes in interest rate variables. The Bank manages interest rate risk through a set of interest rate exposure limits.

5.2.3. SENSITIVITY ANALYSIS

The management of interest rate risk and currency risk against gap limits is supplemented by monitoring the sensitivity of the Bank's income statements to various interest rate and foreign currency rate scenarios. The sensitivity of the income statement is the effect of the assumed changes in interest rates and FX rate on the net interest income for one year.

An analysis of the Bank's sensitivity to an increase or decrease in market interest rates and FX rates (assuming no asymmetrical movements in yield curves and constant balance sheet position) is as follows:

	Sensitivity of income statement	
	2013	2012
Interest rate sensitivity		
Increase in basis points +100 bps parallel shift	(73,048)	(257,385)
Foreign exchange sensitivity 10% depreciation of RSD	68,060	(884)

5.3. LIQUIDITY RISK

Liquidity risk is the risk when the Bank is unable to meet its payment obligations which can have a negative result on the Bank's financial results and equity. The Bank manages liquidity risk by obtaining different funding sources that include:

- customer's deposits with different maturities
- deposits from the money market and available lines with financial institution
- available lines from the majority shareholder
- available lines from international financial institutions
- share capital

Sources of liquidity are regularly reviewed so as to maintain a wide diversification by currency, geography, provider, product and term.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

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 Bank and its exposure to changes in interest rates and exchange rates.

Diversity and stability of core deposit base involves an analysis allowing the Bank to more effectively control and measure deposit based liquidity and more accurately measure liquidity risk by defining deposit inputs.

Liquidity requirements to support claim under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

Liquidity risk measurement includes assessment of the risk under normal market conditions and under stress scenarios. Scenarios, which are defined based on historical data and case studies, should allow the Bank to evaluate the potential adverse impact these factors can have on its liquidity position. Liquidity risk is monitored through a set of short term limits. Following NBS methodology, the Bank has defined minimum level of liquidity expressed as short-term liquidity ratio. For internal methodology purposes, limit framework includes ratios as a limit definition of acceptable levels of short-term liquidity mismatches.

Non – derivative cash flow

The amounts disclosed in the table below are the contractual undiscounted cash flows for the years 2013 and 2012.

a) Balance sheet items

As at 31 December 2013	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	TOTAL
Transaction and other deposits	46,119,175	12,458,909	45,363,643	2,793,486	–	106,735,213
Borrowings	12,928	140,470	4,176,899	2,746,506	25,418	7,102,221
Other liabilities	390,214	–	–	–	–	390,214
Total liabilities (contractual maturity dates)	46,522,317	12,599,379	49,540,542	5,539,992	25,418	114,227,648
Assets held for managing liquidity risk (contractual maturity dates)	56,164,932	913,072	21,387,026	37,521,849	36,078,201	152,065,080
As at 31 Decembar 2012	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	TOTAL
Transaction and other deposits	33,392,907	8,858,641	50,083,864	1,656,428	–	93,991,840
Borrowings	170,853	341,707	1,566,155	27,651,817	681,881	30,412,413
Other liabilities	318,958	–	–	–	–	318,958
Total liabilities (contractual maturity dates)	33,882,718	9,200,348	51,650,019	29,308,245	681,881	124,723,211
Assets held for managing liquidity risk (contractual maturity dates)	55,728,969	17,226,356	42,592,525	25,674,787	21,973,689	163,196,326

b) Off-balance sheet items

As at 31 December 2013	No later than 1 year	1–5 years	Over 5 years	TOTAL
Loan commitments	3,730,941	4,403,375	924,393	9,058,709
Guarantees and acceptances	1,919,897	4,018,555	8,233,548	14,172,000
Other irrevocable commitments	277,157	618,723	–	895,880
Operating lease	80,502	–	–	80,502
Capital commitments	70,583	–	–	70,583
TOTAL	6,079,080	9,040,653	9.157.941	24,277,674
As at 31 Decembar 2012	No later than 1 year	1–5 years	Over 5 years	TOTAL
Loan commitments	3,783,926	5,807,192	1,025,766	10,616,884
Guarantees and acceptances	1,589,640	6,849,835	10,822,979	19,262,454
Other irrevocable commitments	981,107	627,253	–	1,608,360
Operating lease	114,554	78,938	104,671	298,163
Capital commitments	20,532	–	–	20,532
TOTAL	6,489,759	13,363,218	11,953,416	31,806,393

Derivative cash flow

The Bank's derivatives that are settled on gross basis include foreign exchange swaps over-the-counter (OTC).

The table below analyses the Bank's derivative financial assets and liabilities that will be settled on a gross 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.

Derivatives settled on gross basis

Financial liabilities as at 31 December 2013	Less than 1 month	Between 1 and 3 months	Between 3 and 12 month	Between 1 and 5 years	Over 5 years
Currency swaps	18,852,976	–	–	–	–
TOTAL	18,852,976	–	–	–	–
Financial assets as at 31 December 2013	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
Currency swaps	18,839,805	–	–	–	–
TOTAL	18,839,805	–	–	–	–

As at 31 December 2012 the contractual undiscounted cash flows are presented below:

Financial liabilities as at 31 December 2012	Less than 1 month	Between 1 and 3 months	Between 3 and 12 month	Between 1 and 5 years	Over 5 years
Currency swaps and forwards	21,552,591	22,744	–	–	–
TOTAL	21,552,591	22,744	–	–	–
Financial assets as at 31 December 2012	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
Currency swaps and forwards	21,578,543	24,760	–	–	–
TOTAL	21,578,543	24,760	–	–	–

5.4. OPERATIONAL RISK

Operational risk is the risk of negative effects on the financial result and capital of the bank caused by human error, inadequate internal procedures and processes, inadequate management of the information system and other systems in the bank, as well as by unforeseeable external events. Part of this risk is legal risk, arising from bank's failure to comply with the legal or contractual provisions, negatively affecting the operations or status of the Bank.

They are monitored per business lines and per operational loss event types, and regularly reviewed in order to take corrective actions where necessary.

5.5. CAPITAL MANAGEMENT

The Bank maintains an actively managed capital base to cover risk inherent to the business. The Bank's objectives, when managing capital which is a broader concept than "equity" on the face of the balance sheet, are:

- To comply with the capital requirements set by the National Bank of Serbia
- To provide an adequate level of capital so as to enable the Bank to continue its operations as a going concern
- To maintain a strong capital base to support the development of its business.

Capital adequacy, as well as the use of the Bank's capital are monitored on a monthly basis by the Bank's management.

The National Bank of Serbia has defined the following capital limits:

- The minimum amount of the capital of EUR 10 million
- Capital adequacy ratio of 12%

The Bank's total capital comprises of tier 1 and tier 2 capital and deductible items.

Tier 1 capital: share capital from ordinary shares, share premium, statutory reserves and retained loss. Tier 1 deductible items comprise intangible assets and regulatory adjustments i.e. required reserve for estimated losses as prescribed by relevant NBS regulations.

Tier 2 capital: share capital from preference shares, share premium from preference shares, part of positive revaluation reserves arising from effects of changes in fair value of fixed assets, securities and other assets, hybrid capital instruments up to 35% of tier 1 capital, subordinated debt up to 50% of tier 1 capital, and acquired own preference shares as Tier 2 capital deductible items.

Deductible items: direct or indirect investments in banks or other financial institutions in excess of 10% of the capital of these banks or other entities, the amount of the tier 2 capital of the bank which exceeds its tier 1 capital and other items. Deductions are subtracted from the capital in following manner: 50% of the total amount of deductible items is deducted from the Tier II capital and the rest of the Tier I capital.

The risk-weighted balance and off-balance assets are determined in accordance with the prescribed risk ratios for all types of assets. When calculating the capital adequacy ratio, and in accordance with the regulations of the National Bank of Serbia, the overall risk-weighted balance and off-balance assets are increased for the calculated foreign currency and price risk.

The table below summarizes the structure of the Bank's capital as at 31 December 2013, as well as the capital adequacy ratio:

	2013	2012
TIER 1 capital	39,335,684	39,403,148
Tier 1 deductible items	(20,224,874)	(16,669,633)
TIER II capital	189,991	155,131
Deductible items		
Investments in shares over 10%	(20,479)	(20,479)
TOTAL REGULATORY CAPITAL	19,280,322	22,868,167
Risk-weighted assets		
Credit and counterparty risk	85,118,297	87,416,932
Market risk	1,483,670	657,979
Operational risk	12,347,286	12,837,721
TOTAL RISK-WEIGHTED ASSETS	98,949,253	100,912,632
Capital adequacy	19.5%	22.7%

5.6. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognized stock exchange) exists, is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of financial assets and liabilities held by the Bank. Therefore, for financial instruments where no market price is available, the fair values of financial assets and liabilities are estimated by using present value of future cash flows or other estimation and valuation techniques based on current prevailing market conditions.

The values derived from using these techniques are significantly affected by underlying assumptions concerning both the amounts and timing of future cash flows and the discount rates used. The following methods and assumptions indicate that the fair values of financial assets and liabilities approximate their carrying amounts:

- a) Trading assets, derivatives and other transactions undertaken for trading purposes as well as treasury bills, available-for-sale securities and assets and liabilities designated at fair value through profit or loss are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then the fair values are estimated by using valuation techniques based on observable market data.
- b) Therefore, all of the Bank's other financial assets and liabilities are at floating rates of interest, which re-price at pre-defined intervals. Therefore the Bank has no significant exposure to fair value fluctuations and the carrying value of the financial assets and liabilities is substantially equivalent to their fair values, unless otherwise stated.

5.6.1. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

a) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

31 December 2013	Level 1	Level 2	Level 3	TOTAL
Financial assets at fair value through profit and loss				
Equities (Note 22)	12,995	–	–	12,995
Treasury bonds	–	8,702	–	8,702
Derivative assets	–	32,046	–	32,046
Financial assets available for sale				–
Frozen bonds (Note 22)	9,985,866	–	–	9,985,866
Equities (Note 22)	68,353	–	–	68,353
Treasury bonds	–	4,630,120	–	4,630,120
TOTAL ASSETS	10,067,214	4,670,868	–	14,738,082
Derivative liabilities (Note 20)	–	32,785	–	32,785
TOTAL LIABILITIES	–	32,785	–	32,785

31 December 2012	Level 1	Level 2	Level 3	TOTAL
Financial assets at fair value through profit and loss				
Equities (Note 22)	13,093	–	–	13,093
Derivative assets (Note 20)	–	48,047	–	48,047
Financial assets available for sale				
Frozen bonds (Note 22)	8,870,806	–	–	8,870,806
Equities (Note 22)	6,586	–	–	6,586
Treasury bonds (Note 22)	–	3,825,477	–	3,825,477
TOTAL ASSETS	8,890,485	3,873,524	–	12,764,009
Derivative liabilities (Note 20)	–	49,284	–	49,284
TOTAL LIABILITIES	–	49,284	–	49,284

Total liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1.

6. INTEREST INCOME AND EXPENSE

	2013	2012
Interest income		
<i>Interest income from dinar assets</i>		
Loans	8,827,570	9,034,599
Deposits	224,311	275,837
Securities	909,604	1,265,616
Other placements	814,416	461,305
<i>Interest income from foreign currency assets</i>		
Loans	237,844	338,311
Deposits	518,159	554,679
Securities	547,733	298,643
Other placements	22,403	40,732
	12,102,040	12,269,722
Interest expense		
<i>Interest expense from dinar liabilities</i>		
Borrowings	(6)	–
Deposits	(741,831)	(774,243)
Other liabilities	(387)	(758)
<i>Interest expense from foreign currency liabilities</i>		
Borrowings	(704,598)	(893,481)
Deposits	(3,137,574)	(3,485,935)
Other liabilities	(18,998)	(24,133)
	(4,603,394)	(5,178,550)
NET INTEREST INCOME	7,498,646	7,091,172

7. FEE AND COMMISSION INCOME AND EXPENSE

	2013	2012
Fees and commissions income		
Fees for banking services	1,822,277	1,651,704
Commissions from issued guarantees and other sureties	352,589	446,212
Other fees and commissions	95,463	139,396
	2,270,329	2,237,312
Fees and commissions expense		
Fees for domestic payment transactions	(20,568)	(26,447)
Fees for payment transactions abroad	(19,478)	(17,725)
Commissions for received guarantees and sureties	(17,877)	(18,852)
Other fees and commissions	(332,619)	(219,821)
	(390,542)	(282,845)
NET FEES AND COMMISSIONS INCOME	1,879,787	1,954,467

8. NET GAINS/(LOSSES) FROM SALE OF SECURITIES

Net gains/(losses) from sale of securities at fair value through profit and loss are as follows:

	2013	2012
Gain from sale of securities	205	9
Loss from sale of securities	(304)	(5,288)
NET (LOSSES)/GAINS	(99)	(5,279)

Net gains/(losses) from sale of available for sale securities are as follows:

	2013	2012
Gain from sale of securities	4,613	2,601
Loss from sale of securities	—	(9)
NET (LOSSES)/GAINS	4,613	2,592

9. NET FOREIGN EXCHANGE GAINS/(LOSSES)

	2013	2012
Foreign exchange gains	34,116,130	70,158,626
Foreign exchange losses	(34,107,394)	(74,794,030)
NET FOREIGN EXCHANGE RATE GAINS/(LOSSES)	8,736	(4,635,404)

10. OPERATING AND OTHER INCOME

	2013	2012
Collected written-off claims	67,491	78,580
Lease of premises	7,297	7,309
Gains from sale of fixed and intangible assets	430	331
Lease of safe boxes	25	35
Collected damages and lawsuits	8,603	6,488
Other income	14,854	31,341
TOTAL	98,700	124,084

11. NET PROVISIONS AND IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	2013	2012
Income from releases of provisions and reversal of impairment losses on loans and advances		
<i>Reversal of impairment for balance sheet items</i>		
Interest, fees and commission receivables, change in fair value of derivatives and other receivables (Note 20)	1,976	3,353
Loans, advances and deposits (Note 21)	23,850	11,047
Other lending (Note 24)	–	–
Other assets, prepayments and accrued income (Note 28)	–	–
	25,826	14,400
Release of provisions for retirement indemnities (Note 34)	–	–
Release of provisions for court proceedings (Note 34)	–	–
Release of bonus provisions (Note 34)	–	89,250
Release of provisions for off-balance sheet positions (Note 34)	24,672	400
Release of provisions for other positions (Note 34)	125	1,474
TOTAL	50,623	105,524
Expenses for provisions and impairment losses on loans and advances		
<i>Impairment for balance sheet items</i>		
Interest, fees and commission receivables, change in fair value of derivatives and other receivables (Note 20)	(200,063)	(198,702)
Loans, advances and deposits (Note 21)	(2,072,025)	(1,699,939)
Other lending (Note 24)	(655,429)	(164,653)
Other assets, prepayments and accrued income (Note 28)	(16,256)	(64,380)
	(2,943,773)	(2,127,674)
Provisions for off-balance sheet items (Note 34)	(1,728)	(27,617)
Provisions for legal cases (Note 34)	(29,789)	(7,293)
Provision for retirement (Note 34)	(15,489)	(4,696)
Other provisions (Note 34)	–	(45,889)
TOTAL	(2,990,779)	(2,213,169)
NET INCOME/(EXPENSE) FROM INDIRECT WRITE-OFF OF LENDING AND PROVISIONING	(2,940,156)	(2,107,645)

12. SALARIES, BENEFITS AND OTHER PERSONNEL EXPENSES

	2013	2012
Salaries	1,356,568	1,417,111
Tax on salaries and benefits	189,049	223,168
Contributions on salaries and benefits	333,580	314,210
Other personnel expenses	49,843	51,330
TOTAL	1,929,040	2,005,819

13. DEPRECIATION AND AMORTIZATION EXPENSES

	2013	2012
Intangible assets (Note 25)	194,090	177,444
Property, plant and equipment (Note 26)	223,729	224,819
TOTAL	417,819	402,263

14. OPERATING AND OTHER EXPENSES

	2013	2012
Administrative expenses	1,485,484	1,566,920
Non-material expenses (excluding taxes and contributions)	844,786	732,255
Contributions	316,649	323,518
Materials	164,259	158,118
Taxes	108,476	93,348
Writing off receivables	31,369	16,187
Disposals and write-offs of intangible assets and PPE	8,725	10,790
Legal expenses and taxes	42,384	32,512
Other expenses	28,737	27,190
Total	3,030,869	2,960,838

Detailed breakdown of administrative expenses is presented in the table below:

	2013	2012
Transportation services	74,460	79,137
Communication services	108,424	102,799
Telephone	28,706	29,517
Software maintenance	369,148	367,754
Hardware maintenance	50,122	47,713
Maintenance of fixed assets	36,209	36,060
ATM maintenance	13,201	16,940
Marketing and advertising	209,684	227,230
Donations	16,623	19,168
Rent	479,644	521,074
Other services	99,263	119,528
TOTAL	1,485,484	1,566,920

As of 31 December 2013, non-material expenses in the amount of RSD 844,786 comprise of the following expenses: deposit insurance expenses in the amount of RSD 333,930 thousand, expenses for legal services in the amount of RSD 132,359 thousand, employee transportation expenses in the amount of RSD 51,008 thousand, cleaning services in the amount of RSD 28,889 thousand, safeguarding expenses in the amount of RSD 27,559 thousand, expenses for printing statements for cards in the amount of RSD 25,020 thousand, services of youth organization in the amount of RSD 21,281, collection services in the amount of RSD 18,126 thousand, information system services in the amount of RSD 26,685 thousand, intellectual services in the amount of RSD 17,692 thousand and other expense.

As of 31 December 2012, non-material expenses in the amount of RSD 732,255 thousand comprise of the following expenses: deposit insurance expenses in the amount of RSD 315,779 thousand, employee transportation expenses in the amount of RSD 46,558 thousand, expenses for legal services in the amount of RSD 60,469 thousand, safeguarding expenses in the amount of RSD 24,628 thousand, services of youth organization in the amount of RSD 22,339, cleaning services in the amount of RSD 29,769 thousand, collection services in the amount of RSD 22,503, thousand, information system services in the amount of RSD 25,885 thousand, intellectual services in the amount of RSD 9,320 thousand and other expense.

15. INCOME AND EXPENSES ARISING FROM REVALUATION OF ASSETS AND LIABILITIES

	2013	2012
Income arising from the change in the value of assets and liabilities		
Placements and receivables – exchange rate gains	33,434,811	25,721,839
Liabilities – exchange rate gains	294,269	632,448
Increase of market value of derivatives	33,380	26,766
Other income	–	234
	33,762,460	26,381,287
Expenses arising from the change in the value of assets and liabilities		
Placements and receivables – exchange rate losses	(33,282,959)	(20,632,795)
Liabilities – exchange rate losses	(297,505)	(887,024)
Decrease of market value of derivatives	(32,881)	(19,600)
	(33,613,345)	(21,539,419)
NET INCOME / (EXPENSE) FROM THE CHANGE IN THE VALUE OF ASSETS AND LIABILITIES	149,115	4,841,868

16. INCOME TAX

Income tax is composed of the following taxes:

	2013	2012
Current income tax	–	(94,411)
Deferred tax	47,078	(128,502)
TOTAL	47,078	(222,913)

The tax on the Bank's profit or loss before tax differs from the theoretical amount that would arise using prescribed tax rate:

	2013	2012
Profit / (Loss) before tax	1,321,614	1,896,936
Tax calculated at the rate of 15%	(198,242)	(189,693)
Tax effect of non – deductible expenses and non – taxable revenues	298,443	871
Tax effect from the current year result	100,201	(188,822)
Tax effect of the changed tax rate	–	(28,381)
Tax effect of temporary differences	(20,867)	(23,184)
Tax effect of deferred tax on tax credits	67,945	(76,937)
Utilized tax credits		94,411
Unrecognized deferred tax assets on losses carried forward	(100,201)	–
INCOME TAX	47,078	(222,913)

As at 31 December 2013, the Bank had income tax loss in the amount of RSD 668,008 thousand. As at 31 December 2013 the Bank had unrecognized deferred tax assets on losses carried forward in the amount of RSD 100,201 thousand.

17. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

As at 31 December 2013, the Bank had 48 preference shares issued. No preference dividends are declared, therefore there is no effect on basic earnings per share.

	2013	2012
Profit attributable to equity holders of the Company	1,368,692	1,674,023
Weighted average number of ordinary shares in issue	254,224	254,224
Basic earnings per share (expressed in RSD per share)	5,384	6,585

18. CASH AND CASH EQUIVALENTS

	2013	2012
In dinars		
Current account	10,145,420	12,782,831
Cash in hand	782,703	871,652
In foreign currency		
Foreign currency accounts	159,835	2,482,641
Cash in hand	1,785,738	2,458,187
Other cash and cash equivalents	13,220	15,931
TOTAL	12,886,916	18,611,242

In accordance with the Decision of the National bank of Serbia (Official Gazette of Republic of Serbia no. 116/2006, 3/2007, 31/2007, 93/2007, 35/2008, 94/2008, 100/2008, 107/2008, 110/2008, 112/2008, 12/2009, 39/2009, 44/2009, 47/2009, 111/2009, 12/2010, 78/2010, 3/2011 and 8/2011), mandatory reserves in local currency are included in the balance of the current account, therefore, it is not presented separately. As at 31 December 2013 calculated mandatory reserves in local currency amounted to RSD 8,806,052 thousand (in 2012: RSD 7,985,929 thousand). The Bank can use mandatory reserves to maintain its liquidity.

19. CALLABLE DEPOSITS AND LOANS

	2013	2012
Reverse repo with the NBS – held to maturity	5,001,054	–
Mandatory reserves in foreign currency	19,800,831	16,525,669
TOTAL	24,801,885	16,525,669

Pursuant to NBS Decision on mandatory reserves the Bank is obligated to set aside funds for mandatory reserves in foreign currency on the separate account with NBS.

As of 9th August 2012, the Decision on mandatory reserves was amended, the effect of which was that the foreign currency mandatory reserves on deposits with maturity up to 2 years stand at 29%. The reserve should be maintained as follows: 32% of the reserve should be maintained in dinars and 68% of reserve should be maintained in euros.

Foreign currency mandatory reserves on deposits with maturity over 2 years stand at 22%. This reserve should be maintained as follows: 24% of the reserve should be maintained in dinars and 76% of the reserve should be maintained in euros.

20. INTEREST, FEES AND COMMISSION RECEIVABLES, CHANGE IN FAIR VALUE OF DERIVATIVES AND OTHER RECEIVABLES

	2013	2012
Receivables in dinars		
Interest	1,512,270	1,278,952
Fees	232,933	214,752
Sales	9	740
Increase in fair value of derivatives	66	97
Other receivables	347,856	240,893
Receivables in foreign currency		
Interest	31,915	54,109
Fees	12,505	40,052
Increase in fair value of derivatives	31,980	47,950
INTEREST, FEES AND COMMISSION RECEIVABLES, GROSS	2,169,534	1,877,545
Less: Impairment allowance	(1,030,314)	(828,097)
INTEREST, FEES AND COMMISSION RECEIVABLES, NET	1,139,220	1,049,448

Movements in impairment allowance are presented below:

	2013	2012
Opening balance	828,097	596,010
Impairment charge (Note 11)	200,063	198,702
Release (Note 11)	(1,976)	(3,353)
Net foreign exchange effect	6,087	38,491
Write-off	(1,957)	(1,753)
CLOSING BALANCE	1,030,314	828,097

Derivative assets and liabilities:

	31 December 2013			31 December 2012		
		Fair values			Fair values	
	Contract / notional amount	Assets	Liabilities	Contract / notional amount	Assets	Liabilities
Derivatives held for trading						
Currency swaps	18,841,429	66	805	21,553,942	19	1,334
Currency forwards	–	–	–	45,487	77	–
Interest rate swaps	5,898,500	31,980	31,980	5,850,969	47,950	47,950
TOTAL	24,739,929	32,046	32,785	27,450,399	48,046	49,284

21. LOANS, ADVANCES AND DEPOSITS

		2013						2012	
	Domestic banks	Financial institutions	Companies	Entrepreneurs	Individuals	Foreign entities	Other clients	TOTAL	TOTAL
Deposits in dinars									
Other deposits	522,644	-	-	-	-	650,042	-	1,172,686	390,000
Deposits in foreign currency									
Other deposits	-	-	-	-	-	-	-	-	17,315,242
Other special purpose deposits	-	4,586	-	-	-	129,117	-	133,703	125,905
Placements in dinars									
Investment loans	-	-	1,659,679	462,179	-	-	-	2,121,858	2,586,146
Overdrafts	-	-	189,348	19,754	791,375	-	296	1,000,773	2,310,490
Working capital loans	-	-	31,475,002	6,037,817	-	-	32,677	37,545,496	35,047,724
Mortgage loans	-	-	-	-	22,594,777	-	-	22,594,777	23,966,981
Other loans	-	-	5,864,027	1,051,811	22,645,772	-	94,526	29,656,136	27,702,879
Placements in foreign currency									
Import loans	-	-	4,404,245	-	-	-	-	4,404,245	955,242
Other placements	-	-	73,487	-	-	-	1,757,658	1,831,145	2,946,573
LOANS AND PLACEMENTS, GROSS	522,644	4,586	43,665,788	7,571,561	46,031,924	779,159	1,885,157	100,460,819	113,347,182
Less: Provisions	-	-	(5,524,148)	(2,972,122)	(2,426,120)	-	(41,889)	(10,964,279)	(8,870,129)
LOANS AND PLACEMENTS, NET	522,644	4,586	38,141,640	4,599,439	43,605,804	779,159	1,843,268	89,496,540	104,477,053

Interest rates for indexed loans to legal entities ranged between 3.27% and 7.00% per annum and for RSD loans between 9.5% and 18%.

The Bank approves indexed loans to retail customers, where the interest rate ranges from 4.22% – 13,5% per annum and RSD loans with interest rates between 11.0% and 34.5%.

Movements in impairment allowance for loans and advances to customers are presented below:

	Corporate	Consumer	Mortgage	SBB	TOTAL
CLOSING BALANCE 2011	757,761	1,499,032	174,367	4,279,867	6,711,027
Impairment charge (Note 11)	256,274	313,423	41,533	1,088,709	1,699,939
Release (Note 11)	–	(8,889)	–	(2,158)	(11,047)
Net foreign exchange	57,295	51,541	16,939	361,976	487,751
Write-off	–	(7,827)	–	(9,714)	(17,541)
CLOSING BALANCE 2012	1,071,330	1,847,280	232,839	5,718,680	8,870,129
Impairment charge (Note 11)	960,950	309,759	53,327	747,989	2,072,025
Release (Note 11)	(9,972)	(9,347)	–	(4,531)	(23,850)
Net foreign exchange	10,389	4,085	(156)	50,001	64,319
Write-off	–	(11,548)	(118)	(6,678)	(18,344)
CLOSING BALANCE 2013	2,032,697	2,140,229	285,892	6,505,461	10,964,279

22. SECURITIES (EXCLUDING OWN SHARES)

	2013	2012
Securities in dinars		
<i>Securities at FVTPL</i>		
RS Ministry of Finance bills	8,702	–
Shares	12,995	13,093
<i>Securities available for sale</i>		
RS Ministry of Finance bills	4,630,120	3,825,477
<i>Securities held to maturity</i>		
RS Ministry of Finance bills	4,685,635	6,315,976
Securities in foreign currency		
<i>Securities at FVTPL</i>		
Frozen savings bonds	–	–
<i>Securities available for sale</i>		
Frozen savings bonds	9,985,866	8,870,806
Shares	68,354	6,586
	19,391,672	19,031,938

Foreign currency frozen bonds are bonds issued by the Republic of Serbia based on the Law on Settlement of Public Debt of the Federal Republic of Yugoslavia arising from the Citizens' Foreign Exchange Savings (Official Gazette of the Republic of Serbia no. 36/2002). Bonds are zero-coupon bonds and they are transferable. The bonds are denominated in EUR and payable either in EUR or in RSD and are registered in the Central register. The bonds are actively traded in the Belgrade Stock Exchange.

23. EQUITY INVESTMENTS

	2013	2012
Equity shares	20,479	20,479
	20,479	20,479

As at 31 December 2013 the Bank held 25.56% of the voting rights of the ERB Leasing a.d. Beograd (31 December 2012: 25.56%).

24. OTHER LENDING

	2013	2012
Other placements in dinars		
Factoring	22,019	137,500
Payments claimed under issued guarantees	20,023	37,295
Other placements	27,379	7,419
Covered letters of credit	987	1,024
Other placements in foreign currency		
Payments claimed under issued guarantees	3,915,192	1,969,273
Other placements	331,188	328,033
OTHER LENDING, GROSS	4,316,788	2,480,544
Less: impairment allowance	(1,319,017)	(659,737)
OTHER LENDING, NET	2,997,771	1,820,807

Movements in impairment allowance are presented below:

	2013	2012
OPENING BALANCE	659,737	452,797
Impairment allowance (Note 11)	655,429	164,653
Release (Note 11)	–	–
Net foreign exchange	3,851	42,287
Write-off	–	–
CLOSING BALANCE	1,319,017	659,737

25. INTANGIBLE ASSETS

	Licenses and software	In course of construction	TOTAL
AS AT 1 JANUARY 2012			
Cost	2,622,925	36,636	2,659,561
Accumulated amortization	(1,078,623)	–	(1,078,623)
NET BOOK VALUE	1,544,302	36,636	1,580,938
YEAR ENDED 31 DECEMBER 2012			
Opening net book value	1,544,302	36,636	1,580,938
Additions	–	285,087	285,087
Disposals	–	–	–
Transfers	262,728	(262,728)	–
Amortization (Note 13)	(177,444)	–	(177,444)
CLOSING NET BOOK VALUE	1,629,586	58,995	1,688,581
AS AT 31 DECEMBER 2012			
Cost	2,885,652	58,995	2,944,647
Accumulated amortization	(1,256,066)	–	(1,256,066)
NET BOOK VALUE	1,629,586	58,995	1,688,581
YEAR ENDED 31 DECEMBER 2013			
Opening net book value	1,629,586	58,995	1,688,581
Additions	–	244,107	244,107
Transfers	261,554	(261,554)	–
Amortization (Note 13)	(194,090)	–	(194,090)
CLOSING NET BOOK VALUE	1,697,050	41,548	1,738,598
AS AT 31 DECEMBER 2013			
Cost	3,147,206	41,548	3,188,754
Accumulated amortization	(1,450,156)	–	(1,450,156)
NET BOOK VALUE	1,697,050	41,548	1,738,598

Book value of intangible assets does not differ materially from fair value.

26. PROPERTY AND EQUIPMENT

	Land and buildings	Equipment and other assets	In course of construction	TOTAL
AS AT 1 JANUARY 2012				
Cost	4,107,569	1,861,279	19,210	5,988,058
Accumulated depreciation and impairment	(762,745)	(1,191,644)	–	(1,954,389)
NET BOOK VALUE	3,344,824	669,635	19,210	4,033,669
YEAR ENDED 31 DECEMBER 2012				
Opening net book amount	3,344,824	669,635	19,210	4,033,669
Additions	–	–	151,160	151,160
Transfers	61,624	45,390	(107,014)	–
Transfer from advances within Other assets	–	–	15,177	15,177
Disposals/Sales	–	–	–	–
Write-off	(8,064)	(5,452)	–	(13,516)
Donated assets	–	–	–	–
Other	–	–	–	–
Depreciation (Note 13)	(89,272)	(135,547)	–	(224,819)
CLOSING NET BOOK VALUE	3,309,112	574,026	78,533	3,961,671

	Land and buildings	Equipment and other assets	In course of construction	TOTAL
AS AT 1 JANUARY 2013				
Cost	4,095,628	1,825,463	78,533	5,999,624
Accumulated depreciation and impairment	(786,516)	(1,251,437)	–	(2,037,953)
NET BOOK VALUE	3,309,112	574,026	78,533	3,961,671
YEAR ENDED 31 DECEMBER 2013				
Opening net book amount	3,309,112	574,026	78,533	3,961,671
Additions	–		263,144	263,144
Transfers	144,070	136,950	(281,020)	–
Transfer from advances within Other assets	–	(2)	–	(2)
Disposals/Sales	(6,697)	(2,030)	–	(8,727)
Depreciation (Note 13)	(89,534)	(134,195)	–	(223,729)
CLOSING NET BOOK VALUE	3,356,951	574,749	60,657	3,992,357
AS AT 31 DECEMBER 2013				
Cost	4,136,117	1,897,262	60,657	6,094,036
Accumulated depreciation and impairment	(779,166)	(1,322,513)	–	(2,101,679)
NET BOOK VALUE	3,356,951	574,749	60,657	3,992,357

Fair value of property and equipment is higher than the book value by RSD 48,196 thousand.

Rental expenses in the amount of RSD 479,643 thousand (2012: RSD 521,074 thousand) in relation to the rental of property are included in the operating expenses (Note 14).

As at 31 December 2013 there were no charges in the Bank's fixed assets.

27. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities as at 31 December:

	2013	2012
Deferred tax assets	245,388	175,337
Deferred tax liabilities	(140,799)	(110,200)
	104,589	65,137

Deferred tax is recognized on temporary differences and unused tax credits.

Movements in net deferred tax assets

	2013	2012
OPENING BALANCE OF DEFERRED TAX (ASSETS)	65,137	218,693
Changes during the year:		
Change of tax rate	–	(28,381)
Decrease/(increase) of deferred tax liabilities and (decrease)/ increase of deferred tax assets related to temporary differences	(20,867)	(23,184)
Deferred tax assets on tax credits	67,945	(76,937)
TOTAL DEFERRED TAX (EXPENSE)/INCOME FOR THE YEAR	47,078	(128,502)
DEFERRED TAX LIABILITIES ON REVALUATION RESERVES	(7,626)	(25,054)
NET DEFERRED TAX ASSETS	104,589	65,137

As at 31 December 2013 the Bank had unrecognized deferred tax assets on losses carried forward in the amount of RSD 100,201 thousand.

Deferred tax income/(expense) relates to the following items:

	2013	2012
Change of tax rate	–	(28,381)
Depreciation	(22,973)	(28,366)
Long-term provisions	2,106	5,182
Utilized tax credits	–	(76,937)
New tax credits	67,945	–
	47,078	(128,502)

28. OTHER ASSETS, PREPAYMENTS AND ACCRUED INCOME

	2013	2012
Prepayments and accrued income in dinars		
Accrued interest	724,072	552,643
Other accrued income	32,428	37,793
Prepayments	135,462	111,512
Other prepayments and accrued income	140,641	497,794
Prepayments and accrued income in foreign currency		
Accrued interest	8,863	65,659
Interest prepayments	37,508	144,209
Other prepayments and accrued income	1,648	1,895
	1,080,622	1,411,505
Other receivables in dinars		
Employees	19	46
Advances for current assets	23,527	15,873
Advances for property, plant and equipment	751	751
For prepaid taxes and contributions	154	227
For prepaid income tax	129,816	41,869
Cards receivables	40,123	37,517
Suspense and temporary accounts	(17,676)	(20,702)
Other receivables in dinars	67,244	62,859
Other receivables in foreign currency		
Employees	–	1,805
Advances for current assets	4,670	4,348
Suspense and temporary accounts	(4,179)	5,034
Other receivables	83,017	66,456
	327,466	216,083
Inventory		
Assets received in collection of claims	12,415	12,415
Material	2,755	2,843
	15,170	15,258
OTHER ASSETS, GROSS	1,423,258	1,642,846
Less: Impairment allowance for financial assets	(91,759)	(76,664)
Less: Impairment allowance for inventory	(903)	(903)
OTHER ASSETS, NET	1,330,596	1,565,279

Movements in impairment allowance are presented below:

	2013	2012
OPENING BALANCE	76,664	12,674
Impairment charge (Note 11)	16,256	64,380
Release (Note 11)	–	–
Net foreign exchange	837	911
Write-off	(1,998)	(1,302)
CLOSING BALANCE	91,759	76,663

29. TRANSACTION DEPOSITS

	2013	2012
Transaction deposits in dinars		
Banks and other financial organizations	10,632	103,904
Companies	1,581,264	1,418,850
Entrepreneurs	738,739	667,727
Private individuals	1,530,687	1,119,427
Foreign entities	25,249	82,679
Other clients	263,485	280,525
Transaction deposits in foreign currency		
Banks and other financial organizations	84,126	11,521
Companies	1,373,714	2,036,516
Entrepreneurs	19,710	23,191
Private individuals	5,923,662	4,133,809
Foreign entities	528,302	342,545
Other clients	44,095	23,531
TOTAL	12,123,665	10,244,225

30. OTHER DEPOSITS

	2013							2012
	Domestic banks and other financial institutions	Public sector	Companies	Entrepreneurs	Private individuals	Foreign entities	Other clients	TOTAL
Other deposits in dinars								
Savings deposits	–	–	–	–	1,052,153	9,489	–	1,061,642
Special-purpose deposits	–	–	135,164	37	18,175	14,518	–	167,894
Deposits pledged as collateral	–	–	26,795	2,800	4,399	–	–	36,521
Other deposits	329,560	692,500	1,715,293	70,437	–	–	3,413,921	6,655,517
Other deposits in foreign currency								
Savings deposits	–	–	–	–	68,341,433	1,201,135	–	69,542,568
Special-purpose deposits	–	–	383,457	–	28,716	18,660	30,242	461,075
Deposits pledged as collateral	–	–	116,785	4,242	668,303	10,791	17,465	1,101,593
Other deposits	938,184	–	4,600,832	30,745	–	5,696,107	345,867	11,611,735
TOTAL	1,267,744	692,500	6,978,326	108,261	70,113,179	6,950,700	3,807,495	82,647,147

The interest rate calculated on demand corporate deposits in local currency is up to 12.50% per annum, while interest rate in foreign currency deposits is up to 5.50%. Corporate term deposits in local currency carry interest rate from 7% to 14.50% per annum, while corporate foreign currency term deposits carry interest rate from 1.00% to 5.23% per annum.

The interest rate on the current and demand deposits of citizens amounts up to 5.89% per annum, depending on the currency and maturity. Interest rate on foreign currency term deposits varies from 1.58% to 5.1% while interest rate on RSD term deposits of citizens ranges from 4.38% to 11% per annum.

31. BORROWINGS AND OTHER FINANCIAL LIABILITIES

	2013	2012
Borrowings in RSD thousand		
Other financial liabilities in dinars	18,782	16,045
Borrowings in foreign currency (in thousand)		
Borrowings	6,872,710	27,708,390
Other financial liabilities in foreign currency	16,771	33,653
TOTAL	6,908,263	27,758,088

As at 31 December 2013, borrowings in foreign currency in the amount of RSD 6,872,710 thousand comprise:

Counterparty	Borrowing date	Maturity date	Currency	Amount in original currency (in thousands)	Amount in RSD thousand
European Bank for Reconstruction and Development	11/15/2010	10/8/2014	EUR	12,000	1,375,705
European Bank for Reconstruction and Development	12/23/2013	3/24/2014	EUR	1,000	114,642
International Finance Corporation	4/26/2011	6/15/2015	EUR	23,034	2,640,666
European Investment Bank	5/20/2010	5/20/2016	EUR	5,331	611,186
European Investment Bank	7/28/2010	7/28/2016	EUR	3,296	377,918
European Investment Bank	1/28/2011	1/28/2016	EUR	3,085	353,614
European Investment Bank	12/9/2011	12/9/2017	EUR	3,885	445,337
European Investment Bank	12/10/2012	12/10/2019	EUR	200	22,928
European Investment Bank	2/10/2011	2/10/2018	CHF	5,691	532,367
European Investment Bank	5/11/2010	5/10/2017	CHF	4,013	375,419
Government of Italy concessional loan	12/6/2013	3/16/2020	EUR	200	22,928
TOTAL					6,872,710

As at 31 December 2012, borrowings in foreign currency in the amount of RSD 27,708,390 thousand comprise:

Counterparty	Borrowing date	Maturity date	Currency	Amount in original currency (in thousands)	Amount in RSD thousand
European Investment Bank	5/20/2010	5/20/2016	EUR	7,464	848,765
European Investment Bank	7/28/2010	7/28/2016	EUR	4,395	499,830
European Investment Bank	1/28/2011	1/28/2016	EUR	4,318	491,070
European Investment Bank	12/9/2011	12/9/2017	EUR	4,856	552,186
European Investment Bank	12/10/2012	12/10/2019	EUR	200	22,744
European Investment Bank	2/10/2011	2/10/2018	CHF	6,956	655,157
European Investment Bank	5/11/2010	5/10/2017	CHF	5,160	486,010
International Finance Corporation	4/26/2011	6/15/2015	EUR	38,390	4,365,646
European Bank for Reconstruction and Development	11/15/2010	10/8/2014	EUR	24,000	2,729,239
Eurobank Ergasias	3/26/2010	12/31/2013	EUR	150,000	17,057,745
TOTAL					27,708,390

32. INTEREST, FEES AND COMMISSIONS PAYABLE AND CHANGE IN FAIR VALUE OF DERIVATIVES

	2013	2012
Liabilities in dinars		
Interest	302	324
Fees and commissions	5,098	4,774
Reduction in the market value of derivatives	805	1,334
Liabilities in foreign currency		
Interest	394	333
Reduction in the market value of derivatives	31,980	47,950
	38,579	54,715

33. TAX LIABILITIES

	2013	2012
Withholding tax	6,250	7,197
Value added tax	22,928	7,334
Other taxes and contributions	9,032	5,490
TOTAL	38,210	20,021

34. PROVISIONS

	2013	2012
Provisions for off-balance sheet exposures	79,457	101,794
Provisions for legal cases (Note 40 b)	86,674	57,925
Provision for retirement indemnities	48,587	34,548
Provisions for bonuses	55,000	55,000
Other provisions	32,100	45,984
TOTAL	301,818	295,251

Movements in total provisions:

	Client damages	Bonus provisions	Retirement indemnities	Legal cases	Off-balance sheet	TOTAL
Opening balance 2012	–	105,993	31,929	53,587	67,204	258,713
Provisions used during the year	–	(16,743)	–	(5,464)	–	(22,207)
New provisions (Note 11)	45,889	55,000	4,696	7,293	27,617	140,495
Release of provisions (Note 11)	–	(89,250)	–	(1,474)	(400)	(91,124)
Indemnities paid	–	–	(2,077)	–	–	(2,077)
Net exchange gain/loss	95	–	–	3,983	7,373	11,451
Closing balance 2012	45,984	55,000	34,548	57,925	101,794	295,251
Provisions used during the year	(13,912)	–	–	(1,509)	–	(15,421)
New provisions (Note 11)	–	–	15,489	29,789	1,728	47,006
Release of provisions (Note 11)	(125)	–	–	–	(24,673)	(24,798)
Indemnities paid	–	–	(1,449)	–	–	(1,449)
Net exchange gain/loss	153	–	–	469	607	1,229
Closing balance 2013	32,100	55,000	48,588	86,674	79,456	301,818

Principal actuarial assumptions used for retirement indemnities (expressed as weighted averages):

	2013	2012
	%	%
Discount rate	7.5%	9%
National average salary increase	2%	2%
Inflation rate	4%	4%

35. LIABILITIES FROM PROFIT

	2013	2012
Liabilities from profit	700	700
TOTAL	700	700

36. OTHER LIABILITIES, ACCRUALS AND DEFERRED INCOME

	2013	2012
Liabilities for salaries and benefits		
Net salaries	10	42
Tax on salaries and benefits	–	–
Contributions on salaries and benefits	–	–
Temporary and occasional assignments	694	397
Other liabilities towards employees	15,971	15,793
	16,675	16,232
Other liabilities in dinars		
Operations managed on behalf of third parties	5,930	5,897
Advances received	1,420	20,176
Suppliers	93,954	103,790
Temporary and suspense accounts	5,858	17,797
Financial leasing	–	9,974
Other liabilities	36,477	28,358
Other obligations in foreign currency		
Advances received	73,746	10,898
Suppliers	77,752	30,127
Temporary and suspense accounts	166	–
Other liabilities	746	973
	296,049	227,990
Accruals and deferred income in dinars		
Accrued interest expense	39,731	39,774
Other accrued expenses	51,347	43,100
Deferred income from fees	387,276	627,322
Deferred interest income	264,357	458,806
Other accruals and deferred income	56,833	130,762
Accruals and deferred income in foreign currency		
Accrued interest expense	606,794	797,558
Other accrued expenses	23,180	25,179
Other accruals and deferred income	5,520	18,919
	1,435,038	2,141,420
TOTAL	1,747,762	2,385,642

37. SHAREHOLDERS' EQUITY

Capital of the bank comprises share capital, share premium, statutory reserves, revaluation reserves and accumulated gains and losses:

	2013	2012
Share capital common shares	25,422,400	25,422,400
Share capital preference shares	4,800	4,800
Share premium	6,051,999	6,051,999
Other capital	2,727	2,727
	31,481,926	31,481,926
Statutory and other reserves	9,558,335	9,558,335
	9,558,335	9,558,335
Revaluation reserves		
Revaluation reserves – AFS securities	217,872	167,034
Deferred tax loss – AFS Securities	(32,681)	(25,055)
Accumulated gains	4,229,275	2,555,252
Current year's profit	1,368,692	1,674,023
	5,597,967	4,229,275
TOTAL SHAREHOLDERS' EQUITY	46,823,419	45,411,515
NUMBER OF ISSUED SHARES	254,272	254,272

Nominal value of the shares amounts to RSD 100,000 per share.

The shareholders' structure of the Bank as at 31 December 2013 is presented in the table below:

Shareholder	Ordinary shares	%	Preference shares	%	Total shares	%
Eurobank Ergasias	141,868	55.80%	17	35.42%	141,885	55.80%
Berberis Investments Limited	3,690	1.45%	–	0.00%	3,690	1.45%
ERB N.E. BV Holding Company Holland	108,666	42.74%	–	0.00%	108,666	42.74%
Agromerkantilija zadruga	–	0.00%	3	6.25%	3	0.00%
AKT	–	0.00%	1	2.08%	1	0.00%
Bambi banat	–	0.00%	3	6.25%	3	0.00%
Buducnost	–	0.00%	2	4.17%	2	0.00%
Dunav AD	–	0.00%	1	2.08%	1	0.00%
Habit pharm	–	0.00%	5	10.42%	5	0.00%
Kopaonicanka ZP	–	0.00%	2	4.17%	2	0.00%
Saobracajni institut CIP	–	0.00%	3	6.25%	3	0.00%
Siemens IT solutions and service	–	0.00%	2	4.17%	2	0.00%
Stem	–	0.00%	1	2.08%	1	0.00%
TP Begradelektro	–	0.00%	6	12.50%	6	0.00%
Trustex	–	0.00%	1	2.08%	1	0.00%
ZZ Bajina Basta	–	0.00%	1	2.08%	1	0.00%
TOTAL	254,224	100.00%	48	100.00%	254,272	100.00%

The reconciliation of the movements in number of common and preference shares is the following:

	Common shares	Preference shares
CLOSING BALANCE 2012	254,224	48
CLOSING BALANCE 2013	254,224	48

Share issues and the changes in the Eurobank's share capital structure

In 2013 the Bank did not perform any capital increase.

Share premium

Share premium represents amounts issued over par. As at 31 December 2013 the Bank's share premium was RSD 6,051,999 thousand (31 December 2012: RSD 6,051,999).

Statutory reserves

Statutory reserves and other reserves in total amount of RSD 9,558,335 thousand (31 December 2012: RSD 9,558,335 thousand) are formed in accordance with the regulations and the Statute of the Bank.

38. OFF-BALANCE SHEET

a) Funds managed on behalf of third parties

	2013	2012
Funds managed on behalf of public sector – agriculture		
– Short-term	681,745	391,677
– Long-term	629,331	642,170
Long-term loans – young couples program	327,570	302,544
TOTAL	1,638,646	1,336,391

b) Guarantees, sureties, assets pledged as collateral and irrevocable commitments

	2013	2012
<i>In dinars</i>		
Issued guarantees and other sureties	2,110,491	2,246,486
Irrevocable commitments from undisbursed loans and placements	8,067,554	8,487,822
Other irrevocable commitments	899,764	1,585,681
<i>In foreign currency</i>		
Issued guarantees and other sureties	11,922,764	17,015,967
Irrevocable commitments from undisbursed loans and placements	991,156	2,129,063
Other irrevocable commitments	134,859	22,680
TOTAL	24,126,588	31,487,699

c) Guaranties, sureties and collaterals received

	2013	2012
Mortgage loans insured with National Mortgage Insurance Corporation	28,015,731	28,285,941
Securities received as collateral	1,963,037	4,171,822
TOTAL	29,978,768	32,457,763

d) Derivatives

	2013	2012
Derivatives	84,186,882	96,349,933
TOTAL	84,186,882	96,349,933

e) Other off-balance sheet items

	2013	2012
Collaterals received	117,994,755	99,875,078
Received guarantees and letters of credit	4,217,156	4,526,580
Foreign currency frozen bonds in Central register	84,497,287	101,365,452
Securities from reverse repo transactions with NBS	5,000,000	–
Securities of the NBS and the Ministry of Finance	–	1,800,000
Other off-balance assets	83,344,514	92,031,056
TOTAL	295,053,712	299,598,166

39. CONTINGENT LIABILITIES AND COMMITMENTS

a) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2013	2012
No later than one year	80,502	114,554
Later than one year but no later than five years	–	–
Later than five years	–	–
TOTAL	80,502	114,554

b) Litigations

As at 31 December 2013, there were two legal claims filed against the Bank in respect of payments of frozen bonds made to unauthorized persons based on forged documents. Although the Bank acts as an Agent of the Government of the Republic of Serbia in servicing “old foreign currency savings bonds”, the Bank made provision for claims related to the frozen bonds payments in the amount of RSD 57,853 thousand (31 December 2011: RSD 54,619 thousand).

As at 31 December 2013, the provision for other legal cases amounted to RSD 28,821 thousand (31 December 2012: RSD 3,306 thousand) – Note 34.

40. COMPLIANCE WITH REGULATORY REQUIREMENTS

The Bank is obliged to comply with the ratios defined by the Law on Banks and Other financial institutions. As at 31 December 2013 the Bank's ratios were in compliance with the prescribed levels:

Business indicators	Determined level	2013
Capital adequacy	min 12%	19.49%
Long-term investments indicator	max 60%	20.71%
Exposure to related parties	max 20%	7.37%
Large exposures indicator	max 400%	93.28%
Liquidity indicator:		
– first month of reporting period	min 1	1.72
– second month of reporting period	min 1	3.01
– last month of reporting period	min 1	2.20
Currency risk	max 20%	4.07%

As at 31 December 2013, the Bank was in compliance with all regulatory requirements.

41. RELATED-PARTIES TRANSACTIONS

Eurobank a.d. Beograd is a subsidiary of Eurobank Ergasias which is listed on the *Athens Stock Exchange*.

EFG Group was the controlling shareholder of the Eurobank Ergasias S.A., holding 44.70% of the Eurobank's ordinary shares and voting rights until 23 July 2012. In May 2013, following its full subscription in Eurobank's recapitalisation of € 5,839 million, the HFSF became the controlling shareholder and a related party of Eurobank. On 19 June 2013, the HFSF acquired 3,789,317,358 Eurobank's ordinary shares with voting rights, representing 98.56% of its ordinary share capital. Following the issuance of 205,804,664 new ordinary

shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by the HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting on 26 August 2013, the controlling percentage of the HFSF increased to 95.23%.

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

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

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

On 28 March 2013, BoG sent letters to all viable banks, including Eurobank Ergasias S.A. and NGB, stating that each bank should proceed with its recapitalization by the end of April 2013 requesting them to proceed with the relevant necessary actions. On 7 April 2013, as the joint banks' request for the extension of the recapitalization process up to 20 June 2013 was not granted, the relevant regulatory authorities with the consent of the management of both banks decided that the Eurobank and NBG would be independently recapitalized in full. As a consequence, the merger process of the two banks was suspended.

In this respect, the Extraordinary General Meeting of shareholders of Eurobank Ergasias S.A., convened on 30 April 2013, opted for the increase of the Eurobank's ordinary share capital, in order to raise € 5,839 million, subscribed by way of contribution in kind from the HFSF, in accordance with Law 3864/2010 and Act of Cabinet 38/9.11.2012. As a result of the above mentioned share capital increase of the Bank, the percentage of the voting rights held by NBG as at 30 September 2013 was reduced below 5%.

The transactions with related parties for the year ended on 31 December 2013 are presented in the table below:

	Eurobank Ergasias	Be-Business Exchanges S.A.	IMO Property Investments	ERB Property Services	ERB Leasing
ASSETS					
Foreign currency account	60,792	–	–	–	–
Interest and fee receivables	305	–	2	1	2
Loans to customers and deposits	650,042	–	–	145	–
Equity shares	–	–	–	–	20,479
Derivative assets	2	–	–	–	–
TOTAL ASSETS	711,141	–	2	146	20,481
LIABILITIES					
Due to customers	6,925	–	551,943	57,133	124,944
Borrowings	–	–	–	–	–
Interest payable	–	–	–	–	–
Other liabilities	12,566	–	–	806	62
Derivative liabilities	32,785	–	–	–	–
TOTAL LIABILITIES	52,276	–	551,943	57,939	125,006
INCOME					
Interest income	489,965	30	–	–	–
Interest income from derivatives	31,911	–	–	–	–
MTM income on derivatives	2,382	–	–	–	–
Fee income	6,466	1	530	55	609
Income from services	–	–	423	4,445	3,889
Other	–	–	–	–	317
TOTAL INCOME	530,724	31	953	4,500	4,815
EXPENSES					
Interest expense	462,995	–	45,959	3,319	15,843
Interest expense from derivatives	58,753	–	–	–	–
MTM expenses	34,279	–	–	–	–
Fee expenses	57,374	–	–	6,787	–
Services	278	527	3,403	6,643	13
Other expenses	–	2,424	–	11	164
TOTAL EXPENSES	613,679	2,769	49,362	16,760	16,020
OFF-BALANCE SHEET					
Letter of guarantees	–	–	–	–	–
Derivatives	20,757,580	–	–	–	–
Other off-balance sheet (undrawn commitments)	–	–	–	155	–
TOTAL OFF-BALANCE SHEET	20,757,580	–	–	155	–

RECO Real Property 20302810	ERB Asset Fin	IT Shared Services	ERB New Europe Funding B.V.	EFG New Europe Holding B.V. 34192535	Eurobank Private Bank Luxemburg S.A.	Eurobank Bulgaria A.D.
–	–	–	–	–	–	–
1	2	–	12,106	–	–	–
57,321	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
57,322	2	–	12,106	–	–	–
273,510	83,911	–	1	43,716	5,139	713
–	–	–	–	–	–	–
–	–	–	–	–	–	–
343	–	18,140	–	–	–	–
–	–	–	–	–	–	–
273,853	82,911	18,140	1	43,716	5,139	713
2,294	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
2,458	137	–	12,113	–	–	83
–	–	–	–	–	–	–
–	–	–	–	–	–	–
4,752	137	–	12,113	–	–	83
3,019	3,769	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
50,323	2,097	251,400	–	–	–	–
–	810	–	–	–	–	–
53,342	6,676	251,400	–	–	–	–
300,764	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
300,764	–	–	–	–	–	–

Transactions with related parties for the year ended on 31st December, 2012 are presented in the table below

	Eurobank Ergasias
ASSETS	
Foreign currency account	182,110
Interest and fee receivables	55,913
Loans to customers and deposits	17,315,242
Equity shares	–
Other receivables	–
TOTAL ASSETS	17,553,265
LIABILITIES	
Due to customers	62,582
Borrowings	17,057,745
Interest payable	4,196
Other liabilities	4,591
TOTAL LIABILITIES	17,129,114
INCOME	
Interest income	699,979
Net gains from securities	35,469
Fee income	–
Rental income	–
OTHER INCOME	26,766
TOTAL INCOME	735,448
EXPENSES	
Interest expense	703,418
Fee expenses	38,137
Services	19,968
Other expenses	19,600
TOTAL EXPENSES	781,123
OFF-BALANCE SHEET	
Letter of guarantees	–
Derivatives	21,553,193
Other off-balance sheet (undrawn commitments)	–
TOTAL OFF-BALANCE SHEET	21,553,193

IMO Property Investments	ERB Property Services	ERB Leasing	RECO Real Property	ERB Asset Fin	ERB Business services	ERB New Europe Funding BV	ERB New Europe Holding BV	ERB IT Shared Services
–	–	–	–	–	–	–	–	–
–	–	–	579	–	–	38,414	–	–
–	13	–	68,231	–	2,818	–	–	–
–	–	20,479	–	–	–	–	–	–
35	373	326	–	–	–	–	–	–
35	386	20,805	68,810	–	2,818	38,414	–	–
570,985	53,935	679,351	220,174	120,268	–	–	43,366	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	959	–	–	–	268	–	–	15,060
570,985	54,894	679,351	220,174	120,268	268	–	43,366	15,060
–	–	–	2,401	–	109	–	–	–
–	–	–	–	–	–	–	–	–
262	57	693	140	206	33	39,975	–	–
353	3,710	3,247	–	–	–	–	–	–
615	3,767	3,940	2,541	206	142	39,975	–	–
40,447	3,432	48,073	3,336	3,829	39	–	–	–
–	3,589	–	–	–	–	–	–	–
–	5,070	–	–	2,548	3,444	–	–	239,473
–	–	–	16,202	984	–	–	–	–
40,447	12,091	48,073	19,538	7,361	3,483	–	–	239,473
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	287	41	–	–	2,182	–	–	–
–	287	41	–	–	2,182	–	–	–

As at 31 December 2013, loans to employees amounted to RSD 2,428,508 thousand (31 December 2012: RSD 2,564,872 thousand). All loans were given under terms defined in the Bank's lending policy and interest rates vary from 0.91% to 7.24% for mortgage loans, while for consumer loans interest rates for RSD loans were in the range of 11% to 25%.

a) Payments to directors and key management personnel

	2013	2012
Salaries and other contributions	150,686	136,831
	150,686	136,831

42. FOREIGN EXCHANGE RATES

The official exchange rates of major currencies which were used for translation of balance sheet items as at 31 December were as follows:

	31 December	
	2013	2012
USD	83,1282	86,1763
EUR	114,6421	113,7183
CHF	93,5472	94,1922

43. RECONCILIATION OF LOANS, DEPOSITS AND OTHER LIABILITIES WITH CLIENTS

As required by the Accounting and Auditing Law, the Bank had performed reconciliation of loans, deposits and other liabilities with clients as at 30 November 2013.

44. BOARD OF DIRECTORS

Members of the Board of Directors of Eurobank as at 31 December 2013 are listed below:

Chairman	Members
Karakasis Theodoros	Stavros Ioannou
	Nikolaos Aliprantis
	Angelos Tschintzis
	Evangelos Kavvalos*
	Slobodan Slović
	Ivan Vujačić

* On 6 December 2013, the Bank's Board of Directors proposed the release of E. Kavvalos and the appointment of A. Hassiotis as the new member and Chairman of the Bank's Board of Directors. On 17 January 2014, the National Bank of Serbia issued the decision on the appointment of the new member and Chairman, upon which the Bank's General Assembly, on its meeting on 31 January 2014, released E. Kavvalos from the Board of Directors and appointed A. Hassiotis as the new member and Chairman of the Bank's Board of Directors. T. Karakasis remains a member of the Board of Directors.

45. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after balance sheet date that would require disclosure in the Financial Statements.

Filippos Karamanolis
President of the Executive Board

Slavica Pavlović
Chief Financial Officer

CORPORATE SOCIAL RESPONSIBILITY REPORT



BANK PROFILE AND STRATEGY

■ EUROBANK GROUP

Eurobank Group is a European banking organization with total assets of EUR 77.6 billion, 18,000 employees and a retail network of more than 1,100 branch offices in Greece and in 7 other countries. The Group's dedicated and experienced employees provide customized service across all the countries where the Group is present and support clients in overcoming financial challenges.

In Greece, Eurobank is one of the pillars of the banking system and offers a wide range of banking and financial products and services to households and businesses.

The integration of New TT Hellenic Postbank S.A. in the Eurobank Group, as well as the assimilation of former New Proton Bank S.A., strengthened even further the Group's strategic position by creating significant results through synergy. The legal merger with former Proton Bank and its operational integration have already been completed. The legal merger with New TT Hellenic Postbank S.A. was completed on December 27, 2013, while the operational integration is expected to be completed by April 2014. For more information on Eurobank Group's ownership structure, see page 75 of the Annual Report.

Eurobank Group holds a strategic position in retail and business banking in Bulgaria, Romania and Serbia, offers customized wealth management services in Cyprus and Luxembourg, and is also present in London and Ukraine.

www.eurobank.gr

■ EUROBANK A.D. BEOGRAD

Eurobank a.d., Beograd has been conducting business in Serbia since March 2003 and today it represents one of the leading foreign investors and financial organizations in the country, having a credit portfolio worth 1 mld. Following a decade of successful business operations in Serbia, Eurobank together with its subsidiaries offers a wide range of standard and innovative banking products and services. Eurobank has a business network of 102 branch offices and business centres, where 1,419 employees manage 500,000 accounts of individuals and legal entities. Eurobank also proved its strategic commitment through the ownership of a modern office building in the city centre of Belgrade, the Eurobank Center, as well as 16,000 m² of office space in the most attractive locations across the country.

Corporate social responsibility remains one of main pillars of Eurobank's business operations, complementing its business activities and giving back to local communities in the towns where the Bank is present. In 2013, Eurobank continued with its long-term efforts to conduct various initiatives in key CSR areas: social inclusion, education, environmental protection, culture and healthcare.

www.eurobank.rs

■ BASIC INFORMATION ABOUT THE BANK:

Name: Eurobank a.d. Beograd
Address: Vuka Karadžića 10, Belgrade
Web site: www.eurobank.rs
E-Mail: office@eurobank.rs
EuroPHONE: 0800/1111-44

■ MISSION AND VISION

We wish to be the bank of the first choice, working with a sense of responsibility towards all our stakeholders – customers, shareholders, employees and community

Eurobank based its development on strong principles and values such as:

Meritocracy – we offer equal opportunities and equal treatment to all our employees

Teamwork – we value teamwork and collective efforts as our corporate success

Quality – we constantly work on increasing quality level of all our products and services

Trust – we build a relationship on mutual trust so that our customers can rely on our employees and the services we offer

Efficiency – we tend to accomplish the goals we set and we always make effort to achieve the best results

Creativity – we strive to innovations and we seek new ideas to improve the level of our products and services

Respect for People – we acknowledge the needs of our customers, colleagues and fellow citizens with consideration and esteem

Social Contribution – our contribution to the local communities in which the Bank works reflects our company's orientation and the values of all the interested parties.

■ STRATEGY AND DESCRIPTION OF KEY IMPACTS, RISKS AND OPPORTUNITIES

In 2013, Eurobank continued to develop and improve its CSR strategy and commitment to corporate social responsibility. Despite the challenging business climate characterized by downturn in economic activities, reduced demand for loans, as well as a rise in number of unpayable loans, we accomplished stable business results, kept the trust of our clients and continued with CSR projects and initiatives across Serbia. Owing to the invested efforts, shared vision and determination, the Bank has been recognized by the wider public as a company that takes care of all the interested parties, which puts forward the notion that the strategy was adequately set up and efficiently implemented.

We invested significant effort into the improvement of our internal policies, procedures and methodologies, with an aim of compliance with the designated strategy. We strive to strengthen our commitment to sustainable development through two-way partner relations with all the interested parties – employees, customers, shareholders and the community (represented on the chart on page 40–41). Risk management remains one of main priorities of Eurobank, with an aim to prevent and reduce risks to the smallest measure (more about it in chapters on Risk Management, on page 17, and Responsible Financing – Social and Ecological Risks Management System, on page 27).

Eurobank is a company that entirely integrates social responsibility in its operations through 5 areas:

- corporate governance, as a transparent system of running and supervising the company,
- workplace, in the form of safe and motivating working conditions,
- market and customers, fair treatment of suppliers and competition,
- local community, support to its economic and social development,
- environment, by responsible use of resources and minimizing the negative effects.

■ THE BANK'S CONTRIBUTION TO SOCIAL PRODUCT

The social product represents how much of our total revenue we invest in the community, and how much is kept in the form of profits. Community investing is reflected in various ways, for example through direct and indirect costs of employees, suppliers for various services, tax costs and contributions that are paid to the state, etc. This effectively shows the Bank's contribution to the development of the community.

SOCIAL PRODUCT

	In RSD Million	
Contribution of the Group to the Social Product in 2013	2013	2012
The Bank's Turnover	14,633	14,835
Costs of Interests and Fees	-4,994	-5,461
Costs of Adjusted Values	-2,940	-2,108
SOCIAL PRODUCT AND DISTRIBUTION	6,699	7,266
I Employees		
Gross Salaries	2,246	2,006
Health and Social Insurance	650	638
Income Tax	189	223
	3,085	2,867
II Suppliers of Goods and Services	2,781	3,028
III Donations / Sponsorships	17	19
IV State		
Profits Tax and Other Taxes	-47	223
VAT		
Deposit Insurance	334	316
Health and Social Insurance	-650	-638
Income Tax	-189	-223
	-552	-322
V The Bank		
Profits	1,369	1,674
SOCIAL PRODUCT	6,699	7,266

■ STUDY: CONTRIBUTION OF THE BANKING SECTOR TO THE ECONOMY AND SOCIETY OF SERBIA

As a member of the Working Group for Banking and Finance of the Association of Serbian Banks, Eurobank initiated the creation of *The Contribution of the Banking Sector to the Economy and Society of Serbia Study*, with the aim of highlighting the aspects of the banking sector that are insufficiently known to an average user of banking services.

The process involved representatives of the banks, members of the Working Group for Corporate Social Responsibility in Banks, members of the ASB Marketing Committee, representatives of the ASB, and other experts in charge of collecting and delivering the required data. The analysis was made on the basis of data provided by Eurobank and twenty more banks operating in Serbian market, for the period from 2008 to 2013. The most significant conclusions of this study were presented to general public in early December 2013 at the Central Hall of the Army of Serbia. In the presence of the members of the Association of Serbian Banks, business and expert audiences and the media, the study findings were discussed by Dr. Veroljub Dugalić, the Secretary General of the ASB, Mr. Toma Ćukić, the representative of the consulting firm A. T. Kearney who conducted the study, Prof. Dr. Nebojša Savić, President of the National Bank of Serbia Council of Governors, and Mr. Milan Ćulibrk, Editor-in-Chief of the NIN weekly magazine.

The most important research findings and study conclusions are available at the ASB web site (www.ubs-asb.com), where the presentation in both Serbian and English can be found.

- The Serbian banking sector has a 2.4% share in the GDP of Serbia, which is similar to other countries in our region.
- The state uses loans from commercial banks to finance strategic and developmental projects – 45%, and to cover the budget deficit – 59.9%.
- For several years now, the banking sector is among the biggest taxpayers, amounting to a total of 24.5 billion dinars, or 8.9% of total taxes paid to the state.
- Citizens purchased 93,000 homes with loans provided by banks, 384 billion dinars in total.
- The banking sector employs 27,775 citizens.

- 2/3 of bank employees are female, 7.4% employees take maternity and parental leaves.
- Banks annually donate on average more than 260 million dinars.

■ THE BANK'S MEMBERSHIPS

Since its very beginning, Eurobank has joined local networks of international initiatives that promote the improvement of business environment in Serbia. In addition, the Bank is a member of networks that promote the concept of social responsibility to the business sector and contribute to the expansion and development of responsible business practices:

- American Chamber of Commerce
- Foreign Investors Council
- Hellenic Business Association
- Serbian Association of Managers
- National Alliance for Local Economic Development
- Chamber of Commerce and Industry of Serbia
- Association of Serbian Banks
- The Business Leaders Forum
- The UN Environment Program Financial Initiative – UNEP FI
- UN Global Compact

■ AWARDS AND RECOGNITIONS

Best Emerging Markets Partner

Eurobank was awarded by the International Finance Corporation, a member of the World Bank Group, as the 2013 Best Partner in Emerging Markets at the Global Trade Partner Awards. At a ceremony held in Lisbon, 25 financial institutions from 56 countries were awarded for their efforts in contributing to the development and the cooperation with the IFC. The IFC's annual best partners awards ceremony provides an opportunity for leading financial institutions to meet and exchange experiences in the field of improving various segments of business – from financial services, to supply chain and structural finance, through networking and cooperation.

Eurobank invests continuously in improving partnerships with leading financial institutions, and the IFC Award represents the recognition of these efforts. Eurobank's strategic focus is on building cooperations that, while giving strong support to economy, have an effect on long-term stability of the banking sector as a whole.

Corporate Superbrands Serbia 2012–2013

Based on the voting of the Expert Council and by public opinion poll, Eurobank received the prestigious Corporate Superbrands Serbia 2012-2013 award in the category of Finance and Insurance.

Superbrands started in 1994 in Great Britain and ranks as the world's leading platform for promoting brands in order to increase informedness on branding and promote that field by recognizing and acknowledging the leading international and local brands in every of 90 member countries across the world. Superbrands has been organized for the second time in Serbia, having achieved both then and now excellent results and aroused interest in business and general public. The business community in Serbia reacted particularly well to the Corporate Superbrands Serbia 2012-2013 project, which shows that Serbia's business sector is developing fast and efficiently.

"MY CHOICE" AWARD

At the ceremony annually organized by the Association "My Serbia" with support from the Belgrade Chamber of Commerce, Eurobank was awarded for 2013 in the category of social inclusion and environmental protection. As one of the leaders in implementing socially responsible projects during a decade of successful business operations in Serbia, the Bank has renovated 10 parks in 8 towns across the country, and supported numerous projects concerning the inclusion of persons with disabilities. Preservation of the planet, education of the young, support for culture, healthcare and improvement of living conditions for persons with disabilities, are the values we foster in our business operations, because they form important pillars on which the Bank's corporate social responsibility strategy rests.

VIRTUS AWARD FOR BIG HEART

The VIRTUS Award for contribution to the local community is granted for exceptional results achieved in helping the community, town or region where the company operates. In 2013, Eurobank was awarded for the project Big Heart, conducted together with our long-term partners the Ana and Vlade Divac Foundation. We initiated the Big Heart action intending to make children's playgrounds in Serbia more beautiful and safer, and provide them with the latest playground equipment, accessible

also to children with disabilities. In four years, the Big Heart has made 8,000 children happy from 20 kindergartens, which makes this award even more valuable.

Award for Results in Payment Transactions

In 2013, Eurobank was rewarded by Commerzbank for exceptional results in the area of improving the segment of services related to payment transactions and financial transfers. Commerzbank, one of the largest banks in Europe, awarded Eurobank for outstanding results in performing payment transactions and financial transfers with reduced general costs, higher operating efficiency and satisfaction of the Bank's clients.

The efficiency of Eurobank's transactions is reflected not only in the client satisfaction level, but also in its competitiveness at the banking market of Serbia. By working on the improvement of all segments of business operations, we accomplish good results and better environment for the development of the banking sector as a whole. This award is another confirmation of our efforts in the area of business innovation.

Silver Award for "Let's Not Waste It" Campaign

The Association of Serbian Market Communications (UEPS) presented Eurobank with the 2013 silver award in the Financial Sector and Services category for integrated campaign for "Let's Not Waste It" refinancing loans.

The awarded campaign has been aimed at promoting prudent refinancing loans in a creative manner, achieved by presenting typical everyday situations. The series of three TV clips, featuring usual situations in life, an appealing radio jingle, creative advertising solutions and diverse PR and digital tools have resulted in an exceptionally positive feedback of the audience.

NALED CSR CERTIFICATE

In 2012, Eurobank was the first financial company in Serbia to be awarded the CSR certificate by the National Alliance for Local Economic Development (NALED). This recognition is a confirmation that Eurobank conducts business in accord with the highest corporate social responsibility standards and guarantees to all the stakeholders that we operate fully in accordance

with the law, local and international standards and the principles of CSR. The recertification process is planned for 2014.

Data Integrity Award 2013

Eurobank won the **2013 Data Integrity Awards** in two categories – **Global Compliance** and **Regional Compliance** – thus becoming one of few banks to win this prestigious award. The award is granted by MasterCard, aiming to recognize and award banks that excel in precision and maintenance of data integrity of the transactions in their network.

The Data Integrity Award is the recognition of Eurobank's efforts in following and applying all of the standards of the MasterCard payment system timely, efficiently and with precision, and is intent on continuing to do so in the future as well.

REPORT METHODOLOGY AND PARAMETERS

- **The Bank's first published CSR report** – in 2009, as a separate publication (for the previous year, 2008), following the publishing dynamics of the Annual Financial Report.
- **The previous CSR report** – for 2012, published in 2013, for the first time as an integral part of the Annual Report.
- **Report Methodology** – The 2012 report was the first one made in line with the internationally recognized Global Reporting Initiative (GRI) methodology, according to which the B level of reporting was met, with 24 Performance Indicators met – 18 Core ones and 6 Additional.
- **The 2013 CSR Report** features additional number of GRI Performance Indicators, including Indicators from the Financial Services Sector Supplement. This report is an integral part of the Bank's Annual Report as well, keeping in line with the legal motion by the European Commission requiring big companies to provide reports by following non-financial parameters in addition to financial reports. These, as well as all the previous reports, are available to all the interested parties at the Bank's web site at www.eurobank.rs/doprinos_zajednici. Financial and economic indicators are part of Eurobank's annual financial report, given in full on pages 29–81. The report concerns Eurobank a.d. Be-

ograd and does not involve subsidiaries ERB Leasing and ERB Property Services. In agreement with its objective to develop the Report Boundary further, the Bank paid more attention to this year's report, as well as to its CSR activities, its supply chain and the impacts that our suppliers' businesses have on natural and social environment.

- The UN Global Compact and the Global Reporting Initiative made a strategic agreement that provides a globally accepted and integrated framework for the implementation of principles and sustainability reporting to worldwide companies. Eurobank's Sustainability Report is outlined on the basis of Global Reporting Initiative methodology and also accepted as the UN Global Compact Progress Report. The Bank accepts, supports and promotes in its daily operations the Ten Principles of the United Nations Global Compact in the field of human rights protection, environmental protection and the fight against corruption.

In order to secure clear insight to all the stakeholders into the level of use of the GRI framework in the preparation of the report, three levels of its application have been set (C, B and A level). Eurobank independently set itself to meet the B level of reporting in 2013, with a total of 24 Performance Indicators being met in the report.

		C	C+	B	B+	A	A+
Required	Self-declaration of the Level		Report externally assured	✓	Report externally assured		Report externally assured
	Checked by a Third Party						
Not Required	Checked by GRI						

■ CSR REPORT CONTACT PERSON

Name: Ms. Milena Stupar, CSR Specialist, Corporate
Communications Department

Telephone: 011/308 2863

E-mail: milena.stupar@eurobank.rs

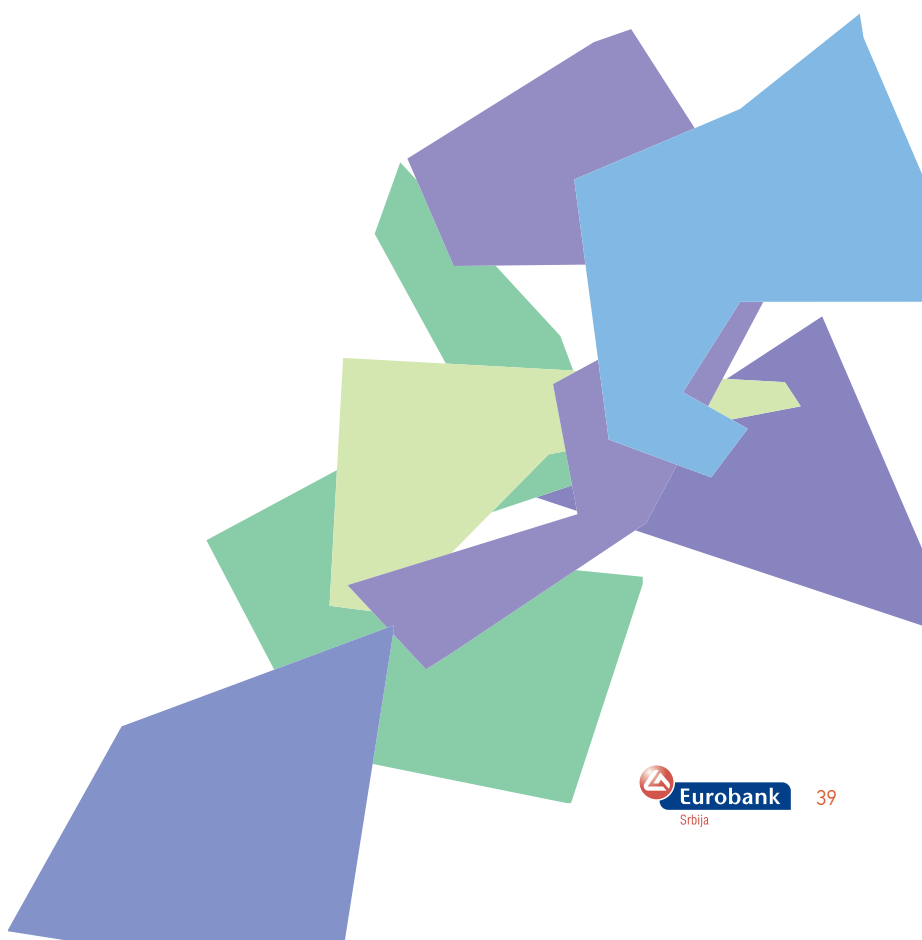
For reporting on each of the key CSR areas, we applied GRI principles of balance, comparability, completeness, clarity, and timeliness. In addition, both in content and in concept, the report comprises our relations with all the stakeholders, therefore, we primarily wished the report to be clear, easy to follow and easily accessible, and the contained information reliable, accurate and comparable. The Bank developed specific monitoring mechanisms for different areas, while for all the data (Indicators or quantitative data) the techniques of collecting data / monitoring / measuring are stated along with the given Indicator.

■ RELATIONS WITH STAKEHOLDERS

Stakeholders are all interested parties (individuals, groups or organizations) that affect / are affected by Eurobank and its business operations

Eurobank makes efforts to consult actively all its stakeholders in the process of making strategic decisions. We use various methods to involve them, as a part of our regular activities, to help us collect opinions useful for making decisions, in the form of public opinion polls, customer satisfaction research, and participation in the work of the local community bodies and business associations, as well as intensive internal communications with our employees.

The map of key stakeholders is a part of this report.



OUR KEY STAKEHOLDERS

EMPLOYEES	CUSTOMERS	SHAREHOLDERS AND INVESTORS
Executive Board and Management of the Bank	Individuals	Minority
Business Network Employees	Legal Entities – SMEs and Big Clients	Majority
Other Employees		
Union		
COMMUNICATION CHANNELS		
Internal magazine Euro NEWS (3 editions in 2013), which features current topics, presentations of sectors / departments, CSR projects, professional development of employees, current products and services, the Bank's initiatives, hobbies of employees, etc.	Customer Service EuroPHONE 0800 11 4444; E-mail: office@eurobank.rs, webpage: www.eurobank.rs, the Bank's Business Network	The Bank's webpage
Internal portal Euro PORT, which contains active policies, procedures, organizational scheme, calendar of important events, job contests, special offers for employee, and other important information	Corporate Facebook and Twitter Profiles	Annual Bank Report
Corporate Facebook and Twitter Profiles	Customer Care Department	Regular Meetings
E-mails and video messages from the Bank's top management about new appointments, organizational changes, strategy, financial results, CSR activities and advertising campaigns		
Regular Department Meetings		
WAYS OF ENGAGEMENT		
Regular meetings and direct dialogue with the Bank's management	Survey by the Customer Care Department, <i>How Focused are We on Providing Quality Services</i>	Sessions of the Bank Assembly
Eurobank Ambassadors – Recognitions for the best employees in business network in various categories	Customer Satisfaction Survey	
Good Ideas for Good Business – Idea Box online platform at our portal, where employees suggest ideas for business improvement, which are considered and the best get implemented	Customers that use Affinity MasterCard Big Heart Card directly contribute to the reconstruction of playgrounds in state kindergartens across Serbia (1% of every transaction is allocated for those means)	
Volunteering (participation in volunteering campaign Our Belgrade, collecting books libraries, clothes for the most vulnerable)	Associating with corporate and retail clients (exclusive theatre performances, lectures on health protection and prevention in cooperation with Bel Medic Clinic)	
Participation in sports competitions		
EXPECTATIONS		
Implementing proposals and initiatives	Strengthening support framework	Transparent governance practices
Development of motivation and satisfaction	Timely, accurate and available information on products and services	
Improvement of internal communications	Responsible Advertising	

STATE INSTITUTIONS	LOCAL COMMUNITY	BUSINESS COMMUNITY	MEDIA	CIVIL SECTOR
State Administration Bodies		Business Associations and Societies	National	Non-Governmental Organizations
Ministries	Regional Chambers of Commerce	Suppliers	Local	Non-Profit Organizations
Regulatory Bodies		Business Partners		
	Local Self-Governments			
Meetings and Consultations	Meetings and Consultations	Meetings and Consultations	Media Conferences	Meetings and Consultations
Conferences			Media Releases, Interviews, PR Texts	Form for donations and sponsorships on web page www.eurobank.rs/doprinoszajednici
			Corporate Communications Department	
Meetings and Consultations	Procedure for Donations and Sponsorships	Active participation in working groups and committees of various associations: AmCham, Hellenic Business Association, Business Leaders Forum, Association of Serbian Banks, UNDP, etc.	Eurobank satisfaction survey and improvement suggestions	Partnerships on various projects
	Cooperation Agreements	Tender requests for suppliers	Direct contact with Corporate Communications Department	
	Participation in the work of Regional Chambers' committees			
	Social Responsibility Program <i>We Invest in European Values</i>			
Support government programs to improve the economy and business climate	Deepening partnerships by investing in local communities development	Transparent selection and communication with suppliers	Timely delivery of information	Active engagement in promoting social responsibility
				Promotion of volunteering

CORPORATE GOVERNANCE

The background of the slide is a light gray gradient. On the right side, there is a large, abstract graphic composed of numerous overlapping, semi-transparent geometric shapes. These shapes include triangles, squares, and circles in a variety of colors: shades of blue, green, brown, and purple. The shapes are layered in a way that creates a sense of depth and complexity, with some shapes appearing to be in front of others. The overall effect is a modern, artistic design that complements the corporate theme of the text.

CORPORATE GOVERNANCE

Effective and sustainable governance is an important part of corporate identity and values of Eurobank Group and all its subsidiaries, with transparency and responsibility being among the basic postulates of doing business, ultimately protecting the interests and rights of the shareholders.

Responsible management and control of business operations of Eurobank a.d. (the Bank) are secured by applying good corporate governance practices, which among others include the following aspects: ethical business, sound and stable business practice, timely and accurate financial reporting, compliance with national legislation and Eurobank Group's guidelines, protection of the interests of all the stakeholders, due to sustainable risk management system, adequate rewarding program and promotion of human talent.

The Bank upholds the highest standards of doing business and business conduct, founded on the principles of sound corporate governance and the rules set by the local regulatory bodies and our banking Group. Special attention is paid to the compliance with the rules and regulations of local supervisors, as well as with Group guidelines and rules, in the overall process of adjusting to the best governance and business practices in the EU.

The Board of Directors of the Bank, with the help of the Corporate Governance Department, is constantly making efforts to upgrade and develop governance processes, structures and policies of the Bank, in order not only to ensure compliance with laws and regulations, but also to secure transparent decision-making process and responsibilities, by developing the corporate culture founded on sound business ethics that is led by the interests of the shareholders and the wider community.

The control functions of the Bank, as well as other associated units, enable the undisturbed application of the best business practices and recommendations for constant improvement, while at the same time taking care of:

- compliance with laws and regulations;
- clear governance lines and authorizations;
- transparency and responsibility;
- timely disclosure of important information and data; and

- efficient cooperation and communication with all stakeholders.

The foundation of the overall organizational structure and governance of the Bank is defined in the **Internal Governance Manual**. The **Code of Conduct** of the Bank brings together both general and discretionary rules and guidelines of ethical business, and the **Conflict of Interest Policy** regulates the prevention of conflict of interest and defines rules of performing personal transactions, which refer to and are applied to all our employees and management equally. The **Unethical Conduct Reporting Policy** additionally strengthens the framework of internal control system and fraud risk management, as well as the management's zero tolerance policy regarding any kind of fraudulent activities of employees and associates.

Regarding corruption, the Bank regulates this area through policies and procedures, such as for example, the AML policy to prevent money laundering and terrorism financing, the Bribery Prevention Policy, and the above-mentioned Conflict of Interest Policy, with the Bank also being a signatory of the UN Global Compact Declaration on the Prevention of Corruption.

The Bank is aligned with the locally prescribed governance model, which is defined by the national banking regulator the National Bank of Serbia according to the Law on Banks.

The Bank strives to secure a balanced and sustainable growth of its business activities, at the same time forging a trusting relationship with the community in which it does business.

■ GOVERNANCE STRUCTURE, MANDATE AND COMPOSITION OF GOVERNANCE BODIES

The governance bodies of the Bank are the Board of Directors and the Executive Board, while the Bank's highest body is the Assembly, comprised of the shareholders of the Bank. The percentage of women in the Bank's management is 35.3%.

The Assembly of the Bank appoints the members of the Board of Directors in line with the local legal regulations (the composition of governance bodies and committees is given in a separate table on page 46). The mandate of the Board of Directors members is four years, in accordance with internal acts, and

can be renewed when it ends. The members of the Board of Directors have good business reputations, rich experience in the field of finance, and adequate qualifications in accord with the regulations of the National Bank of Serbia. The Board of Directors meets at least quarterly (four times a year) and more often if it is necessary. One of the main duties of the Board of Directors is to ensure that the Bank's activities are compliant with the laws, regulations and acts of the National Bank of Serbia, as well as the internal acts of the Bank. The Board of Directors is also responsible before the Bank's internal controls for establishing a unified system of risk management.

The Board of Directors consists of seven members, including the President, with three members being non-executive independent members. During 2013, the Board of Directors of the Bank held a total of ten meetings. Among the most important topics in the context of strategic and business decisions were: regular monitoring of the financial performance and the position of the Bank, strategic and business initiatives, business compliance with the new laws, addressing the issues from the domain of risk management, compliance of operations and audits, overseeing the work of the Board of Directors' committees, harmonization and implementation of the Basel II framework as well as the regular review of policies and procedures from the domain of applying the Basel II framework and internal controls.

The Board of Directors accomplishes a clear governance framework and independence in performing its duties through the adequate composition and expert knowledge of its members. The members of the Board of Directors cannot be members of the Executive Board and the other way around.

There are five specialized committees of the Board of Directors: the Audit Committee, Assets & Liabilities Management Committee (ALCO), Risk Committee, Credit Committee and Remuneration Committee. They assist the Board of Directors in carrying out their activities in the domains of supervision, financial and risk management, internal control and corporate governance, in accordance with local legal framework, internal acts of the Bank and Eurobank Group policies and guidelines.

The Executive Board of the Bank, as a governance body appointed by the Board of Directors, consists of seven members includ-

ing the President. Out of the seven Executive Board members, two members are women (28.6%), and five members are men (71.4%). The Executive Board meets once a week and more often when needed. During last year, there were 48 Executive Board meetings. Among the basic responsibilities of the Executive Board are the supervision of the Bank's daily business activities, the application and execution of the decisions of the Board of Directors and the Bank's Assembly, and securing that the overall organization of the Bank adequately supports the business strategy and aims of the Bank.

The Executive Board also appoints its functional committees that provide help in performing duties in various areas of business. There are nine such committees, which are dedicated to the professional review of the issues in the domains of risk management, business operations compliance regarding the prevention of money laundering and terrorism financing, keeping record of issues related to employees, information technologies, operational work and procurements, introducing new products and services.

The duties and responsibilities of the above-mentioned boards and committees are defined in separate business rules and duty descriptions, adopted by the governance bodies that appoint them. These rules are timely updated. Annual reports on the self-evaluation of the work of the key committees are also conducted and noted, with the aim of identifying and complying with the regulatory framework to an optimal level, while securing adequate system of internal controls and corporate governance culture.

■ INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM

Alongside the governance bodies, the Bank's system of internal controls includes the function of compliance control and the function of internal audit, both independent in their work and accountable to the governance bodies of the Bank, to the Audit Committee, which helps the Board of Directors perform supervision, and to the relevant levels of Eurobank Group as well.

The Bank applies a comprehensive approach to risk management through strategies, policies, procedures, instructions and other internal acts that define the principles of risk management

and mechanisms of identification, monitoring, measuring, reporting and reducing potential risks. Risk management is the subject of regular monitoring by the Executive Board, the Board of Directors, the Risk Committee and the Audit Committee of the Bank. (More information on risk management on page 17)

■ LINKAGE BETWEEN COMPENSATIONS AND PERFORMANCE

The Remuneration Policy of the Bank is an integral part of good corporate governance, defined in accordance with operational model and business strategy of the Bank and the Bank's risk management strategy, whose basic principle is to adjust the individual goals of employees with the long-term business goals and strategy of the Bank, as well as the long-term creation of value for shareholders and all stakeholders.

Compensations have a significant part in attracting and keeping human talent whose performance and contribution to the overall results of the Bank is of extreme importance. Compensation mechanisms include principles that take into consideration employees' skills and performances, while at the same time supporting the long-term business aims. Total earnings of employees consist of a fixed and a variable component.

The Remuneration Policy of the Bank encourages reasonable and cautious risk-taking, and the employee compensation system is founded on attaining business goals and it is symmetrical (i.e. the variable component of the salary is defined according to achieved business goals and involves the bonus-malus principle).

The Bank's Policy applies to all employees of the Bank. Remuneration of certain employee categories is approved by the Board of Directors, at the proposal of the Remuneration Committee, and after it has been ratified by the Eurobank Group Remuneration Committee and the Eurobank Group Supervisory Remuneration Committee.

The Board of Directors prepares and submits to the Assembly the proposal on the compensations of its independent members for their engagement, and after receiving the proposal of the Eurobank Group Supervisory Remuneration Committee. This proposal is prepared based on the Bank's Policy and best banking

practices, in a way which takes into consideration the invested time and performance of the Board of Directors members.

■ SUSTAINABILITY MANAGEMENT

The mission and the vision of the Bank include the principles of social responsibility. The Bank defines corporate social responsibility (CSR) principles and the main directions of the CSR strategy, which is an integral part of the corporate communication strategy. The Corporate Communication and Marketing Department is responsible for the implementation of CSR activities, responding directly to the President of the Executive Board of the Bank and reporting if needed to the Board of Directors of the Bank on the planned strategic approach in the area of corporate social responsibility.

In these challenging times, the management of the Bank will continue to develop and monitor best practices and to strengthen structures and skills further, in order to enable achieving set goals, monitoring the results and their long-term sustainability.

In the forthcoming period, the Bank will make further efforts to strengthen the governance structures and framework in order to secure strategic management, continued growth and monitoring of best practices, with special care and attention given to the highest interest of employees, shareholders and stakeholders.

■ ACCOMPLISHED IN 2013:

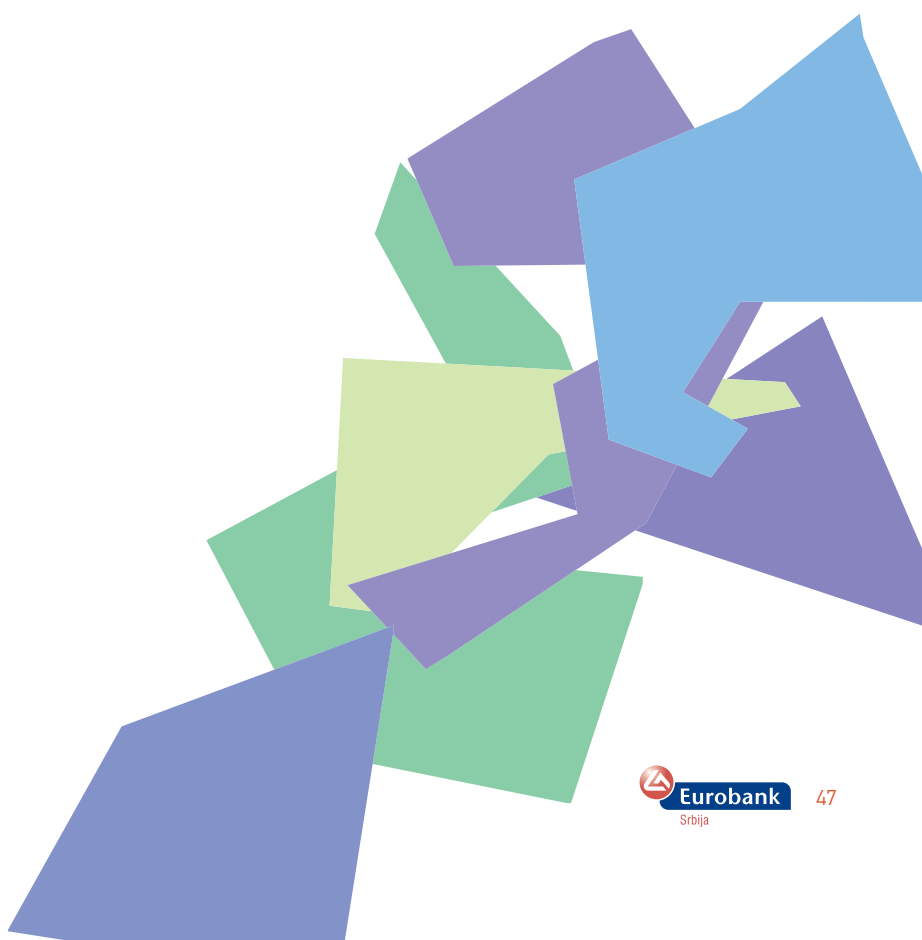
- Protecting interests of all the interested parties by prudential risk management system.
- Responsible management and timely and accurate financial reporting.
- Ethical business and social responsibility regarding all shareholders.

■ GOALS IN 2014:

- Preserving and improving overall corporate governance framework.
- Further improvement of internal controls and risk management frameworks.
- Further strengthening of relations between governance bodies and their expert/functional committees
- Further development of different forms of employee communication with the Bank's governance bodies and shareholders

		Board of Directors	Executive Board	Audit Committee	Risk Committee	Credit Committee	ALCO	Remuneration Committee
Non-executive	A. Hassiotis*	President			x			Chair
	S. Ioannou	x						
	N. Aliprantis	x						
	G. Pentaliotis					Chair		
	V. Gkioulmpaxiotis						x	
	A. Nikolaou				Chair			
Independent & Non-executive	T. Karakasis	x		x			x	
	A. Tschrintzis	x		x				x
	S. Slović	x						
	I. Vujačić	x						
	L. Scaramanga			Chair				
Executive Directors	F. Karamanolis		President		x		x	
	S. Pavlović		x				x	
	V. Zečević		x					
	G. Michalakopoulos		x					
	N. Strugarević		x					
	A. Chatzistamatiou		x			x	x	
	P. Janković		x		x	x	x	
	A. Bursać						x	

* Became member and President in January 2014.



WORKING ENVIRONMENT



WORKING ENVIRONMENT

Global trends in the banking sector during 2013 brought the continuation of the process of adapting to new conditions and challenges in the market. In order to achieve business success, the contribution of all employees is essential. Since its establishment Eurobank Group has defined the improvement of human resources as one of its basic priorities and, accordingly, in 2013 it continued with the selection of high-level professionals, and employee development, training, assessment and rewarding. Beside these aspects, the work of the Human Resources Department also relates to the matters of employee compensations and benefits, administration and regulations in the area of labour relations, as well as internal communications.

■ EQUAL EMPLOYMENT OPPORTUNITIES

Responsible Employment Practices

Eurobank has clear procedures that are applied in the recruitment and promotion of employees. Equal employment opportunities for all persons for any position within the Bank are guaranteed by the Employment Policies and Procedures that are well known to all managers.

The total number of Eurobank's employees in 2013 was 1,491. The average age of Eurobank's employees in 2013 was 40, with 8.5% being under 30, 75.52% under 50, and 16.02% over 50. In comparison with the past year, the differences are slight: 5.5% of employees were under 30, 77% under 50, with 17.5% over 50. The age structure of the Bank's Executive Board members is in proportion with the Bank's employees' average age, with 100% of members being between 30 and 50.

In accord with contemporary trends in the field of financial services, women prevail in relation to the number of men employed in the Bank – 68% women and 32% men. The gender representation in the management of the Bank is balanced so that higher management consists of 41% women and 59% men, middle management of 45% women managers and 55% men, while the proportion among the rest of the employees is 70% women and 30% men. The key criterion in the selection of new employees is their expertise and professional approach to work commitments.

The head office of the Bank is in Belgrade where 65% of employees work. Besides Belgrade, the business is divided into three more regions (Novi Sad, Niš, Kragujevac), with branch offi-

ces in 50 towns across Serbia. More than 99% of employees are local residents. The practice of Eurobank is to employ local workforce, therefore only local workforce is employed in the regions (regional centres), with local residents also holding executive positions within their organizational units.

● Total Number of Employees

By Location (Region)	2012	2013
Belgrade	1,026	1,040
Kragujevac	150	146
Niš	139	148
Novi Sad	157	157

By Gender	2012	2013
Women	1,013	1,014
Men	459	477

By the Type of Contract and Type of Employment	2012	2013
Temporary contracts	125	129
Executives	110	113
Non-executives	1,362	1,378

Employee Structure by Region

	Belgrade		Kragujevac		Novi Sad		Niš	
	2012	2013	2012	2013	2012	2013	2012	2013
Men	32%	33%	28%	26%	30%	30%	29%	30%
Women	68%	67%	72%	74%	70%	70%	71%	70%
Temporary Contract Employees	9%	7%	15%	12%	11%	10%	18%	17%

Employee Age Structure	2012	2013
Under 30	206	196
30–40	750	768
40–50	279	283
50–60	222	229
Over 60	15	15

● Employee Turnover Rate

Turnover	2012	2013
Rate	4.17%	6.84%

The turnover rate is calculated according the formula: (number of employees who have left the company / average number of employees in the reporting period) x 100.

Candidate Selection

In order to fulfil the business needs during 2013, the Bank offered a certain number of new jobs to attract new future colleagues with whom it would achieve a mutually successful relationship. The characteristics that the Bank required from candidates included expertise, team spirit, dynamic nature and readiness for continuous improvement.

The educational profile of candidates is high, with 57.8% of them having college and university education, 38.9% having secondary education, while 3.3% of employees have a master's degree.

In the area of candidate selection, the Bank continued its cooperation with eminent faculties, both local and international educational institutions. The process of candidate selection is based on the values of Eurobank Group, while the criteria for selection include a written assessment, interviews and psychometric methods.

The Bank also has active cooperation with other relevant institutions such as the Association of Serbian Banks, the University of Belgrade, Centre for Career Development and the Academy of Banking and Finance. By allowing internships for students of high schools of economics and law, the Bank has enabled the future professionals' insight into practical knowledge and thus facilitated their further selection of educational profiles. During 2013, a total of 21 high school and university students were on internships.

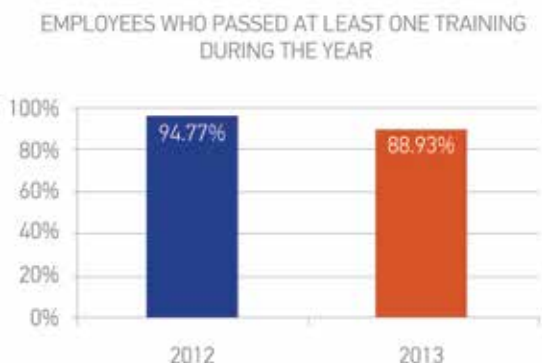
During 2013, the Bank offered its employees internal open competitions for open positions whereby employees were encouraged to participate actively in transfers between departments if they wanted to change the nature of their work, further develop their skills and continue their careers within the Bank. Internal recruitment filled 65% of new positions in the Bank in 2013, which is approximately the same level as in 2012, when 68% of new positions were filled internally.

■ HUMAN RESOURCES DEVELOPMENT

Performance Assessment System

The results the Bank achieved are accomplished by employees' individual contributions, abilities and efforts. For this reason,

great importance was given to an objective assessment of the contribution of each employee. The evaluation process is designed to ensure transparent assessment and is based on clearly defined procedures. The Assessment System relates to the level of achievement of objectives, as well as the competencies shown by an employee, where both quantitative and qualitative criteria provide a complete picture of the achievement. Performance Assessment is done for all employees (100% of employees) who have worked a minimum of three months in the year in which the assessment is carried out. All employees who act as assessors in the annual assessment process have been trained in applying objective evaluation of employees' performance, in line with the Annual Assessment Policy. A part of this process is also defining the area of development in which an employee needs to be provided with further training and advanced training.



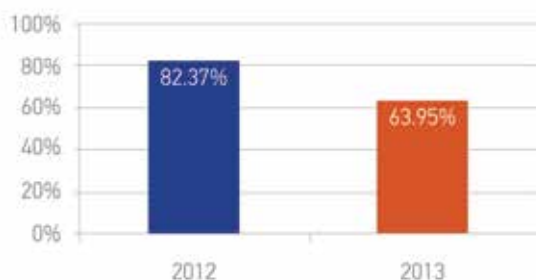
Training

In Eurobank, training is intended for all employees and is adapted to the specifics of the tasks carried out in the Bank. The programs are designed to contribute to the continuous improvement of knowledge and skills in accordance with the annual training plan that is created in cooperation with all sectors of the Bank and according to their business needs. Trainings are based on the combination of theoretical and practical knowledge, and internal training involves colleagues from different sectors who pass their knowledge to training attendants.

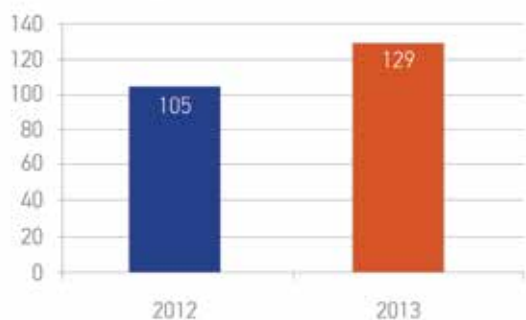
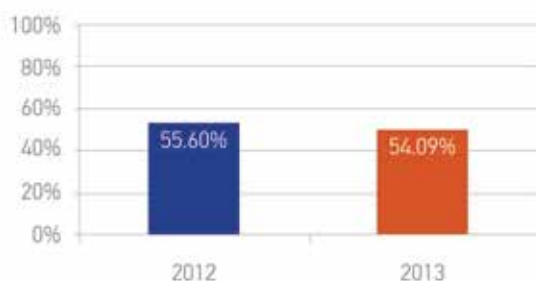
In order to incorporate new employees quickly and efficiently into the work environment, a customized introductory training program (Induction Program) has been established, covering a number of topics depending on the nature of the work that the new employee will perform. Programs that are distinct are: the basics of banking operations (General Banking Knowledge), the basic principles of working with customers (Customer Service), Selling Skills, training for the work with the Bank's operating systems (IT Training) and specialized trainings prescribed by legislation such as trainings in the fields of the prevention of money laundering and financing terrorism.

In 2013, the portion of trainings performed via the Internet (e-learning) compared to traditional methods of classroom teaching remained the same as last year. By using these methods, training was available to all employees in a faster way with significant cost savings. Some of the regular training programs that were available in electronic form are: prevention of money laundering and financing terrorism, code of conduct, products and procedures. At the end of the year, an e-learning program was also initiated on raising employee awareness of fraud risks and the mechanisms of prevention and early detection of fraudulent activities and corruption (Counter Fraud Training). During 2013, 113 executives and 173 branch office directors and their deputies passed this training. In follow-up, the program was extended to all other employees, and by the end of the year, it included 296 of our colleagues, making up for 25% of the total number of employees. This program will be continued in 2014 to include all employees. Committed to its practice of a responsible employer taking care of all its employees, and in accordance with the legislation of the Republic of Serbia, trainings in health and safety at work and fire protection were conducted with the help of external expert lecturers and instructors.

The percentage of employees who passed at least one of the trainings was 88.93% in 2013, which is an indicator within the expected range of last year's 94.77%. The fact that the number of e-learning hours is the same as last year provided opportunities for more employees to attend external, specialized seminars, which resulted in a greater number of trainings compared to last year (129 in 2013 compared to 105 in 2012).

% OF INTERNAL TRAININGS IN COMPARISON TO
% OF EXTERNAL TRAININGS

NUMBER OF PERFORMED TRAININGS

% OF E-LEARNING HOURS IN THE TOTAL
NUMBER OF TRAINING HOURS

The total number of training hours was 15,552 hours, with an average of 10.43 training hours per employee. From the total number of training hours, 2,955 were given out to trainings for managerial staff, making up for 19% of the total number, while the remaining 81% or 12,597 hours were assigned to trainings for the rest of the employees. On average, the same number of training hours was carried out for both categories, with average training time being 10.33 hours for managers and 10.45 hours for other employees.

Harvard Business School Program

Owing to its results and the fact that its participants have rated this program as extremely useful, the collaboration that started in 2008 with the prestigious educational institution Harvard Business School Publishing continued in 2013. The program was attended by 27 participants and all of them completed the theoretical modules and certification tests successfully. The HBS program was enhanced this year with a new module, Harvard Manage Mentor, suited for new groups of participants and their needs. At their disposal was a wide range of titles from the world's leading authors in the areas such as leadership, management skills and coaching. After successfully completing the program, all candidates receive Harvard Business School Publishing certificate.

Specialized Seminars

During 2013, Eurobank continued its practice of having its employees participate in specialized seminars and conferences organized by professional organizations such as the Association of Serbian Banks and the Academy of Banking and Finance. Recognizing the business needs of the Corporate Banking Division, several trainings were organized in the fields of advanced sales techniques and negotiation skills. Regarding the National Bank of Serbia's Decision on Cash Circulation Management, employees from the Business Network Division attended NBS trainings across Serbia.

Certification Programs

In accordance with Eurobank Group's practice, Eurobank helps its employees to secure the necessary certification for performing certain types of work. During 2013, the Bank covered the costs of training and certificates such as ACCA (Association of Chartered Certified Accountants), CIA (Certified Internal Auditor), and certificates that are necessary for colleagues in the IT sector, as well as colleagues from financial and control sectors.

■ EMPLOYEE SATISFACTION

Employee Rights

Employees of Eurobank are guaranteed the right of association, without discrimination based on membership in associations or unions.

In Eurobank there is a union established in March 2011, with 500 members. As employer, Eurobank supports its active and successful work and supports regular communication with union representatives. The idea guiding the union organization in Eurobank a.d. Beograd is to provide space to support and help all the colleagues. In addition, the union representatives organize additional activities such as travels, celebrations, member education, etc. Until the conclusion of a collective agreement, employees' rights are regulated by the Rules of Procedure.

Eurobank respects legal obligations in the field of health and safety at work and implements adequate measures for protection, such as adequate training of employees in safe working, training in fire safety, first aid training and regular control of potential risks in the workplace. Eurobank has adopted documents including the Security Act and the Risk Assessment Act, and it has designated a person responsible for security affairs, about which all employees are notified. The Risk Assessment Act is formulated on the basis of the Law on Safety and Health at Work, which is consistent with international standards so that the Bank operates in accordance with them, although it does not have the OHSAS 18001 standard.

Regarding Risk Assessment Act there were not positions with increased risk in terms of health and safety at work, in 2013 there were neither deaths related to occupational accidents nor occupational diseases that would result in a longer absence from work. In 2013, a total of 17 occupational injuries was recorded, of which 14 injuries occurred in the Belgrade region, 2 injuries in the Niš region and one occupational injury in the region of Novi Sad. Due to these 17 occupational injuries in 2013, the employees spent a total of 5,576 working hours off on sick leave. All the employees who had to go on sick leave due to possible occupational or work-related injuries were paid the full amount of income for the duration of the sick leave, without the deduction that is made for other types of sick leave.

During 2013, the Bank overall noted 138 parental leaves. All parental leaves were maternity leaves as referring to female

colleagues, with only 1 male colleague taking paternity leave in 2013. All 138 persons (100%) returned to work after completing parental leave, occupying the same work positions they had before taking the leave.

■ EMPLOYEE CARE

Compensations (pecuniary compensations) and other benefits

Compensation and benefits policy is based on the principles of competition and rewarding according to achievements.

Compensations for Eurobank's employees consist of a fixed part and a variable part, where applicable. The fixed part is determined on the basis of the professional qualifications (educational level) of the employee, previous work experience and the importance of the position in the local labour market. The variable part consists of bonuses and awards for outstanding achievements. Being a responsible employer, the Bank offers its employees the rights that are above the legal minimum to some extent.

During 2013, the cooperation continued with the renowned Bel Medic General Hospital, where the Bank provided to all employees a free medical examination and, if necessary, further examinations for employees and their family members with special rates and discounts, in order to safeguard healthcare and prevent more serious conditions. General medical practitioners and specialists from this institution held two seminars in 2013 for the Bank's employees and clients, in Belgrade and Novi Sad, addressing the subject of healthcare protection and prevention. In addition, within the Bank's internal magazine there is a section called Healthcare Guide, where employees can find suggestions and advice on healthy eating, stress reduction, importance of physical activity and the like, although there are no workplaces in the Bank that have been recognized as having high risk for serious illnesses.

All Eurobank employees are insured in the case of surgery and / or serious illness, in the event of injury and / or temporary or permanent work disability and in accidents in accordance with the insurance policy paid for by the Bank. In addition, scholarships during regular schooling are paid to the children of deceased employees, and flexible working hours are allowed in special cases (e.g. employees in the Bank's head office in Belgrade who reside outside Belgrade have the opportunity to spend part of the working week in their place of residence).

Complaint Mechanisms

If employees at Eurobank find themselves having reasons to lodge complaints, they can perform it through regular procedures defined either legally (by the Law on the Prevention of Harassment at the Workplace) or by internal policies and procedures such as the Unethical Behaviour Reporting Policy and the Client Complaint Management Procedure. In addition, the employees are free to approach their manager or a representative of the Human Resources Department and file any kind of request or complaint, to be processed according to the stated matter. During 2013, one complaint regarding human rights was lodged and was found groundless, while in 2012 there was none. During 2012 and 2013, there were no complaints by our employees concerning race, gender, religious or other discriminations.

Internal Communications and Engaging Employees in CSR Activities

Quality internal communications can contribute significantly to the increase in motivation and productivity and they are the basis of good relations in the organization, maintaining the understanding between management and employees. If internal communications function properly, employees are more committed to the organization and build a sense of belonging because they see the company as their own.

One of the primary goals of internal communications in Eurobank is to strengthen the image of the Bank in the minds of all employees as a socially responsible company that cares about employees, customers, shareholders and the community in which it operates. Through different communication channels (Intranet, internal Euro News magazine, e-mail, working breakfasts, regular sector meetings) employees are enabled to learn and keep track of all current events, business decisions and changes within the Bank. They can also propose ideas for business improvement and better communication by the introduction of new channels and the like.

Employee volunteering is one more way in which we engage our employees in socially responsible projects conducted by the Bank. The employees understand the needs of the most vulnerable social groups, so they organized themselves to collect toys, clothes and necessities for the Home for Children with Developmental Disabilities in Sremčica, through the Association "Hope

for Children". They participated in the Heart for Children humanitarian action initiated by Blic Foundation, and they volunteered in Kalemegdan Park within Our Belgrade volunteering action.

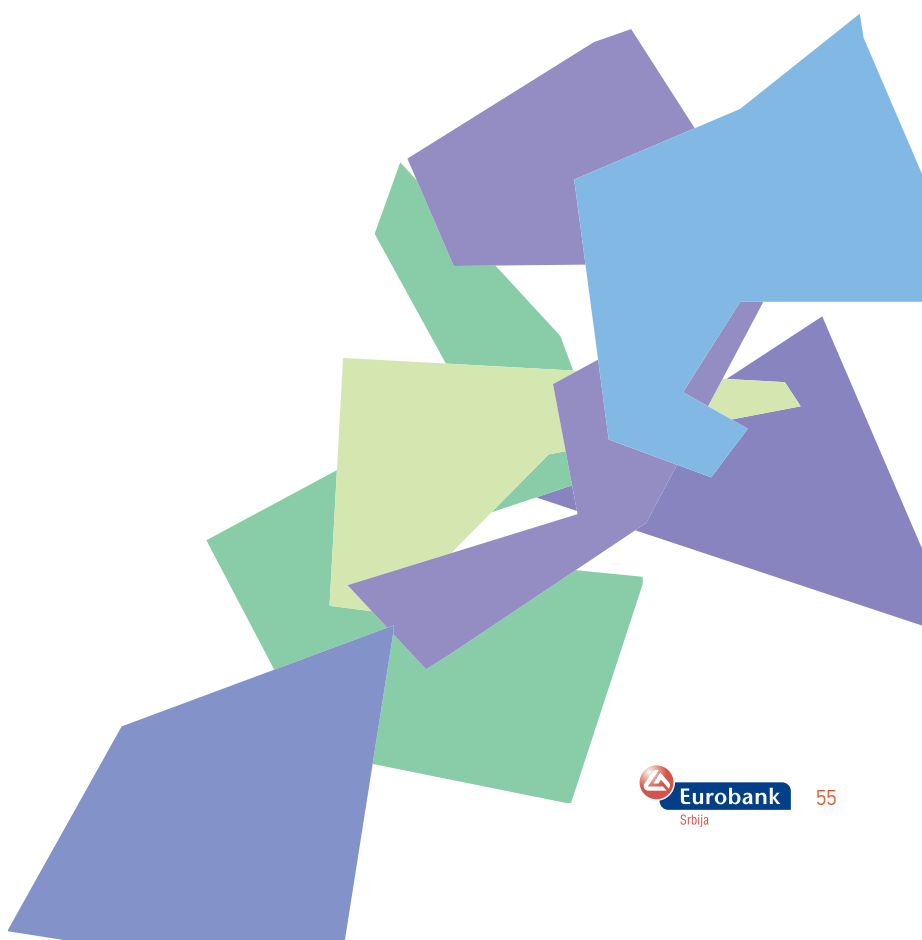
Special attention is being given to individual and corporate volunteering through educational texts in the internal Euro News magazine. The most common kinds of volunteering actions as well as useful links with detailed information are given in order to stress the importance of volunteering.

■ ACCOMPLISHED IN 2013:

- Formation of Corporate Communication / HR Cross-Functional Team, which worked intensively on developing and applying ideas related to the development of employee motivation and satisfaction. These activities included the strengthening and enhancing internal communication at all levels, introducing new trainings, as well as bringing the workplace closer to employees through activities that promote work, family and social values.

■ GOALS FOR 2014:

- Continuing the program to raise employees' awareness of fraud risks and early detection of fraudulent activities – Counter Fraud Training.
- Intensifying the work on implementing the employees' creative ideas and initiatives by the Cross-Functional Team – the Change Management Team, the Business Improvement Team and the Human Resources and Corporate Culture Development Team.



CUSTOMERS



CUSTOMERS

As a stable and systematic bank, which has been successfully operating in Serbia since 2003 with a wide customer base of over 500,000 individual retail clients, companies of all sizes, entrepreneurs and state owned institutions, Eurobank is strategically oriented to its customers. Eurobank makes constant efforts to offer tailor-made and individual solutions for every customer, while retaining their confidence and committing itself to creating and maintaining healthy and long-term mutual relations.

■ PRODUCTS AND SERVICES

With its wide range of products and services, Eurobank tries to meet the different needs of customers in the most efficient and optimal way. In addition to standard banking products, special emphasis is put on ethical products. Our common goal is to build partner relations with our customers and try to find the best possible solution for each one of them.

Customer Support

- **Subsidized Housing Loans** – mortgage loans subsidized by the state of Serbia, for young married couples and clients who did not own property before.
- **MasterCard “Big Heart” Card** – the humanitarian card issued by Eurobank and the Ana and Vlade Divac Foundation; by using it the Bank’s customers provide aid for the rebuilding of children playgrounds in state-owned kindergartens across Serbia.
- **Euro PLATA Golden Years** – a package of products suited for retirees who receive their pensions through Eurobank. This package grants retirees the right to get more favorable interest rates, i.e. lower interest rates on loans and credit cards and higher interest on savings.
- **Savings for Children** – the children's savings account is intended for those who want to plan and provide a secure future for their children through savings while their children grow up. This form of savings offers the most favourable interest rate with monthly accrual of interest.
- **24-Month Rest Period** – for all clients who are unable to pay their mortgage loans because of objective reasons (death, illness, loss of job, etc.).

- During 2013, Eurobank **cancelled all fees and additional costs for accounts used for collecting humanitarian aid**, for humanitarian organizations as well as individuals.

Support for the Economy

- **Subsidized loans for small enterprises and entrepreneurs** – for financing liquidity and working assets at lower interest rate.

■ CUSTOMER CARE

Providing quality service is the key to organizational success, and a satisfied customer directly affects revenues and increases profitability. Eurobank is focused strategically on providing quality customer service and is fully committed to building a competitive advantage on this basis.

- **Developed Business Network** – Services are provided to citizens and companies through a business network of 102 branch offices and business centres across Serbia, located in 50 towns.
- **Special Department in the Bank tends to Customer Care** – This department is responsible for processes and activities that have an impact on customer satisfaction and the main goal is to set up the service for customers at a level that will be our competitive advantage.
- **Accessibility to products and services for people with disabilities** – By adapting both its branch offices and the Bank’s head office and removing physical barriers, Eurobank continuously supports the inclusion of persons with disabilities in normal day-to-day activities, making its premises accessible to everybody. Three Eurobank’s branch offices in Belgrade, and one in Novi Sad, Niš and Zrenjanin, have been refurbished and adapted to provide easy accessibility for persons with disabilities. The Bank’s head office has been fully adapted in line with the Design for All principles, i.e. in accord with the principles of the UN Convention on the Rights of Persons with Disabilities, the international accords which promote and protect the rights and dignity of persons with disabilities.

Eurobank has been granted the Inclusion Certificate by the European Institute for Design and Disability.

Within its long-term collaboration with the Inclusive Society Development Centre (ISDC), Eurobank carried out in its branch offices specialized employee trainings concerning the proper approach to persons with disabilities, as well as using adequate terminology in communication. The Bank's Internet presentation has also been adapted for the needs of persons with disabilities according to the internationally recognized **Web Content Accessibility Guidelines**.

- **Project "Your Opinion Matters to Us"** – A comprehensive platform that actually connects all networks and channels to deliver services and provide customers' easy access to the Bank and communication with the Bank.

Contact Centre – EuroPHONE, 080 1111 44

Official website and e-mail address of the

Bank – www.eurobank.rs;

office@eurobank.rs

A network of 102 branch offices and business centres

Eurobank Center, Vuka Karadžića 10

- **Survey by the Customer Care Department, "How Focused are We on Providing Quality Services"** – The results of the survey are used to define action plans for the surveyed departments, whose fulfilment on a highly satisfactory level would ensure the highest possible standards in terms of approach relating to customer care.
- **Personal Banking** – In 84 Eurobank's branch offices (approximately 75%), customers can use a personal banker as well as a specially marked area that provides an exclusive and discreet service to affluent clients. Personal bankers are exclusively responsible for serving affluent clients and proactively meeting all their needs.

■ ALTERNATIVE COMMUNICATION CHANNELS

- **e-B@nking** – Electronic banking is the modern way for clients to communicate with their bank. Without going into a bank, a client can perform quickly and easily all of the expected transactions.
- **Electronic Bank Statement** – Eurobank provides monthly account / credit card statements via e-mail to its customers, thus reducing the amount of printed-paper and acting responsibly towards nature. With double-sided printing, digitalization of documents and the introduction of electronic statements, total paper consumption was lowered by 23.49% in 2013, compared to the total paper consumption in 2012. (The paper consumption was decreased by 12.26% in 2012, in comparison to total paper consumption in 2011.)
- **Telephone Banking** – The service that enables customers to conduct transactions by talking on the phone with Call Centre operators and obtain information about different products they have in the Bank.
- **APS** – The device that enables customers to repay loans and credit cards instalments, as well as to transfer cash payments to their current account without waiting in line.
- **Official Facebook page** is an important channel of communication with our clients, in order to build closer relations with customers as well as to develop a unique platform that will help the Bank to improve further its image as a modern, transparent and customer-oriented institution.

■ COMPLAINTS MANAGEMENT

Eurobank receives customer complaints expressed both verbally and in a written form. The procedure for managing customer complaints implies various tasks and activities needed to process complaints. The channels for receiving complaints are different: by post, the Bank's official e-mail address, customer centre, the Bank's web site – Customer Care menu, as

well as at the Bank's branch offices. Within the project "Your Opinion Matters to Us", the Bank presented all communication channels that enable customers to give feedback on the products and services. In addition, through special forms composed at the Bank's web site, as well as distinct e-mail address and through social media, customers have the opportunity to express their suggestions, send recommendations and criticisms, and requests to be passed further on to relevant departments to be duly noted and attended to.

Upon receiving a complaint, the Customer Care Department decides to file it as either complaint, question or suggestion, depending on which the request is processed further. All complaints are listed in the main complaints book, with monthly and trimonthly reports being presented for the Executive Board as well as the National Bank of Serbia. Within 30 days, a customer is informed on the status of his/her complaint. In addition, a customer who submits the complaint to the Bank receives additional Customer Care, with an analysis carried out of the customer's satisfaction regarding the processing of his/her complaint. In the total number of complaints in 2013, Eurobank did not note any customer complaints concerning violation of human rights or discrimination. In addition, by guaranteeing its clients safety in the process of using personal data, as defined by the Personal Data Protection Policy, Eurobank did not have any complaints by customers nor regulatory or other official bodies regarding violations of consumer privacy or the loss of customer's personal data.

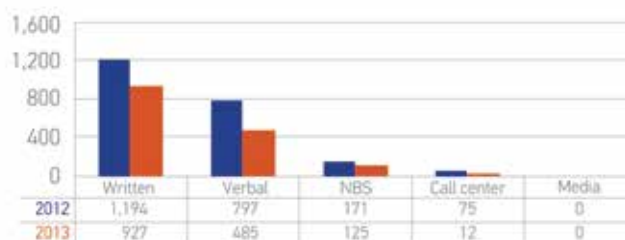
COMPLAINTS OVERVIEW PER MONTH



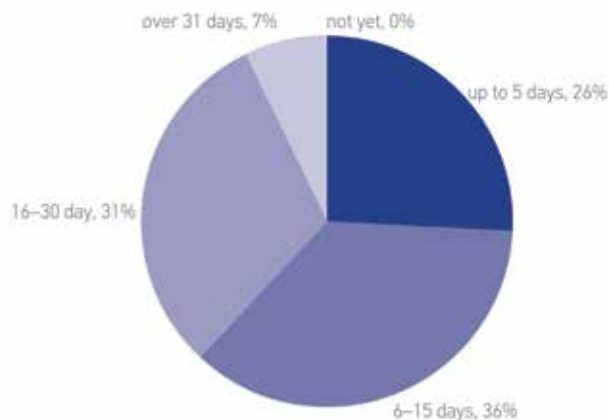
SHARE IN THE TOTAL NUMBER OF COMPLAINTS PER BANK'S SECTORS



COMPLAINTS SUBMISSION CHANNEL



TIME REQUIRED FOR RESOLVING COMPLAINTS



■ CUSTOMER SATISFACTION RESEARCH THE 2013 RESEARCH RESULTS

The Customer Satisfaction Survey methodology entails in its standardized request the quantitative method of analysis – CATI methodology, telephone interviews with the Bank's customers aged 25 to 65, as well as contacts with customers from competing banks. For this research carried out by Eurobank in 2013 in cooperation with a market research agency, a sample of 1,500 customers was used (1,000 from Eurobank and 500 from other banks).

According to the survey's results, general customer satisfaction regarding Eurobank's products and services is 76%, which is a significantly higher result than in 2011, when it was 45%. More accurately, 76% of the respondents rated their satisfaction with the Bank as 4 and 5 (mostly satisfied and completely satisfied). Additionally, 22% of the respondents rated their satisfaction with service as satisfactory, with only 2% of the respondents showing dissatisfaction with the Bank in general. Eurobank's Loyalty Score is 78, also being a better result than in 2011 (73.3).

All the specific features addressed by this survey were also rated very well. The customers are generally satisfied with different features and services offered by Eurobank:

- The highest degree of the Bank's customers' satisfaction is expressed regarding the item "staff", i.e. matters featuring satisfaction with the staff in the Bank's branch offices, with high marks being given to competency, timely provided information, dress code, employee accessibility and their commitment to customer.
- From maximum 5, cordiality was ranked at 4.6, while the waiting time is ranked as lowest, at 4.3.
- The feature that stands out as a service with high satisfaction level is the rate of sending statements (4.4), the frequency of sending information reports (4.47), clarity of statement and completeness of written statements and documents sent to customers.

■ TRANSPARENT ADVERTISING

Marketing communication relating to Eurobank is in full compliance with the Law on Advertising, as well as the Law on Protection of Financial Service Consumers. The Bank has accepted all the objections from the National Bank of Serbia's report and corrected all irregularities immediately.

The information about the Bank's products and services is available on the web site of the Bank. Eurobank has developed an internal document (Working Instruction), relating to responsible advertising and serving as an ethical standard and a confirmation that the Bank operates as a responsible corporate entity. Its standards are applicable in all forms of marketing communication concerning the public, with a special emphasis on advertising. In the cases where an advertisement for deposits or loans contains interest rates or any other numerical data relating to the price or income, the following information is listed: types of deposits or loans, the total amount, the amount and variability of annual nominal interest rate, the amount of the effective interest rate, the period of contract, the costs borne by the user. In 2013, Eurobank did not have any cases of violating regulations concerning the provision of information about a product or service and their indications.

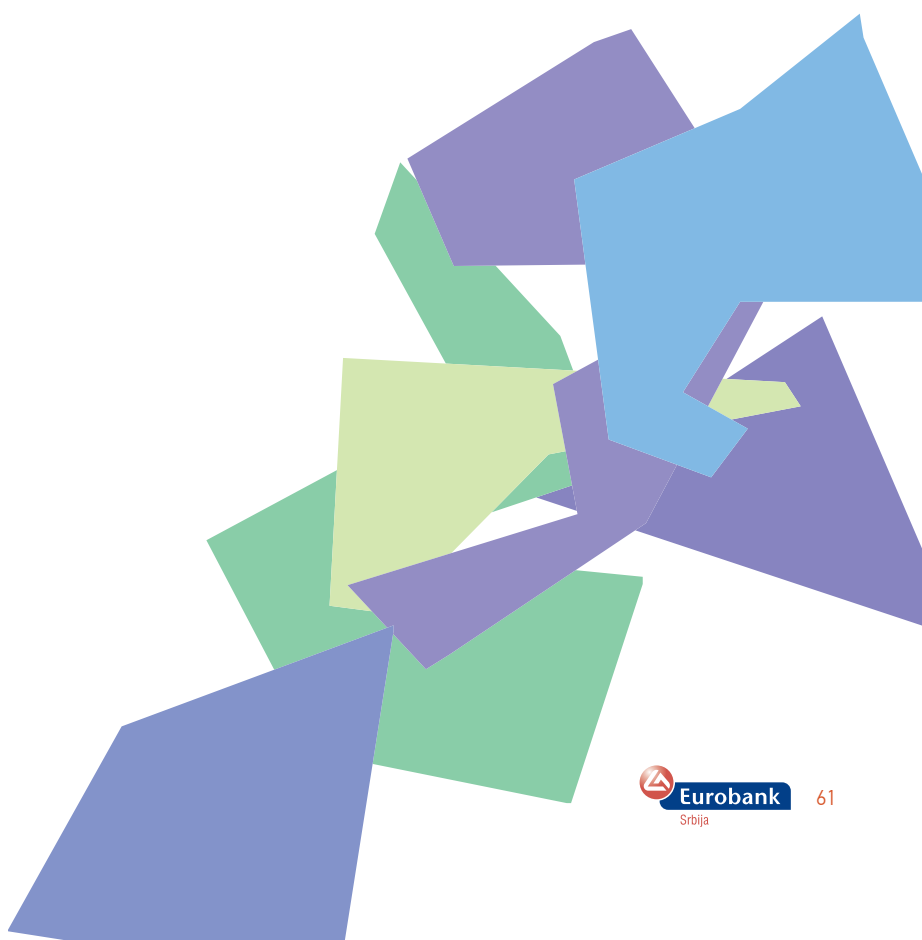
Client Relationship Office, CRO – works closely with the National Bank of Serbia (Centre for Consumer Protection), in order to ensure transparency and objectivity in the management of relations with the customers of the Bank.

■ ACCOMPLISHED IN 2013:

- Consumer Satisfaction Research
- Applying the principles of ethical and responsible advertising

■ CILJEVI U 2014. GODINI:

- Accessible and open communication with customers
- Engaging customers in the Bank's CSR activities
- Conducting the Mystery Shopper Research



SUPPLIERS



SUPPLIERS

Eurobank cultivates transparent relationships with its business partners and suppliers, sets transparent tendering conditions and ensures equal treatment of all participants in accordance with the approved Procurement Policy, which is in accord with the Eurobank Group Procurement Policy. The Procurement Policy defines basic guidelines for procuring goods and services for the Bank and Eurobank Group member companies in Serbia. The Administrative Services and Procurement Department coordinates the procurement of goods and services and facilitates the process of organizing procurements within its jurisdiction. The Procurement Committee is a governing committee subordinate to the Bank's Executive Board. This Committee is the main authority to assess the necessity of investments / costs and the business justification of procurement requests.

■ TRANSPARENT SELECTION AND COMMUNICATION WITH SUPPLIERS

Based on tender requests and invitations to bid, which are in accordance with the above-stated Policy, the obligations of suppliers are defined, with full respect to the specifics of goods / services to be procured, and are the same for all, by which discrimination or favoritism of suppliers is avoided. The Bank uses the electronic tendering platform Ariba, therefore the entire procurement process is automated and transparent, with the aim to reduce paper consumption. After the supplier is selected, a contract is composed as the form by which all necessary details are regulated.

The evaluation of the suppliers with whom the Bank has made a contract is done quarterly, with the participation of the department that is the end-user of the specific service / product. A two-way evaluation is not mandatory, but it is being done on a voluntary basis and depends on the Bank's supplier. The appeals and complaints from suppliers are defined by the Procedure for Evaluation of Suppliers, as well as by the procurement contract. Local suppliers are predominantly present, while foreign suppliers are used mainly for IT equipment, the procurement of which is centralized at Eurobank Group level.

■ INTRODUCING CSR CRITERIA INTO SUPPLIERS SELECTION

As a socially responsible company, Eurobank makes efforts to promote socially responsible practices among its business partners as well. Since 2012, besides economic and technical criteria on which the selection of suppliers is based, other criteria have been included in tender invitations, such as contributions to environmental protection, respect for human rights, and the like.

In accordance with the tender request, the suppliers are demanded to provide the following proofs of responsible business when bidding:

- Confirmation of regular payment of salaries to employees – certificate from the Tax Administration including all public revenues liabilities administrated by the Tax Administration, taking in account that these include regular taxes and fees payments on the basis of payment of employees' salaries
- Confirmation that the company has not been convicted for violating the Labor Law in the last five years, provided on company's letterhead;
- Confirmation that in the past 12 months the company has not had any serious negative events that affected its reputation regarding social and labor legal matters, provided on company's letterhead.

All suppliers, subcontractors and business partners, 124 in total in 2013, passed the control of human rights regulatory compliance, which is a part of the Tender Request for Bids.

Eurobank implements green purchases principles and uses recycled FSC paper solely, while buying machinery with maximum energy efficiency when renewing equipment. Preference is definitely given to purchasing products that feature smaller negative effects on the environment in comparison with their equivalents.

■ SOCIAL ENTERPRISES IN THE SUPPLY CHAIN

Eurobank buys certain products from social enterprises, including them in this way in its supply chain. Therefore, for example, for the third year in a row the Bank has been purchasing soaps from BIOIDEA social enterprise to use them as complimentary gifts to its clients. In addition, the Euro News internal magazine features the work of different social enterprises in order to show their potentials to the internal public i.e. the employees as well.

■ ACCOMPLISHED IN 2013:

- Regular control of suppliers' quality.

■ GOALS FOR 2014:

- Promoting socially responsible practices among suppliers;
- Strengthening support for social enterprises;
- Further improvement of green purchases system.

LOCAL COMMUNITY



LOCAL COMMUNITY

Eurobank has been conducting business across Serbia since 2003, therefore the Bank's socially responsible activities are more complex, nation-wide and planned according to the needs and specifics of the local community in which it operates. When reaching strategic decisions, we appreciate the interests of all the stakeholders – employees, customers, investors, non-governmental sector and others, and we particularly examine the impacts our business makes on the local community. We are making efforts to maximize the positive and minimize the negative effects of our business across all the localities in which we operate, as well as to stimulate their economic and social development. Out of 50 towns across Serbia where Eurobank has branch offices, 10% are located in disadvantaged areas – Bor, Priboj, Vlasotince, Novi Pazar and Prijepolje.

During 2013, Eurobank continued its strategy of continuous investment into the communities where it successfully conducts business, through its comprehensive social responsibility program "Let's Invest in European Values." In agreement with the needs and priorities, we defined key areas of our support: social inclusion, education, healthcare, culture and environmental protection, and in 2013, the focus of our actions concerned the most vulnerable groups – children and persons with disabilities.

■ CHILDREN AND YOUTH

Affinity MasterCard Big Heart Credit Card



As one of market leaders in payment cards, Eurobank assigned this product to accomplish a socially beneficial goal. In cooperation with Ana and Vlade Divac Foundation, we created the Affinity MasterCard Big Heart Credit Card, with humanitarian aims. Concerning

the usage of this card, the Bank renounces its revenue on behalf of the Foundation, which invests the funds for the reconstruction of children playgrounds in state kindergartens across Serbia.

In 2013, the following kindergarten's playgrounds were renovated:

- *Leptirić, Dimitrovgrad*
- *Duga, Zvezdara*
- *Vuk Karadžić, Pečenjevac*
- *Children's playground within the newly built social centre in a Roma community in Požarevac*
- *SOS Children's Village in Kraljevo (setting up the new playground equipment and refurbishing the Village yard)*
- *Children's playground at the Nikola Tesla Airport Belgrade*

When we initiated the project Big Heart with the Ana and Vlade Divac Foundation in 2010, we had high expectations. The customers' trust helped Big Heart to grow bigger each year, therefore exceeding our expectations. The figures indicate the success of this project: more than 25,000 Big Heart card users or 32% of the total number of issued cards, and 20 playgrounds renovated across Serbia! Adjusted playground equipment provides access to all our children – without exceptions. Therefore, by joining forces, we provided equal conditions for the children with developmental disabilities to play and learn. In 2013, the Bank's client publishing house Laguna joined this project by granting discounts for buying more than 4,500 books for kindergarten libraries.

In 2013, successful cooperation continued regarding the implementing of this project with local self-governments, which **owing to this project** did not have to allocate their own funds for devastated playgrounds, and also with the preschool institutions in the towns where the playgrounds were being reconstructed, as well as with the Ana and Vlade Divac Foundation. Special focus was put on intensifying the engagement of the Bank's employees for the project, through internal prize contests by inviting all the employees to send their proposals for kindergarten reconstructions. Our employees from local communities took active part in collecting clothes for people from vulnerable groups, helping the project of the reconstruction of kindergarten playgrounds, etc.

The publishing house **Laguna** joined the project in 2013 with the "One Child – One Book" campaign, recognizing the importance of the project and the importance of good books in early childhood for the children's development. The idea to involve Laguna in this project emerged after noticing the fact that state kindergartens had very little books or no libraries at all. In cooperation with Laguna, we made contributions to solving this problem and 250 children's books were donated for every kindergarten whose playground was reconstructed, amounting to a total of 4,500 books.

BIG HEART ON SOCIAL NETWORKS

In mid-2012, we launched the Big Heart Facebook fan page, which has over 15,000 followers. Altogether 20 photo albums were posted on this page featuring reconstructed playgrounds, viewed by 46,000 users so far. The documentary film "Big Heart" has 120 views on YouTube. The project's results were presented with infographics on Facebook and Twitter.

In 2013, 3 playgrounds were reconstructed based on the results of the Facebook prize contest "Small Drawing for a Big Prize" – in Dimitrovgrad, Belgrade and Pečenjevac.

<https://www.facebook.com/Velikosrce>

2013 VIRTUS AWARD FOR PROJECT BIG HEART

For the project Big Heart, Eurobank received the prestigious **VIRTUS** Award for contribution to the local community, presented for the seventh consecutive year by Trag Foundation in cooperation with the Delegation of the EU in Serbia and the Social Inclusion and Poverty Reduction Unit of the Government of the Republic of Serbia.

We communicated the project Big Heart to all the stakeholders: **the customers** – as the Big Heart card users receive monthly reports about the project's progress, as well as SMS notifications, and prior to the New Year's holiday season the Bank sends a letter of appreciation to the customers who use this card the most; **the employees are informed** by e-mail, internal magazine or EUROPORT and upon the opening of every playground **the media** were given media releases, photos and a documentary film about the

project. Officially, the project's results were presented at a media conference in October 2013. There were a total of 411 announcements since the project has been initiated, while in 2013 alone there were 78 announcements, 10% more compared to 2012.

The Best High School Graduates – Rewarding the Best High School Graduates in Serbia under the Auspices of HRH Aleksandar II Karađorđević

In June 2013, Eurobank financially supported for the sixth consecutive year the support program for talented high school students in Serbia, which HRH Crown Prince Aleksandar II Karađorđević arranges in the White Palace in the form of a traditional reward ceremony for 500 best graduate students from all high schools in Serbia. By supporting this program, Eurobank is contributing to the proper education and guidance of young people who are the future of Serbia.

"I Am Super, and You Be Too" – Joint Action of the Municipality of Vračar and Eurobank

The aim of program "I Am Super, and You Be Too" is to support and stimulate the best school pupils who are role models among their generation, showing how rewards are earned by studying and working and how local community rewards their efforts by creating conditions for them to be equal in knowledge and skills with their peers from the developed countries of Europe.

In late January 2013, together with the Bank's management, the representatives of the Municipality of Vračar presented rewards for school pupils from Vračar who achieved the best results at the high school entrance examinations. This is the tenth generation of the best school pupils from Vračar rewarded by the Municipality with the aim to stimulate knowledge, effort and creativity among the young. In 2013, the reward was given to 61 school pupils, while the best five were awarded with a computer.

Financial Inclusion

When the Personal Finance Management program was initiated in cooperation with the banks which are the members of the Working Group for CSR in Banking and Finance of the UN Global Compact in Serbia, the Academy for Banking and Finance and the Chamber of Commerce and Industry of Serbia, our colleagues from Eurobank held interesting lectures with an aim to raise the level of knowledge and skills in the field of finance.

As part of the cooperation with seven high schools that feature the Bank Clerk educational profile, a series of lectures was held for students and professors. Our colleagues also lectured at the School of Economics and the Legal and Business School in Belgrade, also giving lectures to teachers and professors at the National Bank of Serbia. The aim of these lectures was education about banking products and services – loans, debt reprogramming, Internet banking, savings, as well as other important issues such as inflation, investments, microfinance, and personal financial management in general.

In addition, Eurobank provided internships in its branch offices for 20 high school and faculty students from the School of Economics in Požarevac, Megatrend University, the First School of Economics, the Belgrade Business School, the Belgrade Banking Academy, the School of Economics in Niš, the Faculty of Economics in Kragujevac and the Faculty of Economics in Niš.

Our colleagues from the Retail Banking Division also educated the citizens about savings in personal finances through their columns in daily newspapers.

All citizens can access the Bank's web site and go to Financial Guide – Your Money, in order to obtain information on financial products before choosing one, as well as to ask questions regarding the usage of financial services.

■ ART AND INCLUSION

“Art for ALL”

The initiative for partnership on the project “Art for ALL” emerged to address the problem of unavailability of cultural contents to persons with disabilities. According to official data, more than 700,000 citizens of Serbia has some form of disability whether physical, sensory, mental or psychic in nature, while only 7% of cultural institutions is accessible to the persons with disabilities. Considering that these adjustments are mostly of architectural character, and that none of the state acts prescribes the requirement of the availability of the contents in cultural institutions, it is very simple to answer the question why Eurobank, in cooperation with its long-term partner the Inclusive Society Development Centre (ISDC) and the Serbian Academy of Sciences and Arts (SASA), initiated the project “Art for ALL”. The project “Art for ALL” is the ultima-



te outcome after several years of our cooperation in the activities supporting science and culture and the inclusion of persons with disabilities into regular living and working conditions.

With this joint engagement we provided, above all, the accessibility to the SASA Gallery and the Gallery of Science and Technology for all citizens without barriers (including persons with disabilities, senior people, foreign tourists, and the like), keeping in mind that these galleries are recognized as cultural and science institutions open to all citizens presenting the current trends in contemporary society. In this context, this project provided modern and interactive access to cultural contents, suited for younger generations, by enabling the use of cell phones, tablets or laptops as multimedia guides to exhibitions. The procurement and installation of the multimedia guide and tactile helping devices in the exhibition rooms of the SASA Gallery provided equality and access to cultural contents for persons with disabilities. Every visitor of the Gallery can use cell phone, tablet or laptop to go to links www.galerijasanu.rs and www.galerijasanunt.rt, and download data on the current exhibition, finding out more about the author and the artworks. Free and easy access to multimedia museum guide is provided for every exhibition, no matter how well you see and hear and what language you speak (French, English or Serbian).

On account of this project, Eurobank enabled also its employees to participate together with their children in specialized lectures and workshops at the SASA (for example, on the creative work of Mihailo Pupin, and other topics). The Bank affirmed once again its determination not only to be a responsible financial institution in its business operations, but also a credible partner to cultural institutions.

Primary goals of the project:

- raise public awareness of the importance of the accessibility of art
- develop awareness of tolerance and understanding in Serbian society
- educate citizens and business sector in particular on the possibilities of inclusion of persons with disabilities
- get the media interested in topics they habitually do not give much attention to.

Primary goals of the project are defined in accordance with The Berlin Act of EIDD – Culture for All: a society in which culture remains the preserve of a chosen few is an insecure and unhealthy society.

Мултимедијални музејски водич



на линку

www.galerijasanu.rs

This project was communicated to all the stakeholders in different ways. In order to promote the project, i.e. informing different influential public opinions about the condition of culture, unavailability of its contents and the possibilities of changing this, a media conference was held in May 2013, with the participation of the ISON inclusive choir from Novi Sad. On this occasion, media releases were also printed in the Braille alphabet, and journalists were informed about the ways in which persons with disabilities experience art. The exhibition of the Academy member Vladimir Veličković



was used as an occasion to present the multimedia guide to the public for the first time. Through media appearances and taking part in the documentary film, Mr. Veličković supported the partners' efforts on this project to enable the blind and visually impaired and the deaf and hearing impaired to experience and feel art in a completely new way. The documentary film about the project, in which all the project partners took part, showed in an emotional way the problems persons with disabilities face and brought the attention of the public to the importance of diversity.



At the same time, the message “Art for ALL” was spread on billboards in Belgrade and LED screens in shopping malls, with the infographic designed to get the attention of younger Internet users through facts and statistics, as well as presenting various Facebook activities. Bloggers, online and traditional media conveyed their angle on the story, thereby initiating debate about this neglected social problem.

■ WHAT DID WE ACCOMPLISH?

- 30 media announcements and 6 appearances were made. The effect was increased by the fact that journalists wrote about the project with their own personal impressions, taking active part in the discussion, stimulated by the project's idea.
- Numerous civil society organizations were involved, and over 250 persons attended the opening of the exhibition. The representatives of the Union of the Blind of Serbia emphasized how the blind can display their affinities towards arts through tactile approach to information, as well as through multimedia guide that turns textual descriptions of the images into verbal ones.
- Adjustment of the Academy's gallery spaces stimulated the variety of cultural events as well as a greater number of visits from the general population (30,000 visitors per exhibition on average, 5 exhibitions in total during 2013).
- The film was viewed on Facebook page by 28,600 users, while 350 users confirmed attendance on the event's Facebook page.



■ “CITIES FOR ALL”

As a part of the project “Art for ALL”, the exhibition “Cities for ALL” was organized by the European Institute for Design and Disability, the SASA Gallery of Science and Technology, the Inclusive Society Development Center and Eurobank. The exhibition visited Belgrade after being presented in several cities in Europe and consists of works from the areas of industrial design, architecture and spatial planning, conceived in line with the “Design for All” principles and thus adjusted for everyday use by all people, without barriers. The 3 awarded works from the Moving Inclusive Museum, which travelled around the cities of Serbia in 2010, were also part of this exhibition. The grand opening in March 2013 was enriched by a performance given by the members of the “Music of Silence” mime theatre troop, while the journalists were given media releases in the Braille alphabet along with the usual ones. In addition, a very well attended workshop was held at the SASA Gallery of Science and Technology for architecture students on the subject of availability, with Mr. Pete Kercher, the EIDD – Design for All Europe Ambassador, as a guest lecturer.

■ THE BANK'S DONATIONS AND SPONSORSHIPS

- Donation of toys for the toys library in Mol, Municipality of Ada
- Donation to the Sports Club for Visually Impaired Persons from Kragujevac
- Sponsorship of the Social Entrepreneurship Fair
- Donation to the World Mime Organization

- Donation to the Belgrade Association for Help to the Autistic Persons
- Donation to the Association "Hope for Children" for children without parental care
- Sponsorship of the Book Night in cooperation with publishing house Laguna and Delfi bookshops
- Sponsorship of the Vuk's Festival in Tršić
- Donation to the Society for Persons with Down Syndrome
- Donation for the establishment of the Center for Inclusion, Innovation and Integration
- Sponsorship of the traditional Santa Claus race in Belgrade
- Financial support to publish the book "The General Theory of Employment, Interest and Money" by John Maynard Keynes, in cooperation with the Official Gazette
- Donation of New Year's gift packages for the SOS Children's Village Kraljevo

All interested parties can find applications for sponsorships and donations at web page <http://www.eurobank.rs/doprinos-zajednici>.

All applications are e-mailed to corporatecommunication@eurobank.rs, to be processed by the relevant department that sends a reply within 30 days if there is interest to support the particular project.

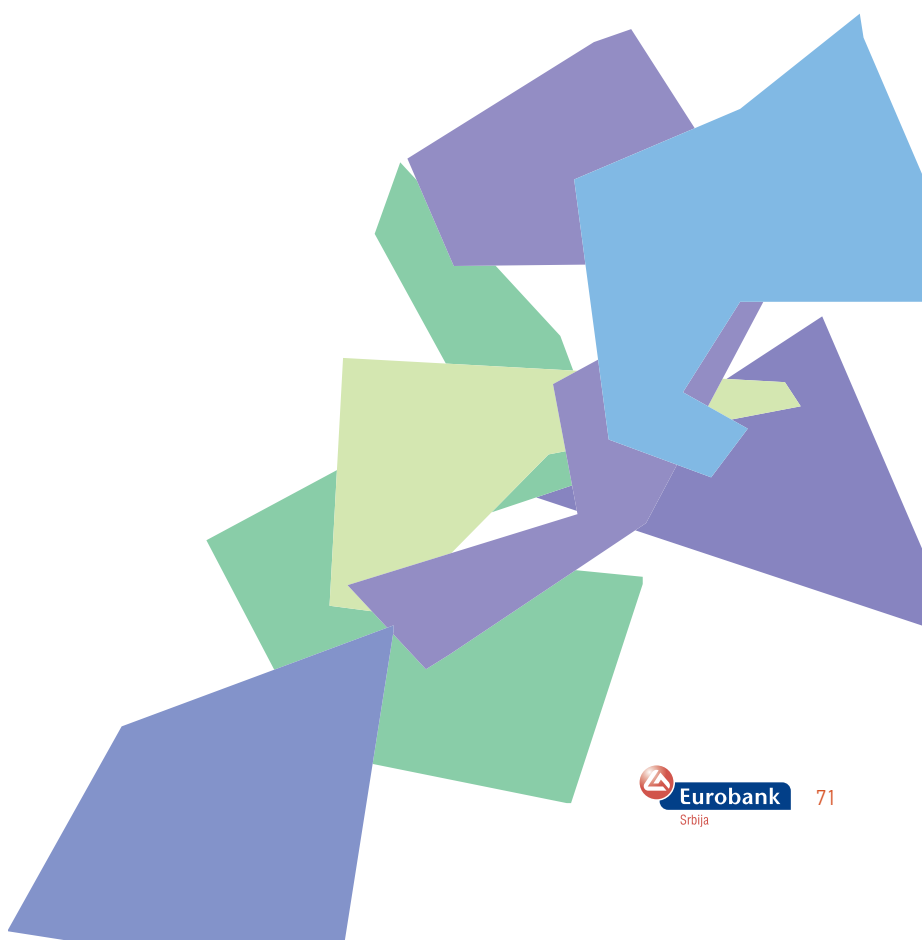
The internal procedure for managing applications for sponsorships and donations regulates the manner in which they are being granted.

■ ACCOMPLISHED IN 2013:

- Improvement of CSR reporting according the international GRI methodology.
- Successful continuation of the program "Let's Invest in European Values", with action focus on children and the young, as well as persons with disabilities.
- VIRTUS Award for contribution to the local community.

■ GOALS IN 2014:

- Deepening partnerships with local communities and civil sector in implementing CSR projects.
- Preparing the Policy on Community Investments to define CSR areas and standards concerning Eurobank in Serbia.



ENVIRONMENTAL PROTECTION



ENVIRONMENTAL PROTECTION

Environmental protection is a precondition for sustainable development and one of the key pillars of corporate social responsibility. In light of this, Eurobank continuously introduces relevant processes in its business operations and undertakes actions with the aim of reducing negative effects on the environment.

The environmental protection policy was adopted at Eurobank Group level in 2003 by the top management. The Bank's environmental aims are defined in the Policy, and explained in detail in the Environmental Management System guidelines, together with implementation recommendations and the examples of good practice. The Department of Environmental Protection, as a part of the Bank's Operations Sector is in charge of this area. The manager of this department reports directly to a member of the top management (a member of the Executive Board). The Bank introduces its policy, guidelines and procedures for environmental protection to all new employees by distributing internal documents such as the Guidelines for Managing Ecological and Social Risks in the Credit Process, the Program of Energy Savings, and the Waste Management Procedures, which are available on the internal portal.

Daily banking operations have a direct effect on the environment, primarily due to the usage of energy, water and paper as well as other natural resources. During 2013, Eurobank continued its activities aimed at reducing negative effects on the environment and gave special attention to responsible financing as a way in which the Bank makes efforts via its clients to contribute to the reduction of indirect influences as well.

■ THE ENVIRONMENTAL MANAGEMENT SYSTEM

Eurobank pays special attention to potential ecological risks that can arise during the performance of daily operations. In order to reduce these risks, the Bank works continuously on the development and adequate application of the Environmental Management System, which complies with the international ISO 14001 standard.

In accordance with our commitment to ecologically responsible operations and our efforts to develop and implement our Environmental Management System, the total effects that the Bank has concerning environment while performing daily operations have been analyzed. The results of this analysis

served as the basis for defining key initiatives aimed at reducing effects on the environment:

1. Rationalization of energy consumption and reduction of greenhouse gases;
2. Paper and paper waste management;
3. Rational use of natural resources (water and energy);
4. Green purchases principles;
5. Reduction of waste generated by performing daily operations;
6. Reusing materials, i.e. printer toners;
7. Process of reusing generated waste;
8. Safe and secure waste disposal;
9. Recycling of all kinds of waste (paper, electrical and electronic waste, packaging waste, printer toners, used batteries and other);
10. Assessment of environmental effects when making decisions on sponsorships / decisions on financing;
11. Development of green products and services.

ECOLOGICAL AND SOCIAL RISKS MANAGEMENT SYSTEM

Financing and responsible management of ecological and social risks are important parts of the business and development strategy of Eurobank. Currently, the Bank is implementing its Ecological and Social Risks Management System into the process of loans approval, in accordance with the international standards and best practices. The ESRM system was one of key elements in establishing good cooperation with the European Bank for Reconstruction and Development. Due to its firm commitments and results, Eurobank received a new revolving credit line from the EBRD within the Trade Facilitation Program.

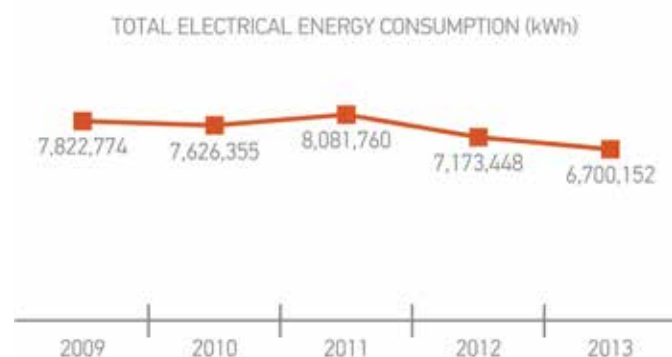
In addition, when approving sponsorship requests and donations, attention is being given also to the assessment of influence on the environment, as one of criteria for reaching decisions and financing projects.

PRESERVATION OF NATURAL RESOURCES

ENERGY AND WATER

Direct energy consumption refers to the burning of natural gas and oil for the needs of heating, while indirect consumption refers to the electrical energy used while performing the daily operations of the Bank.

The Bank monitors and keeps a record of energy consumption in all office spaces where it conducts business. In 2013, electrical energy consumption amounted to 6,700,152 kWh, which is a reduction by 6.6% compared to the total electrical energy consumption in 2012.



Primary Energy Amount

	2012	2013
Natural gas used for heating	394,609 kWh (40,380 m ³)	306,070 kWh (31,690 m ³)
Oil used for heating	241,500 kWh (23,000 l)	256,410 kWh (24,420 l)
Coal used for producing electrical energy		108,887 GJ

WATER CONSUMPTION

	2012	2013
Water Consumption (m ³)*	23,370.00	15,431.00

*The Bank uses water from the public water utilities

ENERGY MANAGEMENT

Implementing an efficient system for energy management and reduction of energy consumption is a very important component of reducing greenhouse gases emissions. To this effect, the Bank undertook the following activities:

- installation of energy-efficient heating systems, ventilation and cooling in all refurbished office spaces.

These activities represent the first phase of our efforts to increase continuously our energy efficiency, which will result in positive effects on climate change.

Despite the fact that the Bank mostly indirectly affects the emission of greenhouse gases (through the consumption of electrical energy), the significance of monitoring the effects on climate change is defined as one of our priorities in the effort to preserve the environment, which resulted in monitoring the consumption of all kinds of energy, as well as gases emissions being made.

TOTAL DIRECT AND INDIRECT GASES EMISSIONS BY WEIGHT

Total CO₂ emissions were measured based on the consumption of direct and indirect energy forms. The conversion of the used energy to carbon-dioxide emissions was calculated on the basis of official calculators from the WRI/WBCSD GHG Protocol.



Energy Resource	CO ₂ Emissions (t)	
	2012	2013
Natural gas	73.09	61.81
Oil	75.59	68.46
Electric energy	4,812.48	4,494.96
TOTAL	4,961.16	4,625.23

■ SOLID WASTE MANAGEMENT

Financial institutions mainly use office equipment and supplies in their daily business operations. The most significant categories of office material are paper, cardboard packaging, computers, electrical and electronic equipment, printer toners and cartridges. Taking this in account, the Bank generates mostly non-hazardous waste while performing its activities. On the other hand, it also uses electrical and electronic waste, which does fall into the category of hazardous waste. Taking all the categories of waste into consideration, Eurobank implemented its Hazardous and Non-Hazardous Waste Management System.

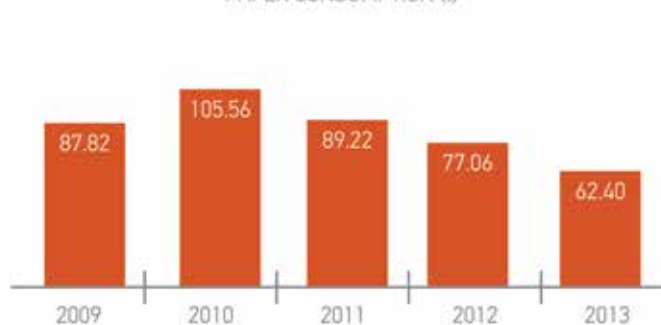
During 2013, the Environmental Protection Inspectors of the City of Belgrade visited several Eurobank branch offices within their regular controls. During the inspections, it was concluded that the Bank sorted the generated waste, stored it for future treatment and handed it over to a licensed operator for further treatment, all in accordance with the Law on Waste Management and the Law on Packaging and Packaging Waste. Since the Bank works in the service industry, other kinds of pollution could not be identified, so the inspection verified compliance in relation to waste management. During 2013, the Bank did not have a single penalty regarding compliance to the environmental laws and regulations.

■ RECYCLING AND PAPER CONSUMPTION MANAGEMENT

In accordance with the basic principles of waste management (reduce, reuse and recycle), Eurobank implemented the Paper and Paper Waste Management System in order to reduce paper consumption as well as waste generated by this consumption. During 2013, Eurobank continued the following activities:

- Usage of electronic account statements;
- Improvement of document digitalization;
- Improvement of print management system, i.e. duplex printing on paper;

PAPER CONSUMPTION (t)



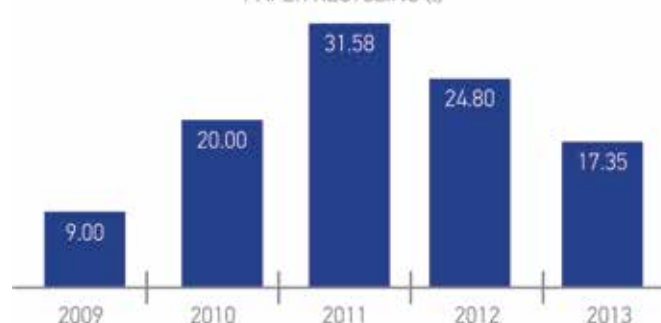
- Printing the Bank's brochures on FSC certified paper whenever possible.

Owing to the implementation of these initiatives, total paper consumption in 2013 was reduced by 23.49%.

Wide introduction of documents digitalization, with a modern and completely safe management system, allowed us to transform operations from paper-based to paper-free, and at the same time providing an improved and faster service to our clients, considering both the costs and the environment by optimizing paper and printer toner consumption.

The undertaken actions reduced the total paper consumption by 12.26% in 2012, as compared to the total paper consumption in 2011, while during 2013 the total paper consumption was reduced by 19% compared to 2012.

PAPER RECYCLING (t)



In addition, the Bank created the procedures for paper waste management. Special baskets for collecting paper, cardboard and plastic waste were placed in all administrative buildings and branch offices.

In 2012, the Bank recycled 24.8 tons of paper, which amounts to 32.18% of the total annual paper supply.

In 2013, the Bank recycled 17.35 tons of paper waste, or 28% of the total annual paper supply.

■ PRINTER TONER RECYCLING

Since 2011, the Bank has implemented the used printer toners management system. All used printer toners and cartridges from the branch offices and administrative buildings are sent for recycling. In 2012, 766 printer toners were recycled, which is an increase of 213.93% in comparison to the 244 toners recycled the previous year. In 2013, a total of 1,667 printer toner cassettes were recycled, or 217.62% more compared to 2012.

■ ELECTRONIC AND ELECTRICAL EQUIPMENT MANAGEMENT

In accordance with the legal regulations governing hazardous waste disposal, Eurobank signed a contract with a company that has all the required licenses for the transport, disposal and treatment of hazardous waste.

■ ACCOMPLISHED IN 2013:

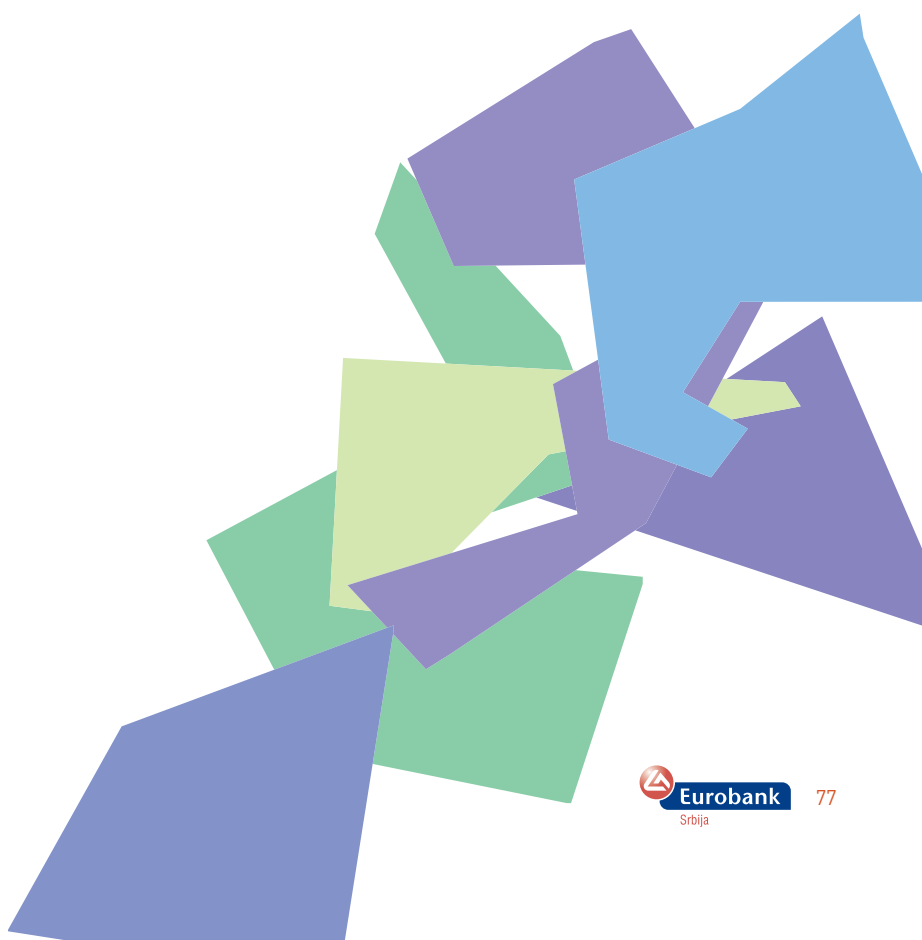
- Educating employees on the reduction of negative effects on the environment;
- Waste management control.

■ GOALS FOR 2014:

- Specification of annual costs and investments related to environment within the annual budget;
- Improvement of energy efficiency – the anticipated budget for energy efficiency improvement in 2014 is EUR 15,000;
- Implementation of waste paper recycling program in all Eurobank branch offices;
- Implementation of packaging waste recycling program;
- Compliance of the internal documents in the area of environmental protection with the changes in the legal regulations of the Republic of Serbia.

Total Amount of Recycled Hazardous Waste Per Year (t)

Godina	
2010	11.36
2011	6.30
2012	3.28
2013	2.46
TOTAL	23.40



GRI INDEX AND INDICATORS



	STANDARD DISCLOSURES	Page
1.	STRATEGY AND ANALYSIS	
1.1.	Statement from the most senior decision-maker of the company	10, 11
1.2.	Strategic approach, key impacts, risks and opportunities in the context of sustainability; table of targets	34, 45, 54, 60, 63, 70, 76
2.	COMPANY PROFILE	
2.1.	Name of the company	33
2.2.	Primary brands, products and / or services	19–23
2.3.	Operational structure	43
2.4.	Location of the company's headquarters	33
2.5.	Number of countries where the company operates	33
2.6.	Legal form and nature of ownership	74
2.7.	Markets served by the company	33
2.8.	Scale of the reporting company	33
2.9.	Significant changes during the reporting period regarding the company size, structure, or ownership	33
2.10.	Awards received during the reporting period	35–37
3.	REPORT PARAMETERS	
3.1.	Reporting period	37
3.2.	Date of the most recent previous report	37
3.3.	Reporting cycle	37
3.4.	Contact person for the questions regarding the report	38
3.5.	Methodology of reporting: defining report content – materiality and prioritized topics, reporting principles	38
3.6.	Boundary of the report	37
3.7.	Specific limitations on the scope or boundary of the report	/
3.8.	The basis for reporting on entities that can affect comparability between organizations or from period to period (joint ventures, subsidiaries, leased facilities, outsourced operations, and other)	/
3.9.	Data measurement techniques and the bases of calculations	38
3.10.	Explanation of and reasons for any re-statements of information provided in earlier reports	/
3.11.	Changes from previous reporting periods in the scope, boundary, or measurement methods	/
3.12.	GRI Index and Table of Indicators	79–82
3.13.	Report Assurance	/
4.	GOVERNANCE, COMMITMENTS AND STAKEHOLDER ENGAGEMENT	
	Governance	
4.1.	Governance structure, mandate and composition of the highest governance body and its committees, including the percentage of women in governance bodies, the age group and minority group membership and other indicators of diversity	43–44

	STANDARD DISCLOSURES	Page
4.2.	Governance and executive function of the Chair of the highest governance body	44
4.3.	For organizations that have a unitary board structure, the number of members of the highest governance body that are independent and / or non-executive members of the organization	46
4.4.	Mechanisms of communications of employees and shareholders with the highest governance bodies	40
4.5.	Linkage between compensations for the members of the highest governance body and senior managers, and the company's business performance	44–45
4.6.	Processes in place to ensure conflicts of interest are avoided	43
4.7.	Process for determining the members of the highest governance body	43–44
4.8.	Internally developed policies and strategies	43
4.9.	Procedures of the highest governance body for overseeing sustainability performance	45
4.10.	Processes for evaluating the highest governance body's performance	44
	Commitments to External Initiatives	
4.11.	Risk management in the context of the UN Precautionary Principle	73
4.12.	Commitment to externally developed initiatives	35, 37
4.13.	Membership in associations	35
	Stakeholder Engagement	
4.14.	List of engaged stakeholders	40–41
4.15.	Process of identification and selection of stakeholders	38
4.16.	Approach to stakeholder engagement	40–41
4.17.	Key topics raised by stakeholders	40–41
	Table of GRI Levels	37

	GRI CATEGORIES AND PERFORMANCE INDICATORS	2012 Status	2013 Status	Page
	EKONOMSKE PERFORMANSE (EC) PRISTUP UPRAVLJANJU			34
1.	EC 1 C Direct economic value generated and distributed	●	●	34
2.	EC 7 C Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	→	→	49
	ENVIRONMENTAL PERFORMANCE INDICATORS (EN) MANAGEMENT APPROACH			
3.	EN 4 C Indirect energy consumption by primary source	→	●	74
4.	EN 5 Add Energy saved due to conservation and efficiency improvements	→	→	74
5.	EN 7 Add Initiatives to reduce indirect energy consumption and reductions achieved * * Key initiatives were implemented in 2012.	→	/	/
6.	EN 8 C Total water withdrawal by source	●	●	74
7.	EN 16 C Total direct and indirect greenhouse gas emissions by weight (CO ₂)	●	●	74–75
8.	EN 22 C Total weight of waste by type and disposal method	●	●	74–76
9.	EN 26 C Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	●	73
10.	EN 28 C Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	/	●	75
	LABOUR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS (LA) MANAGEMENT APPROACH			49
11.	LA 1 C Total Workforce	→	→	49–50
12.	LA 2 C Rate of employee turnover	→	→	50
13.	LA 3 Add Benefits provided to full-time employees	●	●	53
14.	LA 7 C Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region	→	→	53
15.	LA 8 C Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	→	→	53
16.	LA 10 C Total hours of training per employee category	→	→	51–52
17.	LA 11 Add Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	→	→	52
18.	LA 12 Add Percentage of employees receiving regular performance and career development reviews	●	●	51

- fully reported
- / not reported
- partially reported

	GRI CATEGORIES AND PERFORMANCE INDICATORS	2012 Status	2013 Status	Page
19.	LA 13 C Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	/	●	49
20.	LA 15 C Return to work and retention rates after parental leave, by gender	→	→	53
HUMAN RIGHTS PERFORMANCE INDICATORS (HR) MANAGEMENT APPROACH				37
21.	HR 2 C Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken	/	●	63
22.	HR 4 C Total number of incidents of discrimination and corrective actions taken	→	●	54, 58, 59
23.	HR 5 C Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	●	●	52–53
24.	HR 11 C Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	/	●	54, 58, 59
SOCIETY PERFORMANCE INDICATORS (SO) MANAGEMENT APPROACH				65
25.	SO 1 C Percentage of operations with implemented local community engagement, impact assessments, and development programs	●	●	65
26.	FS 13 C Access points in low-populated or economically disadvantaged areas by type	/	●	65
27.	FS 14 C Initiatives to improve access to financial services for disadvantaged people	/	●	57–58
28.	SO 3 C Percentage of employees trained in the company's anti-corruption policies and procedures	/	●	51
PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS (PR) MANAGEMENT APPROACH				57
29.	PR 3 C Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	●	●	60
30.	PR 4 Add Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	/	●	60
31.	FS 16 C Initiatives to enhance financial literacy by type of beneficiary	/	●	66–67
32.	PR 5 Add Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	●	●	59–60
33.	PR 6 C Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	●	●	60
34.	PR 8 Add Total number of substantiated complaints regarding breaches of customer privacy or losses of customer data	/	●	59

- fully reported
- / not reported
- partially reported

