

2022

FINANCIAL AND SUSTAINABILITY
REPORT

CONTENT

FINANCIAL AND BUSINESS REVIEW

	4
Letter to the Shareholders	6
Bank Profile	10
Financial Review	20
Business Overview	29
Government Structure and Risk Management	44

APPENDIX

	66
Independent Auditor's Report	68
Annual Activity Report	77
Financial Statement	100

CONTRIBUTION TO SUSTAINABILITY

	110
Letter to the stakeholders	112
Guiding Principles and Beliefs	114
Economic Contribution	118
Responsible Conduct and Product Liability	120
Development of the Human Capital	121
Reducing the Environmental footprint	127
Investing in Society	135

FINANCIAL AND BUSINESS REVIEW

An aerial photograph of a lush green forest bordering a dark blue lake. The water's surface is covered with lily pads and reflects the sky. A semi-transparent blue overlay with rounded corners is positioned in the upper right quadrant, partially covering the forest and the lake. The text 'FINANCIAL AND BUSINESS REVIEW' is written in a bold, italicized, blue font across the top left of the image.

Letter to the Shareholders from Petia Dimitrova, CEO and Chairperson of the Management Board of Postbank

Dear Shareholders,

For us, 2022 was one of the best in the history of Postbank. Our financial results, which I will elaborate on below in my letter, were achieved in the face of serious challenges. The world went through another turbulent year in which, recovering from the pandemic, it faced new challenges such as the conflict in Ukraine and rising inflation. The Russian invasion of Ukraine at the beginning of the year caused a spike in the prices of oil, natural gas and other commodities of which Russia is a big exporter. This was aggravated by the decision of the European Union to wean itself off Russian gas and the search for alternative suppliers. Food prices were under pressure as grain exports from Ukraine came almost to a halt.

Bulgaria's economic growth is also in a decelerating mode. In the fourth quarter of the year, GDP growth was 2.1%, down from 3.1%, 4.5% and 5.1% in the previous three. Consumption was still the main driver rising by 5.2% YoY. The contribution of the external sector turned negative with exports rising by 8.3% YoY, while the growth of the imports was 10.5% YoY. The lack of large government infrastructure spending and the insecure political and economic environment caused a decline in gross fixed capital formation by 4.3% on an annual basis. The gross capital formation was positive though (2.7% YoY), due to the changes in the inventories. Household consumption enjoyed a boost at the beginning of the year, but the exceptionally high inflation began to take its toll in the second half. The household financial situation has worsened notably and this is reflected in the consumer confidence surveys and in their desire to spend.

Inflation reached its highest level in the past 25 years. Measured through the consumer price index it reached 16.9%. In the first half of the year, the main inflationary force was the price of natural gas which more than doubled compared with 2021. The Consumer price index reached its peak in September at a level of 18.7%, while in the last quarter of the year, it started to decline in line with the lower prices of natural gas. However, as the year progressed inflationary pressures were building in a broad range of categories with the food prices taking the lead and rising by 26.1% YoY at the end of December. The increase of the pensions and the wages additionally fuels the inflation which is expected to remain elevated in the medium term.



Against this background, in a difficult economic situation, I am proud to say that our results show a serious increase in its loans and deposits, a solid improvement in its income and profitability and stable capital adequacy, risk and liquidity ratios. The profit after tax jumped by more than a fifth to 206.8 million leva, very close to the record pre-pandemic one of 210.5 million leva when one-off factors were in play. The return on equity improved considerably – by 1.3 percentage points to 11.2%, while the return on assets was just below 1.4%.

Gross loans increased by 14.5% YoY (1.32 billion leva) to 10.41 billion leva, rising slightly faster than the market which translated into a market share gain of 11 bps to 12.1%. During the year, we were able to achieve a better yield on our portfolio than its peers as it is focusing on profitability and long-term relationships with its clients rather than chasing market share gain at all costs.

Thus, the corporate portfolio rose by just 6.8% (288 million leva) to 4.55 billion leva, while consumer loans increased by almost a quarter (371 million leva) to 1.87 billion leva. The primary focus, however, was on the secured lending. Rising incomes and real estate prices meant that the demand for mortgage loans remained on the high side leading to an increase of more than 511 million leva (close to 20% YoY) to 3.08 billion leva. The SBB segment is also on an upward trajectory with loans rising by 147 million (19.4%) to 908 million leva.

Our record business results were deservedly recognized with more than 20 prestigious awards in just one year, among which I can single out the extremely valuable „Bank of the Year“ prize from the Bank of the Year Association, „Best Retail Bank - Bulgaria“, „Best Consumer Digital Banks - Bulgaria“, from the prestigious World Finance Magazine.

We celebrated 30 years of successful presence in the Bulgarian banking market with a special event under the motto „Together, We Shape the Future“. The event was honoured by the presence of the entire top management of Eurobank Group and the President of the Republic of Bulgaria, Mr. Rumen Radev.

There is hardly a better time to thank the solid support we receive from the Eurobank Group, which stimulates us to develop and be a leading factor in the sector, as well as to the shareholders, thanks to whose faith in our ideas we achieve our remarkable results. I express my gratitude not only to them but also to all employees, and to the entire team of Postbank because all the successes we share are thanks to his dedication and professionalism. I also thank our customers, whose trust gives meaning to all the innovations we offer on the market and the stable place we occupy in the banking system.

With them in mind, in 2022 we introduced more innovative products and services, focusing on offering convenience and added benefits to customers. We continued to support them by developing and implementing modern and high-tech financial solutions that they can use remotely and through their convenient communication channel, with additional added value.

We launched a special Youth Program „Project YOUth“ aimed at children and youth, with the idea of introducing them to the world of banking products and services.

We have launched our latest financial solution that brings together some of the most sought-after products and offers a wide range of attractive value-added banking services - the „Welcome“ program.

We have provided our customers with the innovative service of a new generation EVA - a digital assistant based on AI technology. Intuitive, efficient and modern, the chatbot was created with a vision of the future and is available in all our digital channels, for both current and future customers. In 2022, we expanded the range of users of our ONE wallet by Postbank mobile wallet by making the application available to users who are not customers of the bank.

As a result of these innovations, customers using Internet and mobile banking in 2022 grew by 21% compared to 2021, and the total amount of all transactions through Internet banking increased by 43%.

On the other hand, the growth in the number of transfers through mobile banking in 2022 compared to 2021 is 28%, and the amount of transfers is 49%.

Within just one year, the number of customers using mobile banking for their main banking activities grew by 18%. It is significant that the number of payments made with digitized cards in 2022 exceeded 2.8 million, and the amount exceeded BGN 152 million.

Dear Shareholders,

Protecting the environment and combating climate change are also fundamental to our bank's corporate values. As a responsible financial institution and a leading factor in innovations and shaping the development directions of the sector in the country, we take into account the importance of environmental and climate aspects of our activities in the process of making key management decisions. Among the latest large-scale projects we are undertaking in this direction is the process of renewing the company car fleet, investing in over 50 vehicles with hybrid power to serve our business goals.

We believe that our success as a financial institution is inextricably linked to the serious social aspects of our business, which is why we follow best management practices to ensure our values are respected.

We recognize that climate change and the associated physical risks and risks of the transition to a low-carbon economy are a challenge that opens up a wide range of opportunities. We also accept that business opportunities and the potential to contribute to the benefit of society are inextricably linked, and for this purpose, we are prepared with innovative solutions and financial products. We strive to maintain and expand our position as a leader in the field of sustainable development in Bulgaria by applying a proactive approach to ESG issues.

A sustainable future is important for all of us in the conditions of the modern economy, innovative technologies and digital services. With our Green Credit financing solution, we encourage small businesses with green ideas to realize them freely. The new product is aimed at environmental projects of companies that have clear goals on how they can reduce their footprint on nature - all those small steps that lead to big change.

For our individual clients, we have created a „Green Home Loan“ where we enable our customers to contribute to a more sustainable future while reducing their environmental footprint and realizing their dream of owning a home.

With consumers' growing desire for greener transport, more environmentally friendly behavior and lifestyle, we have tied the ‚green idea‘ into our core consumer lending business and provided our customers with an easy transition to the ‚new‘ future - so we offered our customers the innovative Eco Vehicle Loan product, aimed at financing environmentally friendly electric vehicles.

In June 2022, together with Bulstrad Life, we launched the „Everest V“ insurance-investment product offering, thus responding to consumer interest in financial solutions with the potential for higher profitability.

We invested in our Digital Mortgage Centers, which introduce a new model for fast and convenient customer service. In accordance with the strategy to transform our branch network and provide new and additional opportunities, we have also developed video consultation areas in our offices.

In addition to our core business activity, we continued to focus on the needs of the local community by supporting programs and initiatives together with established institutions and organizations. We have implemented a number of socially significant projects in the fields of entrepreneurship, education, environmental protection, sports and corporate giving. We strive to educate our employees, consumers and the public in a responsible attitude towards everything that surrounds us. Thus, we aim not only to create competitive advantages by including more and more added value in the products we offer but also to reduce our negative impact on the environment by using every opportunity to contribute to the preservation of nature.

We once again proved that we are a „Top Employer“, and in 2022 we became one of the most preferred employers on the Bulgarian market. We also received an award from the Top Employers Institute, which certifies the best places to work in the world. We accept it as recognition for our innovative vision and uncompromising standards in caring for people, for our inspired and exceptional team. First, on the market in Bulgaria, we invested in a unique project - we launched our ambitious partnership with INSEAD - one of the leading business schools in the world. The agreement will allow employees of the bank to join the educational programs of the institute completely free of charge, acquiring additional knowledge in diverse areas such as „Digital Transformation“, „Innovation“, „Strategy“, and „Leadership“.

We continued to actively maintain an internal donation platform to help colleagues with health problems „TOGETHER“. A charity program is planned as one of our main long-term projects, aiming to build on the ongoing efforts to develop employee loyalty and care.

Dear Shareholders,

We expect 2023 to be even better, with even greater motivation and high goals. Therefore, I am proud to share that in December 2022 we announced the acquisition of the Bulgarian branch of BNP Paribas Personal Finance. With the finalization of the transaction, which I expect to happen in the first half of 2023, we will add a new customer base to our portfolio and new opportunities to cross-sell and implement innovative digital solutions for the customers of both financial institutions.

This is another step towards expanding our market share, as we will be the only financial institution in our country to have completed three consecutive mergers in an extremely short period in a challenging environment. The acquisition of BNP Paribas Personal Finance - Bulgaria branch is also a key event for Eurobank Group's strategy to expand its international activities with investment in significant regional markets and businesses, which we expect to continue in the coming years.

Our ambitions and values predetermine the evolution of our success in the future!

Sincerely,

Petia Dimitrova,
CEO and Chairperson of the Management Board of Postbank

BANK PROFILE BANK PROFILE

IMPORTANT EVENTS DURING THE FINANCIAL YEAR



Postbank, with its legal name Eurobank Bulgaria AD, is the fourth biggest bank in Bulgaria in terms of assets, operating with a wide branch network throughout the country and having a significant customer base of individuals, companies and institutions. It has been a leading player in innovations and trendsetter in the Bulgarian banking sector for more than 30 years now, with multiple awards for its innovations. The financial institution holds a strategic place in both retail and corporate banking in Bulgaria. Postbank is among the leaders in the market for credit and debit cards, mortgages and consumer loans, savings products, as well as for products targeted at corporate clients, from small businesses

to large corporate international companies with an established presence in the country. The financial institution has one of the best developed branch networks and modern alternative banking channels, paying special attention to providing high-quality services to its clients.

2022 has been another special year for Postbank, filled with numerous successes and prestigious local and international recognitions for the efforts of the Bank to work with care for people, society and nature, combining the best of traditional and digital banking. Postbank celebrated 30-years of successful presence on the Bulgarian banking market with a special event at Sofia Grand Millennium hotel in October 2022 under the motto „Together, We Shape the Future“. The event was honoured by the presence of the President of the Republic of Bulgaria, Mr. Rumen Radev, and the Greek Ambassador, H. E. Mr. Dimitrios Chronopoulos, who delivered their greetings. Ms. Petya Dimitrova, Chief Executive Officer and Chairperson of the Management Board of Postbank, welcomed in her speech the Chief Executive Officer of Eurobank, Mr. Fokion Karavias, who also delivered a speech, as well as Mr. Stavros Ioannou, Deputy CEO of Eurobank.



In December, Postbank announced the acquisition of the Bulgarian branch of BNP Paribas Personal Finance in accordance with a signed agreement between the two companies. With the finalization of the deal, expected to take place in the first half of 2023, Postbank will add a new client base to its portfolio and new opportunities for cross-selling and launching innovative digital solutions targeting clients of both financial institutions. This is yet another step towards expanding the Bank's market share, with Postbank becoming the only financial institution in this country to have completed three mergers over an extremely short period of time in such a

challenging environment. The acquisition of BNP Paribas Personal Finance – Bulgaria Branch is also a milestone event for the of Eurobank Group's strategy for expanding its international operation through investments in

significant regional markets and businesses, coming shortly after the Group announced expanding its share in Hellenic Bank, one of the biggest retail banks in Cyprus.

In July, Postbank also became the big winner of the 30th anniversary edition of the Bank of the Year Awards organized by the Bank of the Year Association. This is the defining event through which the business community and society at large show their appreciation for the performance of the Bulgarian banking system as a significant part of the national economy. The financial institution was honored for its outstanding performance, high business results and efficiency over the past year, and was awarded the prize for the most dynamically developing bank in Bulgaria. The Grand Prix, „Bank of the Year 2021“, was handed to Ms. Petya Dimitrova, CEO and Chairperson of the Management Board of Postbank, by the President of Bulgaria Mr. Rumen Radev.



A little later in the year, Ms. Dimitrova also received the special distinction Banker of the Year award for the high organic growth achieved by the financial institution in 2022, the award was presented by Ms. Iliyana Yotova, Vice President of the Republic of Bulgaria. These awards, organized for the 29th consecutive year by The Banker Weekly, are traditionally conferred in recognition of managers of financial institutions that have shown the most impressive accomplishments in the current year.

The Bulgarian Credit Rating Agency (BCRA) reconfirmed Postbank's BBB long-term credit rating with a stable outlook in June 2022.

October 2022 marked the start of an ambitious partnership between Postbank and INSEAD, one of the world's leading business schools. The agreement signed between the two institutions will enable employees of the Bank to join the educational programs of the institute and will help them expand their career opportunities by gaining additional knowledge in a variety of areas, such as „Digital transformation“, „Innovations“, „Strategy“, „Leadership“, etc. The financial institution has yet again provided an opportunity for its employees to join a prestigious educational project completely free of charge, giving them a competitive advantage. The curricula of the prestigious business school INSEAD are a source of exceptional educational experience. The institute operates from key locations on three continents and each year, over 11,000 leaders participate in its master classes. The school brings together people, cultures and ideas with the ambitious goal of developing responsible leaders, able to transform the business and society.



Earlier in the year, Postbank won two gold distinctions from the Annual Employer Branding Awards 2022, organized for the fifth time in the country by b2b Media. The Bank was awarded first place in the „Excellence in Teamwork“ category, introduced for the first time to recognize innovative solutions in building a successful and motivated team. The gold distinction in the „Employer Branding Idea“ category was also given to Postbank for its strategic approach in engaging employees, as part of the strengthening of the employer branding. During the

leading awards for best employer, Career Show Awards 2022, Postbank won the gold award in the „Innovations in Personnel Selection“ category and a bronze in the „Employer Branding Strategy“ category.

Звездно откриваме
вселена от нови
възможности



Moreover, Postbank launched its own innovative career portal, designed to present the strengths and advantages of the company as a Top Employer in Bulgaria, the various training and professional development opportunities for its employees, while

also providing easy access to vacancies and career development proposals at <https://careers.postbank.bg/>. The Bank is also among the most sought-after employers at various career fairs and prestigious forums in the country.



At the World Finance Banking Awards in 2022 Postbank won, the Grand Prix for Best Retail Bank in Bulgaria for the fifth consecutive year. These prestigious awards are organized by the reputable publication World Finance, which follows and analyses the global financial industry, business and economy. Postbank's sustainable corporate policy, its rich portfolio of value-adding products and services, and its wide branch network, in combination with its position as a leader in the sector with regard to its approach to innovations, are among the advantages that rank this financial institution among the best globally. A key aspect of the strong leadership and success of retail banking, which Postbank has actively demonstrated over the years, is the high confidence and trust of our clients.

2022 was a consecutive year in a row during which Postbank was named the best custodian bank in Bulgaria. This recognition comes from the prestigious global magazine for capital markets, asset management and investments Global Custodian (www.globalcustodian.com). The publication compiles, on an annual basis, a ranking of the banks offering custodial services, which is based on a survey conducted among their clients.



In June, the institution received a gold award in the „Leader in Digital Transformation“ category of the annual „Company of the Year“ awards organized by The Bulgaria Business Review magazine group. This award came in acknowledgment of the successful implementation of digital solutions for the Bank's clients and its innovative product ONE wallet by Postbank, a last generation mobile wallet.

The distinction was followed shortly thereafter by the three gold awards received by Postbank at the eighth edition of the b2b Media Awards contest 2022. In the „Green Initiative“ category, the financial institution was awarded for its „Green Classroom“

project that has meanwhile grown into a successful and sustainable green initiative implemented in partnership with Mastercard Bulgaria and the Vitosha Nature Park Directorate. The second gold award for the Bank was in the „Innovative Social Media Campaign category, or its digital platform „A Universe of Opportunities“, a venue for presenting projects with social orientation and sustainability in the fields of education, green projects and digital innovations. The program, which was created to mark the 30th anniversary of Postbank, has sparked a broad public interest in 2022, when it had its second edition. Postbank won its third gold award from the contest in the „Campaign with a Cause“ category for its campaign „The Power is in Our Hands“, jointly implemented with Visa Bulgaria, in support of Bulgaria's medical workers in their efforts to fight the COVID-19 epidemic.

For its mobile application Digital Office, Postbank won the silver prize in the „New Service“ category for the campaign „How we Introduced Digital Office at Postbank and Stayed Together“, presented at the seventh edition of the BAAwards 2022 contest, organized by the Bulgarian Advertisers Association. Postbank's social responsibility campaign „The Power is in Our Hands“, implemented in support of Bulgaria's medical workers" efforts to fight the COVID-19 epidemic, was rewarded with a bronze award by the panel of judges in the „Corporate Social Responsibility“ category of the same contest.

In May 2022, Postbank was awarded three prizes by the PR Prix 2022 contest for best achievements in the public relations area. The company also received the EFFIE award in the prestigious marketing efficiency contest EFFIE Bulgaria 2022. The „Every Dream is Worth It“ advertising campaign for consumer loans and mortgages



with overdraft won the bronze award in the most contested category, „Services“, and confirmed once again Postbank's leading position in the financial sector.

MastercardUNIVERSE, the metal credit card issued by Postbank, won a prestigious recognition at the Elan Awards 2021 contest sponsored by the International Card Manufacturers Association (ICMA). The prize for Postbank's card is in the „Environmentally Friendly Cards“ category and comes as an acknowledgment of the innovations in the design, security and technical excellence that went into creating this next-generation special payment instrument.

Postbank was awarded the Innovative Management prize at the 12th edition of the Business Lady 2022 annual awards of the Business Lady club and magazine. The mission of that publication is to give a platform for publicity and visibility to successful business practices and highlight the professional accomplishments of women business leaders in the country.

The institution was rewarded for its steady and consistent support for the shaping up of future leaders in Bulgaria and the region. The recognition came from the American University in Bulgaria and was delivered at an official ceremony marking the 30th anniversary of the founding of that institution of higher education.



A little earlier, the company received the prestigious distinction "Business Honoris Causa" at the annual awards of The 24 Hours Daily, in recognition for its innovative solutions and sustainable contribution of the financial institution in support of the Bulgarian education.

Postbank won the "Green Planet" award , part of the Golden Heart annual awards for charity and corporate social responsibility of Business Lady magazine and club and Bulgaria Business Review magazine. This distinction comes as yet another recognition of the financial institution for its sustainable green policy and constant efforts for cultivating a green consciousness, with the emphasis being on the multi-layered „Green Classroom“ project implemented by the bank in partnership with Mastercard.



The greenest companies operating in Bulgaria were awarded at the 12th unique annual ranking of b2b Media. Postbank won the gold distinction in the „Green Educational Initiative“ category for its project "Green Classroom". Another gold distinction was conferred by the panel of judges upon Postbank in the „Green Idea“ category. This award came in recognition of the series of green projects that the bank has been implementing for several years , seeking to promote a responsible attitude towards the natural resources by motivating as many people as possible to leave their green footprint.

For pursuing its policy in the area of corporate social responsibility Postbank was awarded the prize in the „Business with a Cause“ category. The cause „Future for the Children“ has been part of the financial institution's social programs of this financial institution for over 12 years now.

In the course of 2022, employees of the bank took part in various business forums and conferences, among which the international forum The World Ahead 2022 organized by The Economist in Sofia; the conference „Financial Forum Innovations 2022“ organized by the Bank of the Year Association; the Sofia Economic Forum

2022; the forum Inflation: Crisis and Opportunities; the financial conference on „Bulgaria in the Eurozone: Advantages and Opportunities“ organized by Dir.bg, the Confederation of Employers and Industrialists in Bulgaria (CEIBG) and the Bulgarian Small and Medium Enterprises Promotion Agency (BSMEPA); the annual conference Fintech Summit organized by The Capital Weekly and F27; the forum „Accelerate Green“, dedicated to the policies and practices of promoting green investments in the business sector; the specialized annual financial conference „The Sound of Money“ organized by the profit.bg financial portal; the conference on „Digitization and Cybersecurity“ organized by The Banker Weekly; Residential forum 2022; the prestigious forum „Banking Today“; the FinX Conference 2022 at which leading professionals in the banking sector, entrepreneurs and financial analysts shared their experience and forecasts for the development of markets; the prestigious forum „EXPO MoitePari 2022“; „ #NEXT DIFI 2022“, the leading financial forum on digital finance, fintech and banking innovations; the Finance Academy educational program, and others.

Postbank has successfully integrated the ESG criteria in its portfolio. The successful integration of the ESG strategy in the financial sector was the topic for a panel discussion within the 13th annual Credit Risk conference organized by ICAP Bulgaria.

For the financial institution, environmental, social and governance factors are among the foremost values, alongside the understanding that our duty to nature is a key element of our care for the wellbeing of all stakeholders and society at large.



Postbank has continued to offer diverse solutions and support for its clients, with difficulties in servicing their loans as a result of the challenges brought about by the COVID-19 pandemic of 2020. This financial institution has once again supported the liquidity needs and projects of micro-, small and medium-sized enterprises within the framework of the Recovery program. The bank developed and launched this program in 2021, in response to the challenges posed by the COVID-19 pandemic, its aim being to facilitate access for businesses to loans necessary for them to recover and resume their operation. In 2022, on account of the great interest shown by enterprises and the quick approval and

disbursal of resources, while also taking into account the continuing need to improve access to funding for the Bulgarian business sector, the Fund of Funds allocated BGN 96.2 million in additional resources for ensuring liquidity and providing the funds necessary for new investments, transformation and growth. The funds were provided by OP „Competitiveness, Entrepreneurship & Innovation“ via REACT-EU.

Environmental protection and the fight against climate change are of fundamental importance for the corporate values of Postbank. As a responsible financial institution, a leader in innovation and a trendsetter in the development of the banking sector in the country, the Bank recognizes the significance of the environmental and climate aspects of its operation in the process of making its key management decisions. Among the recent large-scale projects that Postbank has undertaken in that respect is the process of renewing the corporate car fleet; in that, the company has invested in acquiring more than 50 hybrid electric vehicles (HEVs) to serve its business objectives. These vehicles combine the battery power with the output of an internal combustion engine and are a substantial investment contributing to a greener environment by generating less harmful emissions in the environment. For its proactive ESG policy, the bank received recognition in the report „The Future is Green and Inclusive“, by the networks of the UN Global Compact in Eastern Europe.



In 2022, Postbank marked the 7th anniversary of the opening of its first specialized Home Financing Centres; The financial institution has successfully developed and deployed a network of 31 specialized Home Financing Centres in some of the major cities of Bulgaria: Sofia, Plovdiv, Varna, Burgas, Pleven, Veliko Tarnovo, Ruse, Blagoevgrad, and Stara Zagora.

In 2022, the new, innovative Premium Banking centre created by Postbank in the city of Burgas welcomed its first clients. The specialized Premium Banking centre provides a comfortable environment in combination with uncompromising standards of service for the Premium segment of the institution. The financial institution develops in sync with the global tendencies in the banking sector; and provides its clients and partners excellent solutions, spaces and concepts designed to meet their highest expectations.



The first innovative video banking zones set up within a bank branch in Bulgaria have welcomed their first clients. In conformity with our strategy of transforming our network of branches and providing new and additional opportunities to our clients, Postbank has developed zones for video banking consultation within its existing branches. Following the successful pilot deployment of this new model of video banking consultation at Financial Centre Sofia, the bank launched a second Video Banking Consultation Zone, this one located at financial centre Sofia Beli Dunav. The introduction of this new service enables our clients to use a specially designed digital space to communicate with our specialists at the Online Home Financing Centre, as well as those at the Digital Hub of the Small Business Banking division, and receive professional advice and specific recommendations about their preferred financial products.

At a ceremony in Sofia on 25 October 2022, Postbank awarded the top prize of the promotional campaign for Visa debit and credit cards to the winning entrant. The winner received the keys to a brand new premium hybrid vehicle, a Lexus UX 250h Hybrid EXECUTIVE Plus, from Angel Mateev, General Manager, Retail Banking, Rumen Radushev, Manager at the Retail Banking Division of the financial institution, and Krasimira Raycheva, Manager, Visa Bulgaria. The sweepstakes also featured other prizes, including travel vouchers worth BGN 8,000 each to a destination of choice; these went to ten other contestants, all clients of the Bank.



In 2022, this financial institution was a key partner in a series of business discussions held in Sofia, Plovdiv, Stara Zagora, Varna, Ruse, Burgas, Veliko Tarnovo, as part of the project Imoti.bg Annual Awards, which took place for the seventh consecutive year with the aim of promoting good practices in the sector. At their meetings with representatives of the real estate business, experts from the bank discussed the current trends in the development of the sector while, from its perspective as a leader in the lending business, they presented their market analysis, consumer profiles and the most recent terms of applying for home loans at Postbank.

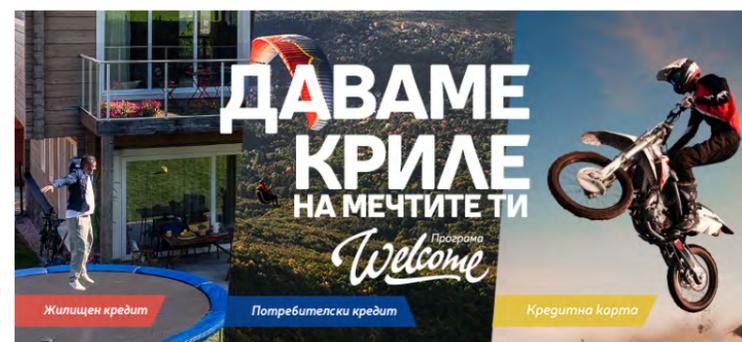
NEW PRODUCTS

In 2022, Postbank introduced more innovative products and services, focusing on improving the ease of access while providing additional benefits for its clients. As a result of the steady development of the financial sector towards digitization, businesses were supposed to be quicker in adopting solutions that provide more convenient services to their clients. Therefore, Postbank also continued to support its clients by developing and implementing modern and high-tech financial solutions that they could use remotely, through their preferred communication channel, thus giving them more added value.

The financial institution launched a special Youth Program called “Project YOUth”, targeting children and young people with the idea of introducing them to the world of banking products and services, cultivating in them the ability to take good care of their own finances. That modern solution was developed to help form financial habits and teach young people to become self-reliant from a young age. At the same time, it provides them with a convenient tool for making their daily payments, for which suitable, age-appropriate limits can be set. Amongst the numerous advantages of this solution are the variety of attractive debit card designs, the advantageous terms of the program, the option of setting individual limits for cash withdrawal as well as for parents or custodians to exercise control of the use of the card. The ownership of a debit card educates young people the virtues of appropriate consumption, responsible behaviour and reasonable management of their personal finances.



To enhance the excellent user experience of our clients, Postbank has developed an innovative design for its debit cards, one that promotes a special sense of style and comfort. The financial institution is the first in Bulgaria to offer its plastic debit cards with a totally new design, with the card holder’s personal data being entirely situated on the reverse side of the card. This latest change reflects Postbank’s aspiration to always deliver to its clients financial solutions and products of a high standard and impeccable quality.



Postbank launched on the market its newest financial solution, which integrates combines some of the most sought-after products while offering a wide range of attractive, value-adding banking services. The “Welcome” Program enables clients of the institution to benefit from obtaining a consumer or home loan in combination with the key advantage of using over 10 additional banking services included in the “My Family” package, free of charge for an entire year. Thus, they have access to the needed funding while saving time, effort and money in their routine banking operations, while also being able to take advantage of the special promotional terms offered by a credit card. With this innovative concept, the bank offers comprehensive banking service based on an all-round approach, thus reaffirming its position as a preferred and trusted financial partner.

In November, Postbank made available to its clients a next-generation innovative banking service: EVA, a digital assistant based on artificial intelligence AI technology. Intuitive, efficient and modern, this chatbot

was developed with a vision to the future, and is available on all digital channels of the financial institution for use by both current and future clients. EVA – Digital Assistant is the only bot on the Bulgarian market set up with the Speech to Text functionality allowing conversion of a voice message to a text format; it is also fluent in both English and Bulgarian. Thanks to this next-generation chatbot, users can get instant answers to their questions, within 1 second, quickly and easily on a channel of their choice: www.postbank.bg, e-Postbank, m-Postbank, Viber, Facebook messenger.



In 2022, Postbank expanded the client base for its mobile payment tool ONE wallet by Postbank by making the application available to users who are not clients of the bank. ONE wallet is the modern answer to the dynamic needs of present-day users; it provides services with an emphasis on convenience, security and perfect control when using contactless card payments or cash transfers by phone. Each registered user of the service is issued a free digital card with access to an electronic cash account, which can be used for contactless payments from POS terminals, online shopping, ordering cash transfers and for taking advantage of the many more convenient options that ONE wallet offers its users.

A sustainable future is important for the Bank and its customers in the current economy conditions,, innovative technologies and digital services. With its Green Credit financial solution, Postbank encourages small businesses having their own green ideas to implement them freely. The new product is geared towards environmental projects of companies that have formulated clear goals as to how they can reduce their environmental footprint. The purchase of electric or hybrid electric vehicles, the generation of green energy from biomass, solar panels or other renewables (up to 35 kW installed capacity), the acquisition of new, energy saving equipment or the replacement of energy wasting machines and equipment with ones that will help protect the environment – all of these are small steps that lead to a big change.



With its innovative „Green Home Loan“, this financial institution enables its clients to contribute to a more sustainable future by reducing their environmental footprint while seeing their dream of a new home come true. The financing solution can be used both for buying an energy-efficient residential property of Class A, or higher, or for refinancing an existing home loan, as well as for energy-efficient home improvements such as renewable energy production through photovoltaic panels, solar panels for production of hot water or investment in smart home energy systems in order to minimize energy consumption.



In June 2022, Postbank and Bulstrad Life launched an insurance-based investment product under the name Everest V, thus meeting consumer demand for financial solutions with the potential for higher returns. The new Life insurance policy integrated with a structured investment product is an exceptional option currently marketed solely by these two companies. Everest V is an alternative to existing savings products that offers repayment in full of the invested capital on the due date and an option for obtaining an attractive return pegged to the performance

of index EURO STOXX 50 ESG (SX5EESG). This index collates the performance of the shares of the top 50 European companies and the economic performance of the Eurozone.

The bank continues to offer its clients a fully remote process of issuance of debit and credit cards allowing clients not just to order their cards online but also to receive them at an address of their choice without having to visit a bank branch at all during the entire process.



Postbank also constantly expands and diversifies its deposit portfolio. To meet the expectations of its clients, in March 2022 the company launched the innovative structured deposit Index Health Care offering an opportunity for extra return. Index Health Care is a long-term deposit in Euro over a 5-year period that offers the option of an interest pegged to the performance of the investment component of index STOXX Europe 600 Health Care. This is a price index based on the performance of the shares of key European companies operating in the healthcare sector. The client invests directly into the companies making up that index, and the potential return is formed on the basis of its performance over the period between the initial and the final date for determining its numerical value.



Another savings product which allows its users to receive additional interest based upon the performance of an index is the structured deposit Index DAX. Introduced in July, it has a 3-year term with return of basic 1% fixed annual interest and an option for additional interest, which itself is based upon the performance of Index DAX on the maturity date of the deposit.

Index ESG Leaders is the latest addition to the rich deposit portfolio of the institution; this is a product with an active ESG policy released in December, that ensures a fixed basic interest for each year of its period, in addition to an option of additional return pegged to the performance of the index STOXX® Europe ESG Leaders Select 30 Price EUR, which traces the performance of 30 European companies that are leaders in terms of environmental, social and governance criteria.



In response to the growing consumer aspirations for greener transport, more nature-oriented behaviour and a greener way of life, Postbank launched the „green idea“ in its core business of consumer lending by offering its clientele the option for a smoother transition towards the „new“ future. ECO Car Loan is the bank's latest product, wholly oriented towards financing the purchase of environmentally friendly electric vehicles.

Postbank is the first certified bank in Bulgaria to have offered, as early as 2021, the modern service of instant payment in Bulgarian leva featured in the Blink Program of the National Card and Payment Scheme (NCPS), a member of BORICA AD*. In 2022, clients of the institution were able to order cash transfers from their current accounts in BGN and EUR throughout the year, 24/7, including on bank holidays, already using the digital banking channels for online banking (e-Postbank) and mobile banking (m-Postbank).

Postbank continued to offer targeted consumer loans for business studies around the world, a product that is unique on the Bulgarian market. It can be used to pay tuition fees for different educational programs like Master of Business Administration, Executive Master of Business Administration, Advanced Management, etc. The

product was created to satisfy the growing interest in financing studies that open the way for career growth and development, as recorded by the bank in recent years.



Clients of Postbank can take advantage of the convenience of the Online Home Financing Centre, which has launched a new model of quick and convenient customer service. The new digital solution integrated in the process of home financing represents a continuation of the services offered by the bank in its specialized home Financing Centres. In this way, the bank has upgraded the service of applying online for a housing loan in order to meet as fully as possible the consumer expectations for remote consulting and communication with the bank in the lending process by transferring it in a fully digital environment.

The bank continues to offer the option of a Savings Home Loan, in which clients are given the opportunity to pay interest only on half of the amount of the loan. This allows them to either pay lower monthly instalments or repay the loan over a shorter period of time.



РЪСТ НА ТРАНСАКЦИИТЕ С ДИГИТАЛИЗИРАНИ КАРТИ
ДАННИ ЗА 2022 Г. СПРЯМО 2021 Г.



Cashless payments continued their upward trend, as evidenced by the latest data Postbank has gathered about consumer habits in 2022. An analysis performed by the institution shows that the customers increasingly prefer to use their electronic cards rather than cash when paying for goods and services, with the share of card purchases over cash withdrawals from ATMs having increased by 14%. In the past 12 months, the total volume of online purchases that clients of this credit institution have made using their debit or credit cards has increased by an impressive 40%. In 2022, the overall value of purchases made using a digitized debit or credit card integrated into a mobile wallet has reached BGN 80 million. Thus, in the course of a single year, the total number of transactions made with digitized bank cards has increased fivefold and the number of users of ONE wallet by Postbank has more than doubled..

EUROBANK BULGARIA AD AS IS

2022 2021

BALANCE SHEET

BGN 000

Net Loans and Advances to customers	10,063,433	8,793,951
Core Client Deposits	13,682,032	12,313,508
Shareholders' Equity	1,936,050	1,787,038
Total Assets	16,365,975	14,490,094

STATEMENT OF COMPREHENSIVE INCOME

BGN 000

Net Interest Income	427,102	367,063
Net Fee and Commissions Income	142,037	123,901
Net trading Loss/Gain	(5,871)	1,884
Other operating income	(291)	2,531
Total Operating Income	562,977	495,379
Total Operating Expense	(237,412)	(207,178)
Deposit Insurance Fund	(19,530)	(15,524)
Provisions for impairment	(75,985)	(84,385)
Profit Before Tax	230,050	188,292
Income tax	(23,224)	(19,066)
Profit After Tax	206,826	169,226

KEY FINANCIAL RATIOS

Total Capital Adequacy Ratio	20.7%	20.58%
Net Interest Margin	2.61%	2.53%
ROA (after tax)	1.4%	1.28%
ROE (after tax)	11.2%	9.91%
Earnings per Share	0.37	0.30
Total funding	14,182	12,490
Fees & Commissions/OPEX	59.83%	59.80%
Provisions/Loans	0.76%	0.96%
Provisions/Operating income	13.50%	17.0%
Cost/Income Ratio	42.17%	41.8%
Net Loans/Deposits ratio	74%	71%

WORLD ECONOMY

The world economy went through another turbulent year. While on the path of recovery from the pandemic, it faced new challenges such as the conflict in Ukraine, the rising global inflation and the resurgence of COVID-19 in China. The Russian invasion in Ukraine in the beginning of the year caused a spike in the prices of oil, natural gas and other commodities of which Russia is a big exporter. This was aggravated by the decision of the European Union to wean itself off Russian gas and the search for alternative suppliers. Food prices were under pressure as grain export from Ukraine came almost to a halt.

In addition to the above, inflationary pressures were fueled by strong demand as consumers rushed to spend more with the easing of the supply chains, including on tourism after the reopening of the borders. The tight labor market and the "anti-inflationary" fiscal support in many countries were other factors for the higher inflation.

The decision of China to remove almost all COVID restrictions was surprising, but optimism quickly waned as the number of infections surged to record levels. Towards the end of the year the economic situation was looking better. Europe managed to fill in its gas storages, while the mild weather reduced the demand for gas. Crude oil and gas prices fell, in some cases even below the pre-invasion levels. Inflation in most countries has peaked as the monetary policy measures began to have the desired effect. Nevertheless, some worrying factors remain such as the deceleration of the trade growth and the fact that in some countries higher consumer spending is against savings. Global GDP growth is projected to decelerate from an estimated 3% in 2022 to 1.7% in 2023, before rebounding back to 2.7% in 2024.

The main downside risks are stubbornly high inflation, further escalation of the conflict in Ukraine, slowdown of China's recovery and a new debt crisis. The latter is especially concerning, because many countries have increased their debt levels during the pandemic and got used to an environment of low interest rates and ample liquidity on the international debt markets. However, as the monetary policy shifts, the countries are faced with significantly higher debt servicing levels, while some might not even be able to get access to funding and will need to take tough decisions. Prolonged inflation is a tangible risk as high core inflation in many countries suggests that the prices will remain elevated for some time.

EU is heading towards stagnation. In the first half of 2022 the economies enjoyed a robust growth fueled by a post-COVID spending spree. However, as inflation was reaching record highs and started to impact the consumers' budgets, the confidence fell and the economies started sliding into recession. Most Member States are expected to experience a short recession in the winter before starting to grow again. In the EU and the Eurozone as a whole the GDP is expected to grow by 3.5%, but by just 0.8% in 2023, (Eurozone: 0.9%), improving to 1.6% in 2024 (Eurozone: 1.5%).

Realizing that the inflation is not a temporary phenomenon, central banks across the world began a rapid tightening of the monetary policy in a synchronous and persistent way. The Federal Reserve raised its policy rate from 0-0.25% in the beginning of the year to 4.25-4.5% by its end with hikes likely to continue in 2023. Rates are at its highest level in the last 15 years and are likely to have a profound effect on economy growth. ECB decided to act later compared to the other major central bank, started in July and by the end of the year it has raised the rate on the deposit facility cumulatively by 2.5% to 2%. Quantitative tightening, however, is yet to come. At the last meeting of the year, ECB announced that the Asset purchase programme (APP) portfolio will decline at a rate of €15 billion per month from March 2023 onwards. The Pandemic emergency purchase programme (PEPP) portfolio will continue to reinvests the principal payments until at least the end of 2024.

ECONOMIC SITUATION IN BULGARIA

Bulgaria's economic growth is also in a decelerating mode. In the fourth quarter of the year, GDP growth was 2.1%, down from 3.1%, 4.5% and 5.1% in the previous three. Consumption was still the main driver rising by 5.2% YoY. The contribution of the external sector turned negative with export rising by 8.3% YoY, while the growth of the import was 10.5% YoY. The lack of large government infrastructure spending and the insecure political and economic environment caused a decline in the gross fixed capital formation by 4.3% on an annual basis. The gross capital formation was positive though (2.7% YoY), due to the changes in the inventories. For the full year the nominal GDP was just north of 165 billion leva, while the real growth was 3.4%. The household consumption enjoyed a boost in the beginning of the year, but the exceptionally high inflation began to take its toll in the second half. The household financial situation has worsened notably and this is reflected in the consumer confidence surveys and in their desire to spend.

Bulgaria's foreign trade is booming, boosted by the higher prices of the energy resources and the inflation. In nominal terms the exports rose by the impressive 40.2% YoY to 87.5 billion leva, while the value of the imports jumped by 44.1% to 108 billion leva for the first 11 months of the year. Exports to EU countries and to third countries was rising almost in parallel – by 39% and 35.5% respectively. However, the import from third countries was rising much faster than from Bulgaria's EU partners – by 59% and 29.5% respectively. The main reason for this are the higher prices of energy resources which make a significant share of Bulgaria's import and accounted for over a third of the increase of both imports and exports in nominal terms. The higher prices of commodities (mainly metals and ores) and food and its derivatives account for most of the rest. The biggest trading partner of the country is Germany with a share of more than 12% of the foreign trade, followed by Romania and Turkey with 8.4% and 7.3% respectively.

In 2022 the foreign direct investments enjoyed a boom and jumped by the impressive 86% YoY to €2.2bn (2.7% of GDP) – one of the highest levels in history in nominal terms. There was a notable shift in the type of investments in the last year. The flow of equity investments and debt instruments was positive (€460m and €470m respectively), while a year ago there was an outflow in both types (€50m and €590m). The reinvested profit was 30% lower than in 2021 (€1.3bn vs. €1.85bn), however, it would have been higher if not for the significant dividends paid by some companies throughout the year. The biggest net inflow of investments came from Switzerland (€483m), Cyprus (€384m) and Austria (€380m). The biggest outflows were to Netherlands (€178m) and UK (€111m).

Inflation reached its highest level in the past 25 years. Measured through the consumer price index it reached 16.9%. In the first half of the year the main inflationary force was the price of natural gas which more than doubled compared with 2021. The Consumer price index (CPI) reached its peak in September at a level of 18.7%, while in the last quarter of the year it started to decline in line with the lower prices of natural gas. However, as the year progressed inflationary pressures were building in a broad range of categories with the food prices taking the lead and rising by 26.1% YoY at the end of December. Hospitality sector and recreational activities were another source of inflation as consumers picked up their spending after all COVID restrictions were lifted. The increase of the pensions and the wages additionally fuels the inflation which is expected to remain elevated in the medium term.

The unemployment rate declined in 2022 to 3.9%, according to the data by the NSI. The number of unemployed was 125 thousand – a decrease of close to 20 thousand people over the last year. The employment ratio in the age group 15-64 years reached a new year-end record of 71.5%. The workforce shrank by about 40 thousand people in the last year and will continue to decrease with a similar pace over the next years which will help keep the unemployment low, but will exercise an ever growing strain on the social security system.

The number of long-term unemployed (unemployed for more than 2 years) remained almost unchanged at about 42 thousand people, while the ones with basic or no education decreased by 5 thousand. The Northwestern region has the highest unemployment rate (6.3%), followed by the Northeastern (5.4%).

The lowest unemployment rate is recorded in the South Central region (around Plovdiv) – 2.7%, while the Southwestern region (which includes Sofia) is a close second with 3.1%.

Tight labor market and the inflation have increased the pressure on the employers to raise the salaries with a pace close to the inflation rate. YoY the increase is 16.2% (inflation was 16.9%) to 1,947 leva at the end of December. In almost all sectors the increase is double digit, while in three it even exceeds 20% YoY – Real Estate, Energy generation and Finance. ITC continues to be the best paying sector with an average salary of 4,669 leva (15.6% YoY), well ahead of the second (Energy generation) where the average salary is 3,265 leva (21.2% YoY).

The public sector is paying an average salary of 2,127 leva (13.7% YoY). Although the salaries in the private sector rose faster – by 17.1% YoY to 1,887 leva, the gap with the public sector remains significant.

The absence of stable government and parliamentary majority throughout the year meant that the government was careful to preserve the financial stability of the country and avoid making large spending on investments. The aim to keep the budget deficit below the Maastricht criteria and thus keep the door open for Bulgaria to enter the Eurozone in the beginning of 2024 also played a significant role in this decision. On a cash basis the budget finished on a deficit of 0.9% of GDP (1.35 billion leva), however, it received a boost in the form of an advance payment from the Recovery and Resilience Facility of 2.7 billion leva. On an accrual basis, the deficit was 2.8%, just below the threshold as per the Maastricht criteria.

Budget revenues were 64.8 billion leva, 12.4 billion more than in 2021. However, some 3.2 billion of them came from the excess profits of the energy companies and another 2.7 billion leva from the Recovery and Resilience Facility. The tax revenues were 46.8 billion leva which is 14% higher than in 2021, but still some 700 million leva below the budgeted revenues. The expenditures rose by 18% YoY (9.8 billion leva) to 64.4 billion leva, however, this number includes 3.2 billion leva one off expenses for energy subsidies. The capital expenditures rose by close to 50% to 5.59 billion leva, but are still around 70% of the budgeted figure. The interest expenditures were 651 million leva or just 4% higher than in 2021, but they are bound to increase in the next years thus restricting other spending. The revenues of the social security funds (mainly pensions and health insurance) were 13.9 billion leva, while the expenditures were 24.4 billion leva – more than 10 billion leva above the revenues – a number which is bound to increase in the next year due to the double digit increase of pensions expected from 1 July 2023.

The state debt rose by 4.6 billion leva in 2022 to 37.1 billion leva (22.9% of GDP). Because of the large nominal increase of the GDP this level is below 2021's (23.4%). In late 2022 Bulgaria returned to the international debt markets issuing 2.25 billion euro in 7 and 12 year maturities with a weighted average yield of 4.5%. In addition, the Government issued slightly more than 2.6 billion leva-denominated securities with an average yield of 2.02%, but also with much shorter maturity – half was in 3.5 year securities.

In 2023 the rating agency FITCH did three reviews of Bulgaria's credit rating and in each of them confirmed the rating of the country at BBB with a positive outlook. S&P did two reviews also confirming the rating at BBB, but with stable outlook. The third big rating agency, Moody's did not make any updates within the year and kept the rating at Baa1.

BULGARIAN BANKING SYSTEM

The results of the banking system beat all previous records. Assets, loans and deposits were growing at an accelerating rate, while growth of income was outpacing handily the expenses. With the quality of the portfolios improving, the provisions were kept at a constant level. The net profit of the banks exceeded the 2 billion mark for the first time and reached an all-time high of 2.08 billion leva, close to 50% higher than in 2021. The return on equity improved considerably – from 8.9% in 2021 to 12.3% a year later, whereas return on assets was 1.4% (2021: 1.1%).

Lending had an explosive growth in 2022. Total loans increased by a record 10.2 billion leva (13.5% YoY) to

86.1 billion leva. In nominal terms, the delta is not only 50% higher than in 2021, but almost three times the one in 2020. Both the retail and the wholesale segments enjoyed a boom – loans to companies increased by 5.7 billion leva (12.3% YoY) to 52.1 billion leva, while loans to households rose by 4.5 billion leva (15.2% YoY) to 33.9 billion leva. In contrast to the previous year, more than half of the new loans to companies were in the form of overdrafts, while the long-term loans (over 5 years maturity) dropped by half. This trend reflects both the need of the companies for additional financing because of the inflation as well as their reluctance to invest in long-term projects in the current economic and political environment.

Both retail segments showed record increases – mortgage loans jumped by 2.6 billion leva (16.1% YoY) to 18.4 billion leva, while consumer loans rose by 1.8 billion leva (12.8%) to 16.1 billion leva. A closer look at the data shows that the best quarter of the year was Q3, while there is a decelerating trend in Q4 as households are preparing themselves for a period of subdued economic activity.

The turning of the interest cycle began to be reflected in the prices of the new loans. From the low point of 2.3% in May, the average rates of the new loans to companies started climbing and reached 3.12% by the end of the year – a level not seen since 2019. Rates on mortgage loans also crept upwards from 2.5% in mid-2022 to 2.6%, while in the consumer lending segment the shift is more noticeable with the rates finishing at 9.65% at the end of the year – a full 1.1 percentage point higher than a year ago.

The increase of deposits was more than impressive – 16.8 billion leva in 2022 (15.4% YoY), almost double the 2021 growth rate and reached 126.2 billion leva. Deposits from financial and nonfinancial companies rose by 10.7 billion leva (close to 26% YoY) to 51.9 billion leva which is more than three times the nominal increase in 2021 and suggests that some companies are faring very well despite the high inflation and the worsening economic prospects. Household deposits also grew by a record amount – 6.2 billion leva (9.1% YoY) to 74.3 billion leva. The gross loans to deposits ratio declined by a single percentage point to 68%, keeping the liquidity buffers of the banks at a solid level. Negative interest rates were quickly abolished in the second half of the year and the banks began to search actively for additional liquidity, anticipating a drop in new deposits in the next year. Interest rates on new deposits went from negative or zero in the beginning of 2022 to around 1% p.a. at its end. This is barely visible in the average rate on the existing stock (a couple of basis points change), but signals that the banks should be prepared to pay more for liquidity in the coming years.

Interest income of the banks rose by the hefty 20% (590 million leva) to 3.63 billion leva. Half of the net increase came from the lending portfolio which is attributed to the higher volumes rather than higher interest rate which are yet to make their mark. However, as rates on the interbank market have gone up in line with the main policy rates, the banks' income from placements went from close to nil in 2021 to just short of 200 million leva in 2022, contributing for 30% of the nominal increase of the interest income. Interest expenses have risen by 120 million leva (42% YoY) to 405 million leva but 95% of this is from derivatives held for trading rather than more expensive funding. Total income was up by 824 million leva (18.5%). Fee and commission income increased by 190 million leva (15.2% YoY) to 1.43 billion leva, while dividend income more than doubled to 362 million leva.

Banks managed to keep the expenses largely under control. Total costs rose by 156 million leva (6.9% YoY) to 2.43 billion leva. However the wage inflation is weighting much more - staff expenses rose by 12.5% YoY (122 million leva) to 1.1 billion leva. The rate of increase is higher than the rise of the average salary in the financial sector suggesting that the banks have to pay more to attract experienced personnel.

The improving quality of the portfolio kept the impairment charges on loans and securities largely flat in 2022. The banks set aside 586 million leva in 2022 which translates to a cost of risk ratio of around 0.72% (2021: 0.82%). The nonperforming exposures ratio reached a new low of 5.17% (2021: 6.55%). The volume of the nonperforming loans dropped by 10% (522 million leva) to just below 4.5 billion leva. Loans overdue more than 180 days fell to 2.23 billion leva, just over half of all nonperforming exposures. The coverage ratio kept rising and stands at close to 78% of nonperforming exposures, some 5 pp higher than in December 2021.

The fast lending growth and the renewed dividend payments by some of the largest Bulgarian banks have eroded the capital adequacy. Total CAD ratio stood at the still solid 20.7% as of December 2022, however, this is more than 1.7 percentage points lower than as of December 2021. The CET 1 ratio was 20% as of the same date.

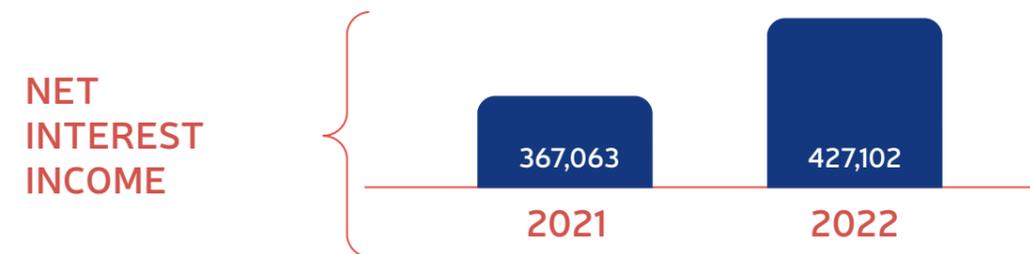
EUROBANK BULGARIA PERFORMANCE AND KEY INDICATORS

The year 2022 was one of the best years in the history of Eurobank Bulgaria. The bank recorded a healthy increase of its loans and deposits, a solid improvement in its income and profitability and stable capital adequacy, risk and liquidity ratios. The profit after tax jumped by more than a fifth to 206.8 million leva, very close to the record pre-pandemic one of 210.5 million leva, when one-off factors were in play. The return on equity improved considerably – by 1.3 percentage points to 11.2%, while the return on assets was just below 1.4%.

Total operating income rose by 14% YoY (68 million leva) to 562.9 million leva. The majority of the additional income came from the higher net interest income compared with the previous year.



Net interest income increased by 16% (BGN 60 million) to BGN 427 million in 2022. The expanding lending portfolio is the biggest contributor for the better results with the repricing of the portfolio having lower weight.



The net fee and commission income rose 15% YoY (18 million leva) to 142 million leva. Several factors contributed for the better fees and commission income – higher spending through cards, foreign exchange operations and bigger volume of money transfers.

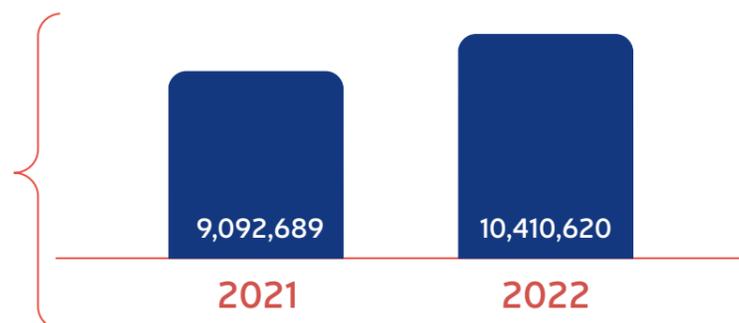


Gross loans increased by 14.5% YoY (1.32 billion leva) to 10.41 billion leva, rising slightly faster than the market which translated into a market share gain of 11 bps to 12.1%. Eurobank Bulgaria is able to achieve better yield on its portfolio than its peers as it is focusing on profitability and long-term relationship with its clients rather than chasing market share gain at all costs. Thus, the corporate portfolio rose by just 6.8% (288 million leva) to 4.55 billion leva, while consumer loans increased by almost a quarter (371 million leva) to 1.87 billion leva. The primary focus, however, was on the secured lending. Rising incomes and real estate prices meant that the

demand for mortgage loans remained on the high side leading to increase of more than 511 million leva (close to 20% YoY) to 3.08 billion leva. The SBB segment is also on an upward trajectory with loans rising by 147 million (19.4%) to 908 million leva.

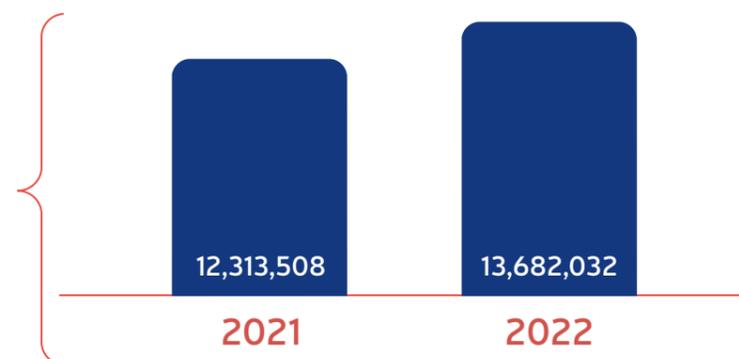
The positive trend in gross loans volumes was supported by the participation of the Bank in various programs of EIF, Bulgarian Development Bank and Fund Manager of Financial Instruments for support of small and medium sized businesses, as well as in the Guarantee agreements under the Pan-European Guarantee Fund in response to Covid-19 with EIF.

CLIENT LOANS GROSS



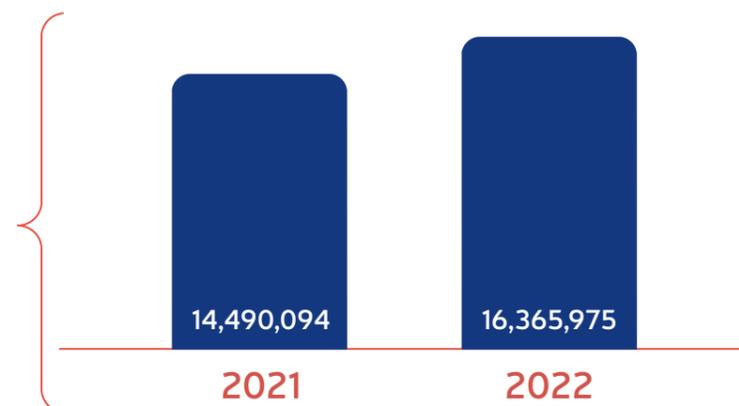
Total deposits rose by 1.37 billion leva (11.1% YoY) to 13.7 billion leva. Retail deposits rose by 914 million leva (10.2% on an annual basis) to 9.87 billion leva. Corporate customers added another 454 million to their accounts (13.5% YoY increase) to a total of 3.81 billion leva. The rate of increase was lower than the market average, but Eurobank Bulgaria chose to utilize some of its liquidity buffers, instead of offering higher interest rates on corporate deposits, thus protected its profitability. Net loans to deposits ratio climbed by about 3 bps to 74%, some 9 percentage points above the market average. Other borrowed funds rose by 309 million leva throughout the year coming from a €50m new medium term loan and a second €110m loan for which Eurobank Bulgaria applied to the regulators to be included as a Tier II capital. Both loans are from Eurobank S.A.

CLIENT DEPOSITS



Loans and deposits growth contributed for the overall increase in Total Assets of 13% on yearly basis.

TOTAL ASSETS



Other operating expenses increased by 14.6% (30.2 million leva) to 237 million leva, where half of the increase was spent on staff which is broadly in line with the average of the market. The costs of installing and maintaining new IT systems and the overall inflationary pressure accounted for a big part of the rest. Cost-to-income ratio remained flat at 42% which is a remarkable achievement in the current inflationary environment.

OPERATING EXPENSES



Provisions for impairment in 2022 were lower than in the previous year – 76.0 compared to 84.3 million leva reflecting lending portfolio quality improvement. Cost of risk decreased by about 20 bps to 0.8%, in line with the average for the system. The nonperforming exposure ratio fell below 4% to 3.8%, a solid 1.1 percentage point improvement compared with year-end 2021. In nominal terms the decrease is around 50 million leva of which half is due to written off loans. The coverage ratio improved substantially for the year – by 21 percentage points to 89%.

PROVISIONS FOR IMPAIRMENT



PROVISIONS/LOANS



Eurobank Bulgaria net profit for the year 2022 is 206,8 million leva. The return on equity improved considerably – by 1.3 percentage points to 11.2%, while the return on assets was just below 1.4%.

NET PROFIT



SHAREHOLDERS'
EQUITY

The total capital adequacy ratio, and the CET1 ratio, at the end of the year stood at 20.7%, including the interim profit for the fourth quarter of 2022 ending on 31 December 2022

CAPITAL
ADEQUACY
RATIO

EVENTS AFTER THE BALANCE SHEET DATE

On 5 December 2022 Postbank signed a put option letter in favor of BNP Paribas Personal Finance SA for the acquisition of its business in Bulgaria. After the successful completion of the Consultation Process, Postbank and BNP Paribas Personal Finance SA signed a business transfer agreement on 20 January 2023. The parties are in a process of satisfying two Condition Precedents – obtaining the Competition Clearance(s) from the Commission of Protection of Competition and BNB Approval. The branch is one of the leaders in the consumer finance market in the country and this acquisition presents a huge opportunity for the Bank to enter into a new fast-developing and high margin segment. In the last more than 15 years, BNP Paribas Personal Finance has built a recognizable franchise on which the Bank wants to build upon and enhance. The acquisition will not only enable Eurobank Bulgaria to increase its market share and target the second place in the segment, but also offers opportunities for cross selling and new ways to service customers.

There are no other than stated above significant post balance sheet events with effect on the financial statements as of 31 December 2022.

ПРЕГЛЕД НА БИЗНЕСА
RETAIL BANKING SECTOR

BRANCH NETWORK DIVISION

In 2022 Postbank branch network continued to operate successfully, maintaining a high level of customer service. Branch Network of the bank is very well developed, positioned and accessible. The bank's 192 branches in 79 cities (67 locations in Sofia and 125 outside the capital) cover more than 75% of the population in the country. In 2022 the Bank continued with developing the new outlook for branches with innovative design with a look to the future and at the end of 2022 the branches with new outlook are 70.

Digitalization of the Branch Network in 2022 is one of the main Bank priorities with strong vision for the future. Related to digital transformation several projects are implemented or are in progress. During the year, the number of Teller Cash Recyclers (TCR) in the branches achieved 46, which reflected in customer service time decrease for cash transactions and improved cross-selling. In 2022, new Express Banking Digital Zones (EBDZ) are installed in branches in Sofia and another cities, reaching the total number of 91 EBDZ, 78 of which have 24/7 access.

The range of documents that can be digitally signed by customers in branch has been expanded, thereby reducing the use of paper, reducing service time and allowing customers to store their transaction documents digitally.

In 2022, a new project was successfully implemented in a large number of branches in the Branch Network for automatic verification of a customer's identity document, as well as the OCR of the document data in the core banking system, thereby saving the time of employees for the manually performed so far checks.

Keeping up the global banking trends of digitization, in 2022 the implementation of dedicated video consultation zones for customers is launched. The rollout of the service allows customers to connect with dedicated experts and receive professional advice and specific referrals for their desired them financial products offered by the bank.

In 2022, Postbank continues to actively strengthen and upgrade long-term relationship of trust and loyalty with our current and new customers. During the year, the quality of the consultation and service offered in the branches continue to being upgraded in order to provide an excellent customer experience. The Bank is actively working to develop the professional skills and competencies of its experts in addition to the regular monitoring of customer satisfaction with the service provided by various units and access channels.

The positive customer feedback and the received high ratings of customer consultation and service confirm the established excellent relationships with clients and proven leadership position of Postbank over time.

STRATEGIC DEVELOPMENT INDIVIDUAL BANKING DIVISION

HOUSEHOLD LENDING

2022 was not an ordinary year for the country in any case. The year started strongly in economic plan, as the pandemic of Covid-19 was brought under full control and recovery and growth were the main focus. Unfortunately, the war in Ukraine has left its mark, causing shocks and twists mainly in the political aspect, leading to yet another political uncertainty. Nevertheless, in purely economic terms, the statistics look positive: the average annual unemployment is 4.3%, the budget deficit is below the 3% limit, and the gross domestic product is 3.4%. The high inflation of an average of 15.3% for the year was almost compensated by the growth of wages of 13.7%, which is a prerequisite for maintaining the purchasing power of the population and consumption, and hence for increased revenues from indirect taxes. As a net exporter of electricity, our country has also benefited from rising energy prices in international markets, resulting in record exports and huge profits for our power plants. Our arms manufacturing complex also registered record exports and increased revenue receipts. There was no catastrophe in the energy industry, despite the suspension of Russian gas to the country. All this helped our country not only to avoid an economic crisis, but even the opposite - the economy continued to grow, and people remained calm about their incomes, although they were worried about the aggravated geopolitical situation.

Against this background, in 2022 the household lending market saw a significant growth of 15% or nearly 2.3 billion euros compared to the previous year 2021. This positive trend of increased credit activity is largely due to the stable macroeconomic indicators of the country in a combination of wage growth, high bank liquidity and, last but not least, record inflation, which increased household expenses, respectively the amount of loans sought. Postbank managed to benefit to a significant extent from these prerequisites and strengthen its market position, taking as much as 23% of growth in the portfolio of consumer loans at the end of the year compared to the previous year, reaching a balance of unsecured loans of 1 billion euro.

In terms of mortgage loans, we are the bank with the largest growth in market share during the year, which reached nearly 17%. As a result of the increase in real estate prices, we also report a growth of 20% in the average amount of the loan. As a trend, we note that spacious two- and three-room apartments remain the most sought-after on the market by customers with a stable, above-average level for the country. However, the number of transactions for the purchase and sale of real estate, as well as the number of concluded mortgages, began to show a slight decline on an annual basis in the second half of the year.

The past year was also a turning point in terms of loan interest rates. The beginning was characterized by an increased demand for credits and falling interest rates, which found their balance during the summer, and at the end of the year we already observed a slight increase in interest rates on newly granted loans to households. All major banks in the market gradually began to update the interest rates of their lending offers, as the main prerequisite for this move was the rising price of the resource with which commercial banks are financed themselves.

CONSUMER LENDING

In 2022, the consumer lending market in Bulgaria recorded a significant growth of almost 13% / 938 million euros / at the portfolio level and 21% in terms of new business volume, compared to the previous year 2021. For comparison, the growth of the market in 2021 compared to 2020 was 11% / 727 million euros/. Postbank moved at a faster pace and recorded a 27% /219 million euro/ growth in the consumer loan portfolio at the end of the year compared to the previous year, which is also the largest portfolio growth, both in percentage terms and in absolute amount from the TOP 5 banks on the Bulgarian market. We also reported a growth in the volumes of newly granted loans of 21%, compared to those realized in the previous year 2021. As a result, the bank took third place in the market at the end of the year with a 12.6% market share according to the official statistics of the Bulgarian National Bank.

2022 started with increased demand for consumer loans. Interest rates on loans were still following a downward trend, and banks were trying to attract as many high-profile customers with above-average incomes as possible. At the end of the summer, the decrease in interest rates slowed down and persisted, and in the fall we already observed the opposite trend - for a slight increase in interest rates on newly granted household loans.

The main focus of Postbank in 2022 was once again accelerated growth in the field of consumer lending with a balanced pricing policy and risk appetite, which is a key step towards achieving the goal of better market positioning and sustainability. Thanks to the continuous monitoring of the market that we carried out, we had the opportunity to adapt the parameters of our loans so as to achieve the necessary flexibility in our pricing policy, in view of the high dynamics of the market, offering the best possible offer conditions for our customers in each a moment. In recent years, the bank has followed the same successful strategy, namely to offer not just individual products, but complete financial solutions with high added value for its customers. In combination with our efforts to constantly improve the quality of service and the new technologies that we are actively implementing in the field of digital banking, we manage to attract and retain many good customers with us. We understand very well that our customers need diverse banking services in the entire possible banking palette, therefore we strive to offer everything for everyday banking, with which we achieve a high level of customer satisfaction and belonging to our brand.

Following the dynamics and trends of the market, at the very beginning of the year we bet on the proven business strategy of attracting more new customers with the transfer of the salary to the bank, which is the basis for building long-term relationships. We offered our customers a consumer credit with a pre-approved overdraft with 0% interest for 12 months, which proved to be an extremely well-functioning financial solution. The product offer was positioned in the light of an impactful message supported by a massive advertising campaign and an innovative creative concept „Every dream worth it“. In the current highly competitive environment characterized by aggressive pricing behavior by our competitors, this product and marketing strategy has helped us move closer to achieving our ambitious commercial targets and provide a good foundation for our business growth during the year.

We also focused our efforts on offering competitive and flexible lending solutions, including a refinancing offer with the aim of consolidating loan debts, which responded to the increased interest from customers looking for solutions to optimize costs by reducing monthly loan payments. Over 41% of all loans granted during the year are loans for refinancing and debt consolidation.

Thanks to our targeted approach for attracting solvent customers, as well as those with stable incomes from developing sectors, at the end of the summer months we achieved another impressive, even record-breaking results, realizing a 47% growth in the volumes of newly granted consumer loans, compared to the same period of the previous year, significantly exceeding the set budget goals.

At the end of the summer, we launched a completely new product concept and communication platform „WELCOME“, providing many conveniences and price advantages to our customers. The program is unique on the market as it covers three business lines in lending to individuals - consumer, mortgage loans and credit cards. The focus is on the credit product in combination with the everyday banking solution - „My Family“ package program, with no fee for a whole year and free use of over 10 banking products and services. „WELCOME“ focuses on life happening right here and now, and everything we experience is the result of our decisions and actions. The key to realizing our goals is the financial solution that Postbank offers, with which we say „Welcome“ to our plans, ideas or dreams. With the new powerful message, we aim to make our customers feel special by receiving quality banking with many practical benefits and advantages. As a result, in the last months of the year we confidently continued with the good performance, managing to realize a 27% growth in volumes compared to the same period of 2021.

At the end of the year, we also launched a completely new process for remote application and granting of consumer loans for new customers for the Bank, as a building step to the already existing remote banking capabilities. The focus of our new digital program was the customer experience and the ease with which our new customers can get the necessary financing without visiting a Bank office. Thanks to the simplified procedure and only through their mobile phone, new customers for the Bank could register and remotely sign all the necessary documents in just a few easy steps. Thanks to this, Postbank confidently positions itself as a high-tech bank, providing wide opportunities for banking from anywhere on the globe, even for customers who have never visited a Bank office before.

As a result, through its innovative products, high-tech solutions, visionary solutions, balanced policy and multiple sales channels, Postbank has once again strengthened its position as a leader in the segment, offering high-quality services to its customers with an eye towards even greater ambitions in the future.

MORTGAGE LENDING

Postbank ended 2022 as one of its most successful years in the mortgage business. As a result of numerous successful business initiatives, innovative financial solutions and distinctive marketing campaigns, for another year we managed to distinguish from the competition and strengthen our market position.

Regardless of the fact that during the year there was an increase in real estate prices and there were indicators of a certain cooling in demand, in terms of newly granted residential mortgage loans, the Bank realized a 46% growth in new volumes in 2022 compared to 2021, as the initially targeted high levels were exceeded.

The mortgage portfolio of Post Bank reached BGN 3.09 billion by the end of 2022 compared to BGN 2.58 billion a year earlier, marking a growth of 20%, and exceeding the growth of the mortgage market in the country by 16%. Postbank strengthened its leadership position among the Top 3 banks in the mortgage lending market in Bulgaria and increased its market share, despite extremely strong competition and a dynamic market environment. The bank has won the trust of customers by following its strategy of offering modern financial solutions with added value and constantly upgrading the quality and speed of the services provided.

The year was also fruitful in terms of innovative and market-unique product concepts for residential mortgage loans. The first spring came with the start of a new campaign - „Spring conditions for housing loans“, which distinguished the Bank from competitors with attractive conditions and fascinating marketing campaign. In the summer, the innovative product concept „WELCOME“ was launched, which provides customers with consumer and home loans the opportunity to use more than 10 services for free for a whole year. In October, for the sixth year in a row, the already proven successful campaign „Housing Credit Days“ was implemented, which stood out with its attractive conditions and strong marketing campaign.

Postbank, as a socially responsible company, committed to work in the direction of ecology and building sustainable consumption, in 2022 upgraded its product portfolio by creating - Green housing loan from Postbank. With it, customers can finance the purchase of an energy-efficient residential property class A or energy-efficient at preferential interest rates.

The bank continues to be the only financial institution in the country that has successfully built 33 specialized housing lending centers that provide high-quality professional consultation and assistance in all stages and aspects of the mortgage lending process. The performance of this sales channel maintains its contribution of approximately 60% share in new mortgage business in 2022 as well.

Providing an excellent digital customer experience and maintaining the role of a trusted advisor are among the Bank's key priorities that help create sustainable and loyal customer relationships. In this regard, we have upgraded the possibilities for the services provided for housing - mortgage lending in a digital environment, by creating Video Consultation Zones in the Financial Center. Through them, clients can receive specialized consultation from experts in housing and mortgage lending. In addition, through the one-of-a-kind Online Home Lending Center, the Bank reaches more and more customers, registering an annual growth of 40% in home mortgage loans used through this channel in 2022.

In terms of marketing and brand positioning, Postbank is among the most preferred and recognizable banks by customers for mortgage loans. The advertising campaigns and PR initiatives implemented in 2022 helped generate new mortgage business and strengthened the bank's image as a client-oriented and stable financial institution.

CARD BUSINESS

2022 was very dynamic both politically and economically, and for the card business and payments in general. The increased inflation affected positively turnover with credit and debit cards, as did the increase of consumers' income. The competitive offers and conditions for bank products also had a stimulating effect in this direction.

In the past year Postbank managed to maintain its market share of almost 1/5 of credit card balances, thanks to the balanced and sustainable strategy of offering a rich and diverse portfolio of products for different consumer segments, innovative solutions for fast and convenient payments and attractive campaigns targeting different customer segments.

Cashless payments continued their upward trend, with the share of purchases versus cash withdrawals with debit

cards increasing by 14%. We have also seen increased interest in online payments when shopping on the Internet, despite the significant number of customers who still prefer to pay for their purchases by cash on delivery. In 2022 the total volume of online purchases made by bank's customers with their debit and credit cards showed an impressive 40% year-on-year increase.

As a result of the active social life and the desire for more entertainment after the pandemic, customers used their credit cards even more intensively for entertainment, restaurant visits and other entertainment during their free time - the share of these payments increased by 23% compared to 2021.

We observed a 41% increase in the total volume of purchases with debit and credit cards, which shows that users highly value the advantages and security of card payments, as well as the targeted initiatives that the institution carries out to promote their usage - discounts at certain merchants, rescheduling of purchases and regular campaigns with attractive rewards. With increased travel and online shopping, the share of the value of purchases abroad with credit cards is also growing significantly, by almost 80% year-on-year and their share reaching 36%.

We note a steady trend that purchases made in large supermarket chains and grocery stores have the largest share in the total volume of card purchases, and for 2022 it is 30%. The bank's customers also actively used their cards for entertainment and having a good time, with the share of the number of transactions at such merchants reaching 12% for debit cards and 16% for credit cards.

Consumers are increasingly using their debit and credit cards to pay their utility bills online. The convenience of this payment method is indisputable, and it is also free through the bank's digital and mobile banking when using a credit card, and as a bonus, customers also collect „MyRewards“ loyalty program points.

Additional services and advantages when using bank cards are becoming more and more a priority for customers when choosing a payment method. „MyRewards“ loyalty program is one of the benefits that Postbank has been offering to its customers since 2011, and in the past year, loyal cardholders have received cash rewards worth almost 4 million BGN under the program, which is 12% more than the previous year.

The bank's data related to card products and payments confirm global trends in consumer habits and on the Bulgarian market - more and more customers who use their cards daily, growing interest in contactless payments, incl. with a mobile phone, preferring stylish and modern designs of the physical plastics of the bank cards.

In 2022 we developed an innovative design for our debit cards, which is not only modern, but also ensures higher security, as part of the sensitive data of the card is placed on its back. We also offer a longer validity of credit and debit cards' plastics - from 3 to 5 years, in line with our ESG policy, which simultaneously saves our customers time, but also significant natural resources.

In the past year we launched also Project YOUth program for children and young people and for the first time customers have a choice between 6 designs of the debit cards issued as part of the program.

The bank expanded the number of branches with the possibility of instant issuance of cards, and by the end of the year a total of 30,000 customers had benefited from the service since its launch in 2018. Postbank is the only one among the major banks on the Bulgarian market that offers instant issuance of cards, both Visa and Mastercard, credit and debit.

Postbank's strategy for digitization and offering sustainable financial solutions in the past year also placed a special focus on the innovative ONE wallet by Postbank mobile wallet, which is now also available to users who are not customers of the bank. In addition to contactless payment with a mobile phone, the application offers a number of useful functionalities. Upon registration in the application, a completely free digital card is issued, which is the most ecological payment instrument, since no physical plastic is produced, which saves logistics, as well as printing additional documents related to it. Users can also make transfers to accounts in the country and manage all cards issued by the bank - blocking/unblocking, limiting purchases, withdrawals or online payments, as well as the use of the card in certain regions.

Interest in payments with the ONE wallet by Postbank digital wallet has also seen impressive growth, as has the number of its users. This is the result of both the enrichment of the functionalities of the mobile wallet and the targeted campaigns we executed throughout the year, encouraging registration and usage of the application.

In 2022, the first Mastercard UNIVERSE metal credit card in Bulgaria issued by Postbank, won a prestigious award in the Elan Awards 2021 competition of the International Card Manufacturers Association (ICMA). The award is in the Environmentally Friendly Cards category and is a recognition of design innovation, ecological approach and commitment of the institution in the creation of the new generation special means of payment. This one-of-a-kind product in Postbank's portfolio has enjoyed strong interest, and in just two years since its launch, the institution

already has over 50% share in the segment of the highest class bank cards in the country.

At the end of 2022, we launched a process of completely remote application for credit and debit cards for new customers of the bank, signing the necessary documents and receiving the plastic to the customer's address, without additional fees. The process is convenient and transparent and is the optimal digital alternative to visiting a bank office.

In the past year, we also initiated a large-scale project to modernize and optimize the bank's authorization system for processing card transactions, with the completion of which card operations will be carried out even faster and without any issues.

2022 was full of initiatives aimed at stimulating the usage of bank cards, many of them with a focus on digital payment methods - a campaign for paying subscriptions on popular platforms with a credit card issued by Postbank, promotional campaigns and partnerships with some of the biggest stores for furniture, home and garden goods and home appliances, as well as online platforms for audio books and grocery delivery. The bank executed also promotions related to the beginning of the school year, Black Friday and Christmas.

During the second half of the year customers could take advantage of a special offer for new Mastercard credit cards with the possibility of winning 1 of 30 SPA weekends. For the existing cardholders the bank organized a campaign stimulating purchases with cards and digital payments with over 100 attractive prizes.

A special highlight was the joint promotional campaign we ran with Visa in the summer of 2022. It provoked the interest of our customers and gave 11 of them the chance to win a latest model hybrid car and 10 high-value travel vouchers, with the only condition being that they use actively their cards. As a result of the great evaluation of the campaign, it was presented as an example of best business practice by Visa.

The activities and improvements implemented during the year led to a record increase in credit card turnover (34%) and a 15% increase in the number of approved new credit cards in 2022 compared to 2021. For debit cards, the growth in turnover was 25%, and in the number of newly issued cards - 6%.

5. DEPOSITS AND ACCOUNTS OF INDIVIDUALS

The economic post-pandemic recovery was interrupted by surprised Russia's invasion of Ukraine and subsequent global energy crisis. The rises in energy, food and other necessities prices worldwide have led to inflation rates not seen in decades. In 2022, the Bulgarian Government increased the minimum wage by about 10% and created a system of social payments in the form of energy assistance. The loss of people's real incomes caused by the high inflation was partially offset by the growth in nominal salaries. The population's worries about the deepening crisis led to surprisingly increase to their thrift, which resulted in a new record growth of the household deposit market in the country. In 2022, the deposit market reported an annual growth of BGN 6.17 billion and reached BGN 74.28 billion at the end of the year. Postbank has preserved the 3-rd position on the market with an increase in retail deposits of more than BGN 780 million which is 13% of the market growth. Thus, the overall portfolio increased to BGN 8.39 billion at YE and the Bank reached a market share of 11.38%.

In response to the impacted macroeconomic environment, increasing interest rates on savings and rising inflation rates, the banks removed safekeeping fee for savings of individuals as Postbank was one of the first. As a result of the started process of changing the deposit interest rates in a positive direction, as a first step, the leading banks began to offer deposit products again. First among its peer competitors and in unison with the dynamically changing market environment, Postbank launched a new term deposit "Deposit for everyone" and strengthened its leading position on the market.

The portfolio of the Bank which provides a wide-range of innovative savings solutions that are personalized and designed to meet the financial needs of customers was enriched with new structured deposits emissions. For the last year, the Bank offered four different structured deposits with durations of 3 and 5 years. They were linked to various market indexes that contains the shares list of public foreign companies following to the best worldwide market examples and the undertaken market research. The launched in 2017 5-year Structured deposit Index in EUR matured in 2022 and earned to customers a maximum income, amounting of 29.55% for the entire period.

Last year, the Bank launched a special Youth Program "Project YOUth" designed to children and youth, aiming to introduce them in the world of banking products and services and build the responsibility over their own money. The modern solution was developed to teach financial habits and independence to young people from an early age. At the same time, the package provides convenience in making daily payments with appropriate limits according to the age.

The digitalization of the processes in the banking sector, which deepened during the pandemic, has continued

rapidly. In line with these trends, Postbank successfully implemented and currently offers the opportunity to attract and register brand new customers remotely without visiting a branch. For this purpose, The Bank launched a new program for everyday banking for digitally onboarded customers which includes the most frequently used products and services – a current account, debit card, internet banking and insurance. It aims to maximally cover the customers' needs for complex banking service under extremely advantageous conditions.

In 2022, Postbank introduced a new financial solution – package "Welcome", combining a various complementary products and services with high added value. The bundled program provides an exceptional proposition for our customers to take advantage of a consumer or mortgage loan in combination with the key advantages of using more than free 10 banking services included in "My Family" package program without a monthly maintenance fee for a whole year.

BANCASSURANCE AND CROSS SALES

The successful insurance business we are developing for a consecutive year has increased the achieved results and manages to improve the performance in all business lines. We maintain the positive trend of exceeding the annual revenue targets for income from sales of insurance products. For 2022 the income is 11 million euro, almost 1.5 million euro of them from individual insurances. Over 130,000 insurance policies were concluded last year, bringing the number of active insurance policies to more than 500,000.

Considering the current economic and political situation in the country and the impact it has on customer's behavior, we have taken targeted measures to proactively communicate the various options we provide to assure greater security in unforeseen situations for our customer. We know that for everyone is extremely important to insure both their and their family's well-being by protecting the most important things such as their lives, health, and financial stability. As a result of our long-term strategy, targeted efforts and the high added value products, more and more customers are choosing to activate protection for the financing they use. Proof of that is the high number of insurance sales on our main credit lines and the trend of their stable increasing over time.

Following our strategy to provide innovative products and services, as well as to improve customer's experience, we have provided an exclusive opportunity – digital onboarding for new clients of the bank with the possibility to apply and conclude remotely our most desired products. In few easy steps, from the comfort of their home or office and without any costs, the clients can take out insurance, providing protection in case of theft or loss of money and personal belongings, financial support in case of unemployment, long-term sick leave, or unforeseen situations and a range of other important coverages. We once again proved that we are a leader on the Bulgarian market, and our clients can rely on us to obtain insurance protection in an affordable and preferred way. As well as the comfort of the remote contract of insurance for new and existing clients, we have also provided electronic signature for insurance documents, using a special digital device called e-Sign Pad. Customers can review and sign insurance documents using a digital pen, and the process is secure, convenient, and significantly faster.

During the year, we developed the offering of the bank's first life insurance linked to an investment fund – "My future", provided by our long-term insurance partner – Bulstrad Life VIG. This product is specifically designed for the needs of our Premium clients and is structured to provide them with insurance protection and the opportunity to generate returns on their invested funds, at the same time. This provides an alternative to pure investment and savings-insurance products, while at the same time enabling clients to generate higher returns compared to traditional savings products. Investment insurance "My future" is offered in combination with "Life Cycle funds". They are characterized by stable cycle of developing of the investment, which is moderately risky at the beginning (phase of income generation) and with time the structure is changing towards lower risk financial instruments in order to preserve the generated income. These funds are mainly used for pension plans and investment insurances. In response to the high interest for such products, in the end of May we launched the fifth emission of the "Everest" series – Life insurance linked to a structured investment product, provided from "Bulstrad Life Vienna Insurance Group". "Everest 5" is an alternative to the saving products, that offers full repayment of the invested capital on the maturity date and the opportunity to achieve an attractive income linked to the performance of the EURO STOXX 50 ESG index (SX5EESG). It reflects the dynamics of the shares of the 50 leading European companies and the Eurozone economy. The product also provides coverage on the life of the insured person in case of accident for the entire term of the policy. At the end of the insurance period, the clients receive the initially invested amount, increased by 145% of the positive percentage change of the index recorded between the initial and final value dates.

If an event covered by the insurance occurs within this period, Bulstrad Life pays out 110% of the initially invested amount. During the issue period, more than 130 sales were made with a total value of 3 million euro.

The „Everest“ investment-insurance series of products by Bulstrad Life VIG was successfully launched at the end of 2016. The first product matured in December 2021 and the customers achieved the maximum possible income. The second emission matured in August 2022 and the clients received an attractive income close to the maximum and in the beginning of 2023 matured the fourth emission with the maximum possible income. Postbank conducts active informational campaigns towards the customers and assist with the whole process of paying out the amounts from the Insurer. In July 2023 another emission of the „Everest“ series matures, with the expectation that an attractive income will be reached again.

The large-scale strategic partnership with pension insurance company - „Doverie“, one of the market leaders, provided our customers with a fast, secure, easy, and convenient way to choose or change their pension fund. The provided opportunity was highly appreciated by our clients as despite the significant market share of our partner, we managed to generate 1/3 of all their applications in 2022. The achieved results significantly exceeded the set goals.

As result of its consistent actions, insurance products with high added value, developing technological innovations and diverse sales channels, Postbank has once again strengthened its position as a leader in the segment, offering high-quality protection to its customers, meeting their individual demands and needs.

CUSTOMER SERVICE CENTER

Postbank is located where innovation and the pursuit of better customer service meet. User experience has long become a key measure of the quality of a bank's services and a factor in choosing a financial institution. At the same time, spoiled by technology, customers are used to being able to access information from anywhere, that it is convenient for them, regardless of the beginning and end of the working day, quickly and easily, through the assistance of the Customer Service Center, which for the past year 2022 served more than half a million customer inquiries related to all products and services offered to customers from the retail sector.

All this motivated Postbank to develop and offer its customers the new generation service EVA - digital assistant. Compliant with the specifics of the banking institution, EVA is the first bot on the Bulgarian market that has speech-to-text functionality (converting the voice message into text format). Along with that, EVA is the only digital assistant in our country who speaks both Bulgarian and English. It is focused on communication and provides customers with possibility of real-time consultation. The goal is customers to receive the information they need instantly and to choose the best financial solutions. The chatbot algorithm uses natural speech models and is ready to respond to the customer even after inputting freely typed text. Thanks to EVA, the bank's customers receive reliable information in a flash (less than 0.1 seconds), 24/7, easily and conveniently in the channel of their choice: www.postbank.bg, e-Postbank, m-Postbank, Viber, Facebook messenger. The service is intended for all current customers of the bank and potential users, including those who are not customers of the bank. The chatbot is based on artificial intelligence, using different technologies - machine learning (ML), neural networks, natural language processing (NLP), natural language understanding (NLU). This allows EVA to make calculated decisions and analyze its surroundings. The Artificial intelligence has a built-in neural network – a series of algorithms that imitate the way the human brain works.

The digital assistant has a huge database, can talk about more than 600 topics and is trained to answer more than 16,000 questions, and its knowledge is constantly being enriched, updated and expanded. During the pilot phase of the launch of the service, were received almost 200,000 inquiries from the bank's customers.

In 2022, this new service took over a part of the department's incoming traffic, giving us the opportunity to increase the level of customer service and further develop its competencies.

DIGITAL BANKING

В последните две години стратегиите за бизнес развитие на почти всички индустрии претърпяха драстични промени. Въпреки негативния ефект на пандемията и нарастващата инфлация, станавме

свидетели на естествен преход от стандартна комуникация в реална среда към виртуална свързаност. Финансовите институции заложиха още повече на дигитални услуги и това в голяма степен оказва влияние както на поведението на клиентите, така и на паричния обмен. Появи се търсене и необходимост от страна на клиентите до лесен и защитен достъп до дигитални финансови продукти и незабавни плащания, които да осигуряват получаване на оборотни средства на момента.

През 2022г. Пощенска банка отговори на високите изисквания на своите клиенти, като им предостави бързо и качествено обслужване през своите дигитални канали. Нашата мисия и стремеж е непрекъснато да растем и да се развиваме, за да може да отговорим на потребностите на нашите клиенти. В резултат на това, бележим ръст при всички основни показатели.

Все повече клиенти предпочитат да банкират от разстояние в удобно за тях време и без нуждата от посещение на физически офис на банката. Ръстът при активните клиенти (с минимум един осъществен достъп до профилите им в рамките на месец) е 14% спрямо 2021г. Клиентите предпочитат дигиталните канали не само заради удобството, което им предоставяват, но и заради значително по-изгодните условия.

С нарастването на клиентите, нарастват и броят и сумата на извършените трансакции през дигиталните канали - интернет и мобилно банкиране, като ръстът при тях е съответно 11% и 46%. За посочения период, резултатите в Интернет банкирането е-Postbank са съответно 9% повече трансакции и 43% ръст на сумите на иницираните плащания спрямо 2021г.

Направихме редица подобрения и разширихме възможностите за плащане на данъчни задължения към вече общо 29 общини. През 2022г. бележим ръст от забележителните 54% в сумата на платените данъчни задължения спрямо 2021г.

Мобилното банкиране се утвърждава като все по-предпочитан канал за банкиране и това е видимо във всички основни показатели. Броят на свалянията на приложението расте с 20% спрямо 2021г., а броят на сесиите е нараснал с близо 28%. Близо 50% от клиентите от активните клиенти в дигитална среда използват единствено този канал за своите ежедневни банкови операции.

Извършените преводи през мобилното банкиране за 2022г. бележат ръст от 17% в броя и цели 49% увеличение на сумата на плащанията.

Клиентите стават все по-дигитално ориентирани, желаят услуги, които да изискват минимални усилия от тяхна страна и без губене на ценно време. Това води и до нарастване на дела на иницираните в дигитална среда плащания спрямо тези, извършени във физически офис на банката. В края на 2022г. 88% от всички извършени плащания са иницирани през дигитален канал, като за 2021г. същият показател е бил 85%.

Усъвършенствахме още повече дигиталния портфейл ONE wallet by Postbank. Той вече е достъпен за нови за банката клиенти, които могат да се регистрират и да получат дигитална сметка и карта, която могат да запазват от всяка друга карта, издадена в страната. Добавихме ONE Wallet в App gallery, наличен за използване от клиенти с мобилни устройства Huawei без Google услуги. На разположение на клиентите вече са различни типове преводи: безплатни преводи към други потребители на ONE wallet по мобилен номер (P2P), преводи към сметки (IBAN) в страната, преводи по номер на карта, издадена от Пощенска банка и преводи към доверени получатели. Добавихме възможност за гъвкаво управление на карти чрез блокиране и отблокиране, задаване на допълнителни лимити, ограничаване на ползването по канал (ПОС, Интернет, АТМ), както и по регион. За още по-голяма сигурност и удобство, клиентите получават пуш известия за движенията по техните сметки.

Броят на регистрираните клиенти в ONE Wallet нараства с 43% през 2022г., спрямо 2021г., Броят на

безконтактните плащания на ПОС терминал, извършени с дигитализирани карти бележи ръст от рекордните 255% спрямо предходната година. Аналогично сумата на трансакциите също нараства значително и е с 269% повече.

Дигиталните ни зони за експресно банкиране бяха подобрени с представянето на услугата за видео консултация със служител на банката. Все още без аналог на пазара, те продължават да се радват на нарастващ интерес от клиентите. През 2022г. бяха добавени още 47 машини, с което общият им брой достигна 141. Броят на трансакциите, извършени през този канал бележи ръст от 94% в сравнение с година по-рано.

Всички тези резултати бяха подкрепени от подобрения, маркетингови инициативи и нови функционалности. През 2022г. банката успя да реализира важни проекти в областта на дигиталното банкиране. Изцяло нови за банката клиенти вече имат възможност да се регистрират напълно дистанционно, заявявайки атрактивни продукти и услуги, благодарение на успешно приключилия проект за отдалечена онлайн регистрация. Процесът е лесен, осъществява се на корпоративния сайт на банката и е само в няколко лесни стъпки. Клиентите могат да открият специално създадена дигитална програма, която включва сметка, дебитна карта и редица предимства, да заявят потребителски кредит или кредитна карта. Пощенска банка е единствената банка на българския пазар, която предлага възможност за дистанционно издаване на кредитна карта на изцяло нови за банката клиенти.

Направихме и редица промени в интернет и мобилното банкиране, които подобряват ежедневно банкиране на клиентите. Разширихме възможностите за изпълнение на преводи като първи в страната предоставихме възможността на клиентите да нареждат и получават незабавни BLINK преводи в рамките на секунди, по всяко време на денонощието, дори и в почивни дни.

MOMENTO CENTERS FOR EXPRESS BANKING

Aspired to offer excellent quality of customer service combined with innovative digital products and services, in 2022 Postbank continued to develop and increase its Momento centers for express banking by opening two new Momento centers in partnership with Kaufland.

We are pleased to report that for 2022 Momento centers has received excellent feedback from the customer service quality survey. Our drive and commitment to provide impeccable service is at the forefront of everything we do, and this is reflected in the overwhelmingly positive responses we receive from our customers.

Momento Center for express banking combines the possibility of the customers to bank independently, using the innovative digital zone for express banking with modern design, intuitive navigation and many functionalities, and at the same time to receive professional consultation for different products from highly qualified professionals. In addition to the express review of the loan application and granting of the loan within up to 40 minutes, customers will be able to quickly and conveniently take advantage of variety of express products and services like:

- Instant issuing of debit cards in 15 minutes
- Approval and issuing of a credit card for 60 minutes
- Insurance products
- Internet banking
- Pension funds
- Current and saving accounts
- Housing loans consultations

Postbank Momento Centers are operating with an extended working hours, including Saturdays, Sundays and official holidays.

After the successful launch of the first few Momento centers for express banking, Postbank will take steps to rebrand all of its Momento centers in order to provide top quality and innovative products and services to its customers.

MORTGAGE CENTERS / DIGITAL MORTGAGE CENTER

In the past 2022, the mortgage market was characterized by a dynamic and competitive environment. Innovative lending products, new digital solutions, high quality customer service and pro-active sales approach provided by our Specialized Mortgage Centers were our key priorities. As a result of which Mortgage Centers reached over 40% growth in disbursements in 2022 compared to 2021, providing to our customers flexible financial solutions, tailored to their needs and preferences in the current market environment.

Postbank is the only bank in Bulgaria that has an extensive network of 33 Mortgage Lending centers, providing high quality professional services for all aspects related to mortgage lending. The efficiency of this specialized sales channel maintain the share in the total new mortgage loans production by 60% in 2022.

As a modern financial institution, digital experience is highly important for Postbank. Based on changing customer behavior and their ever evolving expectations, in 2022 we upgraded First in the market Digital Mortgage Center. Digital Mortgage Center provides an innovative and comprehensive mortgage lending services in digitally advanced solution, offering outstanding service encompassing all the steps from initial consultation for mortgage loan up to the final approval and disbursement of the mortgage loan application. By upgrading the solutions for digital services in the sphere of mortgage lending, we aimed to meet changing expectations, needs and lifestyle of customers. Aiming to further support the positioning of the Digital Center for Mortgage loans of Postbank and boost sales of mortgage loans via digital channels, our customers had the possibility to take advantage of promotional conditions if apply for a housing loan on-line.

PREMIUM BANKING

In line with our strategy to provide innovative products and services, as well as to improve the overall customer journey, we developed our Premium banking allows an individual expert level advice covering the full spectrum of clients financial needs.

Our Premium banking service is available in 7 cities across the country, providing private space for meetings at the bank office, giving the comfort and privacy needed of our customers. Our Premium Clients have the opportunity to take an advantage of numerous product preferences and personalized services. Preferential terms and conditions regarding a wide range of banking products and services. The specialized designed package program for everyday banking, for the Premium segment, have proven to be optimal solutions, covering to the maximum extent the customers' needs for complex banking service. The proof of customers' appraisal is the several times increased number of new for the segment clients in 2022 by 40% compared to 2021.

Dedicated service line only for Premium clients, has expanded its core competencies with additional services following to the needs of the customer segment focusing in constant improvement of the customers' satisfaction and fraud prevention.

WHOLESALE BANKING SECTOR

For the Corporate Banking and Capital Markets sector, 2022 was the most successful year since 2014. Despite the objective difficulties for a large part of the Bulgarian business, caused by the slow economic growth and inflation, supplemented or to a large extent caused by geopolitical factors, the units in the Corporate Banking and Capital Markets sector again set a number of records.

For another year in a row, Postbank was among the banks with the highest growth in corporate lending, and we continue to maintain our position in the top three. The size of our portfolio of corporate loans at the end of the year exceeded EUR 2.3 billion for the first time, and the newly utilized loans in 2022 were close to EUR 650 million. This is also the highest volume of new loans achieved so far.

In the field of transaction banking and factoring services, we also recorded a top result in terms of business volume. For the tenth year in a row, Postbank's factoring is the leader in terms of volumes in Bulgaria, with nearly 50% market share.

In addition, mutual funds distributed by our bank are an increasingly preferred choice in personal financial planning. Over the past eleven years, Postbank has consistently won the awards for „best custodian“ on the Bulgarian market from the prestigious global media Global Custodian and Global Investor Magazine.

CORPORATE BANKING DIVISION

Corporate Banking Division in Postbank lends to companies with sales revenues of over BGN 4 million. The management structure includes the departments „Large Corporate Clients“, „Medium Corporate Clients“, „Project Financing“, „Greek and International Business“, as well as the supporting department „European Programs and Sales Development“.

Activities are carried out in the Bank's Central Office in Sofia, as well as through a network of 11 corporate business centers throughout the country, with which we ensure optimal regional coverage of our clients and high quality of service.

In the past year, Corporate Banking signed contracts for new loans worth nearly 760 million euros to Bulgarian and international companies from various industries and for various investment programs and projects, including revolving financing of their activities.

Thanks to the high professionalism, motivation and proactive actions of its employees, Corporate Banking managed not only to maintain the volume and quality of its portfolio in a difficult year, but also to significantly increase it by nearly 15%. Also impressive are the unit's profit growth before and after provisions.

SUSTAINABLE FINANCING

Transforming economies from fossil fuel-based to circular and sustainable ones will require large-scale changes in all societal sectors, focusing on the environmental and social consequences of our actions. The banking sector has traditionally been involved in the financing of activities directly or indirectly related to the development of almost all areas of the economy, and banks are key participants in the green transformation.

Postbank's strategy is now directed towards sustainable financing through priority support for activities with a low or zero carbon footprint, including loans for the development of renewable energy sources, as well as those for energy efficiency.

For example, in 2022 a new product for corporate clients „Green Credit“ was created. It offers a streamlined approval process with a competitive structure for financing PV plants for self-consumption and for the sale of electricity, as well as a wide range of solutions tailored to specific customer needs, from the purchase of high-efficiency machinery, electric cars, as well as the implementation of measures to improve the energy efficiency of their production plants.

In 2022, new loans for the production of electricity from renewable sources with a total value of over 35 million euros were granted to 33 companies. Towards the end of the year, new loans in the amount of over 150 million euros were also under consideration.

FUNDING UNDER EUROPEAN PROGRAMS

Postbank has successfully partnered with Bulgarian Development Bank EAD, National Guarantee Fund, the Fund Manager of financial instruments in Bulgaria. Thanks to these partnerships, it offers its business clients the full range of products eligible under their guarantee instruments: standard loans for working capital, commercial financing in the form of bank guarantees and/or letters of credit, investment loans.

A significant part of the newly granted loans under guarantee instruments were provided by the bank's long-standing international partners - the European Investment Fund and the European Bank for Reconstruction and Development.

According to the signed guarantee agreements, the financing in 2022 has been granted in a combination of simplified application procedures, lower collateral requirements and a lower cost of financing. Some of the guarantee programs are also eligible for start-ups.

In 2022, new financing was granted under various European programs with a total value of over 130 million euros.

For its 30 years of presence on the market, Postbank has concluded with customers nearly 1.8 billion euros under more than 20 different guarantee agreements.

CORPORATE TRANSACTIONAL BANKING DIVISION

The main focus of management is to provide solutions and day-to-day support to non-lending corporate clients. Offering first-class service, a modern, flexible and innovative approach, tailored to the specific needs of each individual client, Postbank is the preferred transaction banking partner of over 6,500 companies from the country and abroad. In a period of slow economic growth and rising inflation, as well as uncertainty related to the war in Ukraine, the steady growth of our revenue and customer base is an indicator of the growing confidence of the clients with Postbank. The trend towards greater use of our digital channels continues, with the internet and our mobile banking remaining the primary tools for carrying out customer transactions.

The division is composed of four units that cover all aspects of the transactional business of our corporate clients:

Factoring Department carries out the entire process of the bank's factoring business - from sales to transaction administration. Our stable team continues to build its leadership position in Bulgaria, as the market share for 2022 is again the largest on the market – nearly 50% (according to FCI data). We are constantly developing factoring services to offer innovative and more digital services.

Deposits and Transaction Clients Department provides daily consultations on deposit and transaction products. Individual service, conditions carefully selected for each client, as well as personal communication with clients, through physical and remote channels, distinguish the work of the department.

Focused on digitalization and the implementation of up-to-date technological solutions, the team of the Digital Banking and Service Quality Department strives to constantly improve the customer experience and contribute to meeting the specific needs of each Post Bank partner.

Corporate Banking Operational Risk Department - Risk is a fundamental part of our business and as a responsible institution we strive to manage opportunities and threats as effectively as possible. By implementing the necessary customer know-how and anti-money laundering controls and policies, our goal is to protect the interests of all stakeholders as much as possible.

CAPITAL MARKETS DIVISION

In 2022, Capital markets achieved a consecutive successful year and affirmed its leading position on Bulgarian financial market. The bank managed to exceed all targets set – to optimize liquidity, to manage effectively the investments in securities, to substantially increase the volumes on the FX markets, to strengthen the focus of alternative savings-investment products (structured deposits and mutual funds), to improve the quality of client services in the field of investment intermediary and custody.

ASSET AND LIABILITY MANAGEMENT

The bank has recorded yet another year of substantial improvement of profitability, diversification of funding base and optimization of liquidity buffers, following the effective management of assets and liabilities. In view of the changed interest rate environment, the bank successfully positioned itself on the market to exploit the opportunities from the rising interest rates. The strategic approach remained focused on optimizing the liquidity position and ratios in order to improve profitability, but keeping all liquidity metrics significantly above the regulatory and internal thresholds.

In 2022, Postbank leveraged further on the successful cooperation with local and international financial institutions by utilizing existing and attracting new guarantee instruments to support the MSME business. The guarantee lines that were signed with the European Investment Fund in the end of 2021 under the EGF program were well exploited for new loan origination to small business and corporate clients. Two new guarantee agreements were also signed in 2022 – with the Fund Manager of Financial Instruments in Bulgaria for support of SME business and with the National Guarantee Fund for facilitation of leasing business.

TREASURY SALES

In 2022, Postbank continued to strengthen its leading position in offering financial products and services to clients. The Bank substantially increased the FX operations and expanded the spectrum of investment solutions for individuals and companies.

In the past year, the „Treasury sales“ department continued to offer structured deposits, which are mainly aimed at the investment needs of individual clients, as well as structured products for large institutional clients. The Brokerage section contributed to the stable positioning of the Bank as one of the active participants of the BSE and as one of the leading investment intermediary banks. Clients of the Brokerage section have access to financial instruments on foreign stock markets in 26 countries in Europe, Australia, Asia and North America.

TRADING & INVESTMENT BANKING

For a consecutive year Postbank remained among the main players on the bond market.

The department actively managed the size and risks of the bank's fixed income portfolio, boosting its interest income for the period.

In 2022, the Bank continued to develop and diversify its securities portfolio, which led to 6% growth of the portfolio for the year. In addition, the department continued to expand its trading lines and contacts with leading international banks and brokers.

CUSTODY

In 2022, the Bank affirmed its leading position as a depository bank for local mutual funds and remained

on the first place among the leading banking institutions offering a full range of custodian services in accordance with international standards.

For 15 years, Postbank has been offering safekeeping and administration of all types of local and foreign securities with access to more than 100 international markets. Postbank remained the exclusive custodian and security service agent to the biggest European Central Securities Depository Clearstream Banking Luxembourg.

Operating income and assets under Custody increased by 10.8% in 2021. The customer base grew by nearly 2.3%, attracting new institutional customers.

For the tenth consecutive year, Postbank won the award for „Best custodian“ and “top rated” on the market from the reputable Global Custodian Magazine.

PRIVATE BANKING AND MUTUAL FUNDS

In 2022 Private Banking achieved a solid 15% annual growth in client's assets and liabilities. Client base was additionally enlarged and successfully developed thanks to wealth management solutions provided by teams of two leading financial institutions - Postbank Private Banking team along with Eurobank Private Bank Luxembourg S.A.

The past year has been unprecedented in the performance of major asset classes with strong downward trends. The Bank's long-term approach and enhanced portfolio of low and medium risk profile mutual funds resulted in positive net sales and sustained volume of Net assets.

The strong positioning of the mutual funds distributed by the bank among institutional clients was also strengthened, whereby the Bank achieved a 35% growth in net assets on an annual basis. There have been new investments by insurance companies in the unique for the local market life cycle funds. Automatic Investment Plan was also the key focus in the Bank's mutual funds sales strategy.

GOVERNMENT STRUCTURE AND RISK MANAGEMENT

SHARE CAPITAL STRUCTURE

As of 31 of December, 2022 the Management Board consist of the following members:

- Petia Dimitrova – Chief Executive Officer, Chairperson and Member of the Management Board;
- Dimitar Shoumarov – Executive Director, Chief Financial Officer and Member of the Management Board;
- Asen Yagodin – Executive Director and Member of the Management Board;
- Panagiotis Mavridis – Chief Operating Officer and Member of the Management Board.

1. Shares and bonds of the company that are acquired, owned and transferred by the members of the Management Board during the year.

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

2. The Management Board members' rights to acquire shares and bonds of the company

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

3. The Management Board member's ownership in other commercial enterprises, as:

3.1. Partners with unlimited liability

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

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

- Asen Yagodin

Dike - Imoti OOD – partner

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

- Petia Dimitrova

Association of Banks in Bulgaria (non-profit legal entity) – Member of the Management Board;

Foundation Atanas Bourov (non-profit legal entity) – Member of the Management Board;

International Banking Institute (non-profit legal entity) – Manager

Hellenic Business Council in Bulgaria (non-profit legal entity) – Member of the Management Board;

- Asen Yagodin

Bulgarian Stock Exchange – Sofia AD, Bulgaria – Chairman and Member of the Board of Directors;

Bulstrad Life Vienna Insurance Group JSC, Bulgaria – Independent Member of the Supervisory Board;

Green Finance and energy center (GFEC) (non-profit legal entity) - Member of the Management Board;

- Panagiotis Mavridis

IMO Property Investments Sofia EAD, Bulgaria – Executive Director and Member of the Board of Directors;

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

The Bank has not entered into contracts specified in Article 240b, paragraph 1 of the Commerce Act during 2022.

SUPERVISORY BOARD

As at 31 December 2022, the Supervisory Board consisted of the following members:

- Georgios Provopoulos – Chairman and Member of the Supervisory Board;
- Stavros Ioannou – Member of the Supervisory Board;
- Michalakis Louis – Member of the Supervisory Board;
- John David Butts – Member of the Supervisory Board;
- Ivi Vigka – Member of the Supervisory Board;
- Iasmi Ralli – Member of the Supervisory Board;
- Oliver Ellingham – Member of the Supervisory Board;
- Raika Ontzova – Member of the Supervisory Board.

1. Shares and bonds of the company that are acquired, owned and transferred by the members of the Supervisory Board during the year.

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

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

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

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

3.1. Partners with unlimited liability

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

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

- **Georgios Provopoulos**

Geonamar P.C – Partner

- **John David Butts**

Lex RX Bulgaria EOOD, Bulgaria – Sole Owner;

Ubad - Toro OOD, Bulgaria – Partner;

Lexrx Capital OOD, Bulgaria – Partner.

- **Oliver Ellingham**

Tanhurst LLP – Partner.

- **Raika Ontzova**

VPS Lilia & Ontzovi SD - Partner.

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

- **Stavros Ioannou**

Eurobank Ergasias Services and Holdings S.A, Greece – Deputy Chief Executive Officer, Group Chief Operating Officer & International Activities, Executive Director;

Eurobank S.A., Greece – Deputy Chief Executive Officer, Group Chief Operating Officer & International Activities, Executive Director and Member of the Executive Board;

Eurobank Direktna A.D. Beograd, Serbia – Member of the Board of Directors;

BE – Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services, Greece – Chairman and member of the Board of Directors;

Eurobank Cyprus Ltd, Cyprus – Member of the Board of Directors;

Grivalia Management Company S.A., Greece - Member of the Board of Directors.

- **Michalakis Louis**

Eurobank S.A, Greece – Head of International Activities General Division & Group Private Banking;

Eurobank Private Bank Luxembourg S.A., Luxembourg – Member of the Board of Directors;

Eurobank Direktna A.D. Beograd, Serbia – Member of the Board of Directors;

Eurobank Cyprus Ltd, Cyprus - Chief Executive Officer and member of the Board of Directors;

NEU Property Holdings Limited, Cyprus – Chairman and member of the Board of Directors;

NEU 03 Property Holdings Limited, Cyprus – Chairman and member of the Board of Directors;

ERB New Europe Funding III Limited, Cyprus – Chairman and member of the Board of Directors;

Eurobank S.A – Member of the Executive Board.

- **John David Butts**

Lexrx Capital OOD, Bulgaria – Managing Director.

- **Oliver Ellingham**

Self Storage Number 1 Ltd – Sole Director;

Eurobank Cyprus Ltd, Cyprus – Chairman and member of the Board of Directors;

National Asset Management Agency (NAMA), Ireland – Member of the Board of Directors.

- **Iasmi Ralli**

Eurobank Private Bank Luxembourg S.A., Luxembourg – Member of the Board of Directors (resignation 15.2.2022)

4. Contracts concluded during the year according to Art. 240 b of the Commercial Law

In 2022, the Bank did not conclude contracts within the meaning of Art. 240 b para. 1 of the Commercial Law.

BANK STRUCTURE

Eurobank Bulgaria AD has no subsidiaries as of 31 December 2022. The Bank employees are 3,333 people (2021:3,289).

OBJECTIVES FOR 2023

While the long-term strategy of the bank remains unchanged – focus on organic growth, digitalization and excellent customer service, in the next year the bank faces two major challenges, which will require a significant amount of resources and management attention, namely the acquisition of the business of the Bulgarian branch of BNP Paribas Personal Finance and the preparation for the adoption of the euro, despite the recent postponement.

On 20 January 2023 Postbank signed a business transfer agreement with BNP Paribas Personal Finance for the acquisition of its business in Bulgaria. The branch is one of the leaders in the consumer finance market in the country and this acquisition presents a huge opportunity for the Bank to enter into a new fast-developing and high margin segment. In the last more than 15 years, BNP Paribas Personal Finance has built a recognizable franchise on which the Bank wants to build upon and enhance. The acquisition will not only enable Eurobank Bulgaria to increase its market share and target the second place in the segment, but also offers opportunities for cross selling and new ways to service customers.

The other important project for the year is the preparation for the euro adoption. In the medium term the adoption of the euro is expected to bring many benefits for the country in general and the Bank in particular such as reduced currency risk, higher capital adequacy, more opportunities for investments and better access to funding.

The expected slowdown of the economy and the tighter monetary policy means that a primary goal for the bank will be to ensure sufficient liquidity at the right price in order to sustain the lending growth and to protect the liquidity ratios of the Bank. The lending growth in the market will be much lower than the record one seen in 2022, therefore the focus will shift to profitability rather than gaining market share. Cost-income ratio will be under strain from the still elevated inflation and the rising cost of funds as the existing lending stock cannot be so easily repriced.

The quality of the portfolio will be closely monitored through the early warning system and other suitable indicators to ensure that the Bank stays ahead of the events and is able to proactively address the changes in the environment.

Maintaining solid capital buffers will remain a top priority. Eurobank Bulgaria will continue to rely on internal capital generation to support growth. In the same time, more long-term liabilities will be sought in order to comply with the binding MREL target from the beginning of 2024.

In parallel to the two major projects, the Bank will invest in enhancing its IT capabilities and laying the foundations for overhauling key front and back office systems in the next years.

As always, special attention will be given to customer service, not least through finalizing the branch transformation project presenting the clients with more opportunities to bank in a modern and luxurious way. The same high standards for customer service will be applied to the new clients after the acquisition of BNP Paribas Personal Finance in order for them to feel welcome becoming part of Postbank's family.

MANAGEMENT RESPONSIBILITIES

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

The Directors confirm that suitable accounting policies have been used.

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

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

**Petia Nikolova
Dimitrova**

Digitally signed by Petia Nikolova
Dimitrova
Date: 2023.03.30 18:44:46 +03'00'

**Dimitar Borisov
Shoumarov**

Digitally signed by Dimitar
Borisov Shoumarov
Date: 2023.03.30 17:02:04
+03'00'

Petia Dimitrova

Chairperson of the Management
Board and Chief Executive Officer
30 March 2023
Sofia, Bulgaria

Dimitar Shoumarov

Member of the Management Board,
Executive Director and Chief
Financial Officer

CORPORATE GOVERNANCE STATEMENT 2022

1. Corporate Governance Code and Practices

In compliance with Bulgarian legislation, and based on the international best practices on corporate governance, Eurobank Bulgaria AD ("the Bank") observes the National Corporate Governance Code ("Code"), which describes the basic corporate governance principles and practices.

2. Compliance with the National Corporate Governance Code

The Bank observes and complies in entirety with the Code. The Bank's Articles of Association ("AoA") and all adopted internal rules and manuals are in a full compliance with the Code and the applicable legislation. Presently there have not been any ascertained cases of non-compliance with the Code.

2.1. Internal Corporate Governance Code

The Bank has developed and adopted its Internal Governance Control Manual ("IGCM") and strictly applies its guidelines. The IGCM of the Bank covers the content and is in full compliance with the framework set by the Code.

2.2. Ethics Code

In the scope of ethics the Bank has adopted and currently applies a document named Code of Professional Conduct, containing rules in addition to the requirements of the legal framework which aim at setting minimum common internal rules and principles of professional and ethical conduct to be followed by the Staff of the Bank during the performance of their duties.

2.3. Conflict of interest

Procedures for preventing and detecting conflicts of interest in the Bank are incorporated in Internal Rules for Managing Conflict of interest. In accordance with these procedures, Executive Directors and other members of Management have a duty to inform the Supervisory Board / Management Board respectively of any personal interests they may derive from Bank's transactions that fall under their field of responsibility or any other conflict between their and the Bank's interests that may occur, in carrying out their duties.

2.4. Remuneration

The adopted Remuneration Policy of the Bank forms an integral part of the Bank's corporate governance practice and is developed in accordance with its operational model, business strategy, short and long-term interests of the Bank and incorporates measures to avoid conflict of interest. Also, the Remuneration Policy is consistent with and promotes sound and effective risk management and does not encourage excessive risk-taking on behalf of the Bank. Accordingly, the operating standards and mechanisms which have been adopted ensure that the levels of remuneration are directly linked to results and desired behavior.

The 2022 Boards and key management remuneration disclosures are included in Annual Disclosures according to the requirements of Regulation (EU) 575/2013 (art. 431-455).

3. Composition and operation of General Meeting of the Shareholders, the Supervisory Board, the Management Board and their Committees

3.1. General Meeting of the Shareholders

The General Meeting of the Shareholders (“GMS”) comprises all shareholders with voting rights. They participate in the GMS personally or by a proxy, authorized by a written power of attorney. The shareholders and their proxies shall have in the GMS as many votes as they have shares in the capital of the Bank. The members of the Supervisory Board and the Managing Board may attend the GMS without voting rights unless they are shareholders. The members of the Internal Audit Division and the Bank’s auditors elected to audit and certify the Bank’s annual financial statements may attend the GMS but without right to vote.

3.2. Supervisory Board and Supervisory Board Committees

The Supervisory Board (“SB”) is a permanent collective body which exercises overall control over the business and financial activities of the Bank and also ensures the conformity of the Bank’s activity with the applicable law, the Statute and the resolutions of the General Meeting of the Shareholders (“GMS”) in the best interest of the Bank’s shareholders, customers and employees. The exact number of the members of the Supervisory Board shall be determined by the General Meeting of the Shareholders; however, the Supervisory Board shall consist of at least 3 members at all times.

The composition of the Supervisory Board as of 31.12.2022 is 8 (eight) members, after the decision of the General Meeting of Shareholders, Mr. Theodoros Karakasis and Mr. Anastasios Nikolaou were dismissed and a new member was appointed, namely Mrs. Raika Ontzova, with a term of office equal to the term of office of the other members of the Supervisory Board, which decision is in force from its entry in the Commercial Register and the Register of the Non-profit Legal Entities, i.e. the current term of office of the members of the Supervisory Board expires on 10.05.2025.

The members of the SB are obliged to perform their functions with duty of care and in the best interest of the Bank and its shareholders and to place the interest of the Bank and its clients above their own interest when performing their duties.

As at 31 of December, 2022 the members of the Supervisory Board are:

- Georgios Provopoulos - Chairman of the Supervisory Board;
- Stavros Ioannou - Member of the Supervisory Board;
- Michalakis Louis - Member of the Supervisory Board;
- John David Butts - Member of the Supervisory Board;
- Ivi Vigka - Member of the Supervisory Board;
- Iasmi Ralli - Member of the Supervisory Board;
- Oliver Ellingham - Member of the Supervisory Board;
- Raika Ontzova – Member of the Supervisory Board.

The Chairman and five of the Members are independent members.

The following Committees have been established to assist the Supervisory Board (shortly referred to as “SB”) in discharging its responsibilities:

3.2.1. Risk Committee

The SB has delegated to the Risk Committee (“RC”) the role of approving all strategic risk management decisions (e.g. risk appetite, capital allocation, balance sheet profile and risk management structure). The RC is in charge of monitoring the quantitative and qualitative aspects of all market, credit, liquidity and operational risks.

The members of the RC are appointed by the SB. Currently, the Risk Committee consists of 4 (four) members.

The RC meets at least quarterly. The RC meeting is effective when there are present three members, but in any case including a majority of independent non-executive Members, one of whom is the Chairperson.

In 2022 the RC held 4 (four) regular meetings and 3 (three) extraordinary meetings.

3.2.2. Audit Committee

The Audit Committee (“AC”) is appointed by the General Meeting of Shareholders following a proposal by the SB and its purpose is to assist the SB in discharging its oversight responsibilities primarily relating to:

- The review of the adequacy of the Internal Control and Risk Management systems and the compliance with rules and regulations monitoring process;
- The review of the financial reporting process and satisfaction as to the integrity of the Bank’s Financial Statements;
- The External Auditors’ selection, performance and independence;
- The effectiveness and performance of the Internal Audit function;
- The effectiveness and performance of the Compliance function.

In doing so, it is the responsibility of the Audit Committee to provide for open communication channels between the SB, Management, Internal Audit and External Audit.

The Audit Committee shall comprise of at least three members. As of December 2022 the Audit Committee consisted of four members who are appointed for three years with the option to renew their appointment, but in any case the service in the Committee should not be more than twelve (12) years in total.

The Audit Committee members’ term of office is until June 2024.

The AC members possess the necessary skills and experience to carry out the AC’s duties.

The AC meets at least 4 (four) times per year or more frequently, as circumstances require, and reports on its activities and submits the minutes of its meetings to the Supervisory Board on a quarterly basis.

During 2022 the Audit Committee held 4 (four) regular and 7 (seven) extraordinary meetings.

3.2.3. Remuneration Committee

The Remuneration Committee (“RemCo”) is a SB Committee which provides specialized and independent advice for matters relating to:

- remuneration policy and its implementation and for the incentives created while managing risks, capital and liquidity;

- safeguard the proper exercise of its duties and responsibilities, the efficient alignment of the personnel's remuneration with the risks the Bank undertakes and manages the required alignment between the Eurobank S.A. and the Bank;
- approve or propose for approval all remunerations of the key management personnel.

The Committee consists of at least 3 (three) members. The members are appointed by the Supervisory Board as the tenure of the Committee members coincides with the tenure of the SB, with the option to renew their appointment, but in any case the service in the Committee should not be more than twelve (12) years in total. All of the members are non-executive directors and the majority of them are independent.

In 2022 the Remuneration Committee consisted of three members. During 2022 the Remuneration Committee held 5 (five) meetings.

3.2.4. Nomination Committee

The SB has delegated to Nomination Committee the responsibility to lead the process for SB, Management Board (shortly referred to as "MB") and SB Committee appointments. In this context, Nomination Committee is responsible for, amongst other things, the identification, nomination and recommendation of candidates for appointment to the SB and MB. Nomination Committee also considers matters related to the adequacy, efficiency and effectiveness of the MB and SB. Nomination Committee, in carrying out its duties, is accountable to the SB.

In 2022 the Nomination Committee consisted of three members. During 2022 the Nomination Committee held 6 (six) meetings.

3.3. Management Board and Management Board Committees

The Bank is managed by the Management Board ("MB") in accordance with the law, the Statute of the Bank, the Terms of Reference ("ToR") of the MB and other internal rules. The MB is a permanent collective body for management and representation of the Bank exercising its powers under the control of the SB and the General Meeting of Shareholders. The MB may consist of 3 (three) to 9 (nine) members, elected by the SB, for a term of three (3) years.

The composition of the MB as of 31 December 2022 is consisted of 4 (four) members as three of the MB members are appointed as Executive Directors. The MB assigns, with the approval of the SB, the responsibilities for the management and the representation of the Bank to Executive Directors elected amongst Board's members. The authorization of the Executive Directors to represent the Bank can be withdrawn at any time by the MB, with the approval of the SB.

As of 31 December 2022 the members of the Management Board are:

- Petia Dimitrova - Chief Executive Officer, Chairperson and Member of the Management Board;
- Dimitar Shoumarov - Executive Director, Chief Financial Officer and Member of the Management Board;
- Asen Yagodin - Executive Director and Member of the Management Board;
- Panagiotis Mavridis – Chief Operating Officer and Member of the Management Board.

Management Committees are set to assist the MB. Such committees are:

3.3.1. Assets and Liabilities Committee

The Assets and Liabilities Committee ("ALCO") has primary responsibility to advise the MB on the strategic management of the Bank's assets and liabilities with the aim to effectively manage the interest rate and liquidity risks of the Bank.

The Committee consists of key management personnel both from Eurobank Bulgaria AD and Eurobank S.A., including executive directors and key management functions representing all Retail and Wholesale business units.

ALCO has the following authority:

- To advise the MB on the strategic management of the assets and liabilities;
- To take all necessary decisions regarding the interest rate gap and liquidity management ;
- To set the target parameters of potential external funding;
- To review/monitor/establish business initiatives and/or investments that affect the bank's market and liquidity risk profile.

3.3.2. Regional Credit Committee

The MB has delegated to the Regional Credit Committee the functions to deal with customers with ratings below a certain level according to internal credit rating system and following the approval levels according to the Eurobank Bulgaria's Corporate Credit Policy Manual.

The Committee consists of senior management personnel from Eurobank S.A., including an Independent member.

3.3.3. Country Credit Committee

The MB has delegated to the Country Credit Committee the functions to deal with customers with ratings below a certain level according to internal credit rating system and following the approval levels according to the Eurobank Bulgaria's Corporate Credit Policy Manual.

The Committee consists of senior management personnel from Eurobank Bulgaria AD (including the CEO) and senior management from Credit Sector function of Eurobank S.A.

3.3.4. Special Handling Committee I

The MB has delegated to the Special Handling Committee I the functions to deal with customers with ratings above a certain level according to internal credit rating system and following the approval levels according to the Eurobank Bulgaria's Corporate Credit Policy Manual.

The Committee consists of senior management personnel from Eurobank S.A., including an Independent member.

3.3.5. Special Handling Committee II

The MB has delegated to the Special Handling Committee II the functions to deal with customers with ratings above a certain level according to internal credit rating system and following the approval levels according to the Eurobank Bulgaria's Corporate Credit Policy Manual.

The Committee consists of senior management personnel from Eurobank Bulgaria AD (including the Chief Executive Officer) and senior management from Credit sector function from Eurobank S.A.

3.3.6. Troubled Assets Committee

The MB has delegated to the Troubled Assets Committee the supervision and control of the management of the troubled assets.

The Committee consists of senior management personnel from Eurobank Bulgaria AD, including the Chief Financial Officer and Executive Director, and other key management personnel in the area of TAG, Risk and Strategic Planning.

The main duties and responsibilities of TAC are the following:

- To monitor the management of loans in arrears and NPLs;
- To determine and implement the strategy regarding management of troubled assets and monitor the effective implementation of this strategy.

3.3.7. Loans and Products Committee

The Loans and Products Committee is responsible for the approval of new products, both in the retail and the wholesale areas.

The Loans and Products Committee consists of key management personnel including the Chief Executive Officer of the Bank.

3.3.8. Operational Risk Committee

The Operational Risk Committee ("ORC") has the responsibility to provide oversight of actual operational risk exposure and management and the processes implemented to assess, monitor and mitigate operational risk. The Operational Risk Committee consists of key management personnel in the areas of Risk, Operations, IT, Finance, TAG, Retail and Corporate. There is also a non-voting member from Internal Audit Division.

3.3.9. Country Procurement Committee

The Country Procurement Committee ("CPrC") is a management committee subordinated to the MB. The main responsibilities are related to evaluating the cost, necessity and business justification of procurement capital expenditures and operating expenses.

The Committee consists of senior management personnel including the Chief Financial Officer and Executive Director and Chief Operating Officer.

3.3.10. Related Employees Committee

The Related Employees Committee ("REC") is responsible for monitoring proper implementation of the Bank's Relatives Employment Policy and for deciding about cases which deviate from the Policy.

The Related Employees Committee consists of senior management personnel including the Chief Executive Officer and other key management functions in the areas of HR, legal and others.

3.3.11. Environmental and Sustainability Committee

Environmental and Sustainability Committee ("ESC") is a Management Committee which provides all strategic decisions within the scope of the Environmental Policy of the Bank.

The Committee consists of key management personnel in the areas of Operations, Legal, Risk, Corporate Communications and Marketing, Retail and Wholesale.

3.3.12. Special Handling Monitoring Committee

The Special Handling Monitoring Committee (SHMC) is established as a MB committee that monitors and decides on strategy of problematic relationships.

The Committee consists of key management personnel including the Chief Executive Officer and other key management functions in the areas of HR, legal and others.

3.4. CEO Management Committees

The CEO is empowered to establish committees to assist him/her as required, assigning their responsibilities and appointing the members, the chairman and the secretary.

3.4.1. Executive Committee

The Executive Committee ("ExCo") has the responsibility for the day-to-day management of the Bank, considers all issues pertaining to the current activities of the Bank and adopt decisions on them as to manage the implementation of the Bank's strategy, plan, direct and control the Bank's activities to ensure high level of performance and customer satisfaction, establish adequate systems of internal control and ensure they are properly maintained, consider the monthly financial reports before their submission to the MB.

The Committee consists of senior management personnel including Chief Executive Officer and other Executive Directors and all other key management functions covering all areas of the Bank's activities.

3.4.2. Ethics Committee

The Ethics Committee ("EC") mainly deals with staff cases of fraud and/or gross negligence and meets when there are issues to be considered.

The Ethics Committee consists of senior management personnel including the Chief Executive Officer, Head of HR and one Executive Director.

3.5. Main issues the SB dealt with during 2022:

In discharging its responsibilities for 2022 the main issues the Board dealt with are related to:

a) Corporate governance:

- Approval of changes in the Bank's organizational structure;
- Approval of changes in the Supervisory Board Committees' compositions;
- Preparation, convocation and holding of regular and irregular GMS;
- Regular update on MB and SB Committees' meetings;
- Other decisions as per Bank's Statutes.

b) Capital Adequacy:

- review of the 2022 Internal Capital and Liquidity Adequacy Assessment Process (ICAAP and ILAAP) – Pillar 2 Report. Capital Adequacy report was reviewed every quarter.

c) Business monitoring:

- approval of the 2021 Annual Financial Statements;
- review of business developments and liquidity.

d) Risk Management and Internal Control:

- review of annual reports on evaluation of Internal Control Systems and Compliance Policies;
- review and approval of the 2021 Pillar 3 Report;
- review on the Risk and Capital Strategy and Risk Appetite Framework;
- review of Audit Committee meeting minutes and Key Audit Issues.

4. Board Diversity Policy

The Diversity Policy (“the Policy”) sets out the approach to diversity on the MB and SB of the Bank and it is in accordance with international best practices and the EU and Bulgarian banking law provisions.

The Bank sees increasing diversity at Boards level as an important element in maintaining a competitive advantage. The diversity in the Boards includes and makes good use of differences in the skills, background, nationality, gender, age and other qualities of members. These differences are considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Bank’s Boards appointments are made on merit, in the context of the skills and experience of the members in order to function effectively.

The Nomination Committee is responsible to review and assess, on an annual basis, the structure, size, composition and performance of the members of the Boards and recommends the appointment of new members. In reviewing Board composition, the committee considers the benefits of all aspects of diversity including, but not limited to, those described above, in order to maintain an appropriate range and balance of skills, experience and background.

5. Board Nomination Policy and Board Induction Policy

5.1. The Eurobank Bulgaria AD Board Nomination Policy sets out the guidelines and formal process for the identification, selection and nomination and assessment of candidates for members and members for the Eurobank Bulgaria AD Management Board and Supervisory Board, as well as and Key Function Holders selection and appointment. The Boards, supported by the Nomination Committee nominate candidates who meet the fit and proper requirements. The fitness and propriety of nominees is assessed against the following criteria: reputation along with honesty, integrity and trust, knowledge, skills, experience and other general suitability requirements, conflicts of interest and independence of mind; time commitment and collective suitability.

5.2. The Induction Program for the Members of the Management Board and the Supervisory Board which aims to induct and train the newly appointed members, as well as current members of the Boards. Depending on the person’s background it is evaluated which actions of the program shall be undertaken.

The objectives of the program are to: communicate Eurobank Bulgaria AD vision and strategy, to communicate practical procedural duties so as to reduce the time taken for an individual to become

productive in its duties, to integrate an individual as a welcome member of the Board, to ensure retention of individuals for future periods, to become familiar with Eurobank Bulgaria AD organizational structure and to give new Members an understanding of Eurobank Bulgaria AD business and the markets in which it operates, create a connection with the Bank’s employees and to provide an understanding of its main relationships with the regulators Bulgarian National Bank and Financial Supervision Commission.

6. System of Internal Controls and Risk Management Main Features

The Bank aims to adopt best practices regarding corporate governance, taking into account all relevant guidelines and regulatory requirements, as set by the Basel Committee on Banking Supervision, the European Banking Authority, the European Central Bank, the Bulgarian National Bank as well as any decisions of the competent authorities supervising the Bank.

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

6.1. Principles of Internal Controls System

The Bank has established a System of Internal Controls that is based on international good practices and COSO terminology and is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- efficient and effective operations;
- reliability and completeness of financial and management information;
- compliance with applicable laws and regulations.

The key principles underlying the system of internal controls are described below:

- **Risk Management:** The Bank acknowledges that taking risks is an integral part of its business. It therefore sets mechanisms to identify those risks and assess their potential impact on the achievement of the Bank’s objectives. Because economic, industry, regulatory and operating conditions will continue to change, risk management mechanisms in place shall be set (and evolve) in a manner that enables to identify and deal with the special and new risks associated with changes;
- **Control Activities:** Internal control activities are documented in the policies and detailed procedures that are designed to ensure that operations are carried out safely and all transactions are recorded accurately in compliance with Management’s directives and regulations. They occur throughout the organization and business processes, at all levels and in all functions. One of the prime organizational measures to ensure control effectiveness in the Bank is segregation of duties. Functions that shall be separated include those of approval (limits, limit excesses, specific transactions), dealing, administration (administrative input, settlement, confirmation checks, transaction approval check, documentation check, file keeping, custody and controlling (reconciliation, limit monitoring, excess approval check, risk management, compliance checks, physical counts);
- **Information and Communication:** Information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. The Bank has set effective communication channels to ensure that information is communicated down, across and up within the organization. Mechanisms are also in place to obtain appropriate external information as well as to communicate effectively with outside parties including regulators, shareholders and customers;
- **Control Environment:** The control environment is the foundation for all components of Internal Control

System, providing discipline and structure and influencing the control consciousness of employees. Integrity and high ethical values stem from management's philosophy and operating style and appropriate recruitment and training policies ensure the competence of the Bank's people. The Bank's organization structure is suitable for its size and complexity with clearly defined responsibilities and reporting lines and clearly specified delegation of authority;

- **Monitoring:** The Bank has established mechanisms for the ongoing monitoring of activities as part of the normal course of operations. These include regular management and supervisory activities and other actions personnel take in performing their duties that assess the performance of internal control systems. There are also independent evaluations of the internal control system by the Internal Audit function, the scope and frequency of which depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies are reported upstream, with serious matters reported to the Management Board, the Audit Committee and the Supervisory Board.

6.2. Internal Audit

The Internal Audit function of Eurobank Bulgaria AD is an independent, objective assurance activity designed to add value and improve the Bank's operations. The Internal Audit Division (IAD) helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Management is responsible for establishing a system of internal controls that is adequate for the size and the complexity of the organisation. IAD is responsible for reporting on the adequacy and effectiveness of the system of internal controls.

In order to safeguard its independence IAD reports to the Audit Committee (AC) of the Bank and is independent of the Bank units with operational responsibilities and for administrative purposes reports to the CEO. The Supervisory Board has delegated the responsibility for monitoring the activity of the IAD to the Audit Committee.

IAD follows a risk-based methodology which examines the existence and adequacy of controls and assesses specific control objectives. IAD's work normally includes but is not restricted to the following:

- To provide reasonable assurance, in the form of an independent opinion, as to the adequacy and effectiveness of the internal control framework of the Bank. In order to form an opinion, IAD carries out audits based on an audit plan approved by the Audit Committee. The required frequency of audits depends on the level of risk in each business unit and/or process;
- To provide proactive support to the Management of the Bank in the promotion of internal controls and risk management through recommending best practices in internal control;
- To assist Management in the prevention of fraud and unethical practices;
- To follow-up aiming to ascertain that appropriate action is taken on reported audit findings within agreed deadlines.

6.3. Compliance

The mission of Compliance Division is to promote within the Bank an organizational culture that encourages ethical conduct and a commitment to compliance with laws and regulations as well as global governance standards. The Compliance division has been established under the approval of the Supervisory Board and the Audit Committee of the Bank. It is a unit with permanent function, independent of the Bank's business activities.

In order to safeguard its independence, the Head of Compliance Division reports to the Audit Committee, to the Eurobank Group Compliance Sector and for administrative purposes to the CEO. The Head of Compliance attends all Audit Committee meetings and submits quarterly reports summarizing the Division's activity and highlighting the main compliance issues. These reports include all matters falling under the scope of the Compliance Division, which the Head of Compliance believes should be reported to the Audit Committee or matters specifically requested by the latter.

Compliance Division duties and responsibilities indicatively include:

- Raise compliance awareness throughout the Bank;
- Ensure the development of a robust compliance risk identification and assessment framework, provide support and challenge, if required, the business line management regarding the effectiveness of the compliance risk management activities;
- Handle issues related to combating financial crime, in accordance with applicable laws and regulations as well as existing sanctions. The Division is responsible for the development of the necessary policies and procedures related to anti money laundering and combating financing of terrorism, as well as for monitoring adherence to them. Moreover, it is responsible for the provision of relevant training and guidance to the staff, as well as, for the cooperation with the relevant Authorities;
- Provide advice to the Boards and Senior Management on compliance with applicable laws, rules and standards and keep them informed of related developments;
- Issue policies, procedures and other documents such as compliance manuals, internal codes of conduct & ethics and practice guidelines, in order to provide guidance to staff on the appropriate implementation of applicable laws, rules and standards as well as to assist the business to develop and implement regulatory compliant policies and procedures;
- Monitor and test whether staff applies effectively the internal processes and procedures aimed at achieving regulatory compliance;
- Monitor the timely submission of reports to competent authorities and report any delays and fines for any alleged breaches of regulations to the Audit Committee;
- Fulfil any statutory responsibilities and liaise with regulators and external bodies on compliance issues.

6.4. Risk management

The Bank's risk governance framework comprises a number of different constituents. In particular, the Supervisory Board has set up a Risk Committee overseeing all risk management functions. It is currently complemented by the Risk function.

The Supervisory Board has delegated to the Risk Committee the role of approving all strategic risk management decisions (e.g. local risk appetite, capital allocation, balance-sheet profile and risk management structure). The Risk Committee is in charge of monitoring the quantitative and qualitative aspects of all credit, market, liquidity and operational risks.

The Risk Committee is empowered to:

- Review and analyze the Bank's risk profile, identify and assess significant risks;
- Develop adequate policies and procedures in order to identify, assess, monitor and control significant risks;

- Inform the SB about significant problems or developments that could have an impact on the Bank's risk profile;
- Monitor the implementation of policies related to the management of significant risks;
- Approve adequate methodologies and models for risk assessment and exposure limitation.

The RC updates the SB on the adequacy of the risk management structure and reports key risks. Any significant matters of concern are escalated either to the SB or to the Eurobank S.A.'s Board Risk Committee.

Acknowledging the fact that Risk is embedded in every business activity undertaken, the organisational governance stems from the Supervisory Board through the Risk Committee, Management Board and Senior Management.

A robust risk management framework provides the cornerstone for implementing the Bank's risk strategy and achieving business goals. The Bank's approach is to provide direction on: understanding the material risks to achieving Bank's strategy; establishing risk appetite; and communicating the risk management framework. The process is then broken down into five steps. Each of these steps is broken down further, to establish end-to-end activities within the risk management process and the infrastructure needed to support it.

Steps	Activity
Identify	<ul style="list-style-type: none"> • Establish the policies and processes for identifying and understanding business risks.
Assess	<ul style="list-style-type: none"> • Establish and implement measurement and reporting standards and methodologies.
Control	<ul style="list-style-type: none"> • Establish key control processes and practices, including limit structures, impairment allowance criteria and reporting requirements; • Monitor the operation of the controls and adherence to risk direction and limits; • Provide early warning of control or appetite breaches.
Report	<ul style="list-style-type: none"> • Interpret and report on risk exposures, concentrations and risk-taking outcomes. • Communicate with external parties.
Manage and Challenge	<ul style="list-style-type: none"> • Review and challenge all aspects of the Group's risk profile; • Assess new risk-return opportunities; • Advise on optimising the Group's risk profile; • Review and challenge risk management practices.

The above processes are embedded in each of the risk types, supported by the appropriate infrastructure

and staffing and are described in detail in the following sections.

Principle 1: The Management Board and Supervisory Board are responsible for approving and periodically reviewing the Risk strategy and Bank's risk policies.

Principle 2: Senior Management is responsible for implementation of the risk strategy approved by the Management Board and for developing policies and procedures for identifying, measuring, monitoring and controlling risks. Such policies and procedures address the risks in all Bank's activities, at both individual and portfolio level.

Principle 3: The Bank has sound processes and procedures for approving new loans and transactions, as well as amendments, renewal and re-financing of existing ones.

Principle 4: All exposures are monitored carefully and appropriate measures are taken to control and mitigate the risks.

Principle 5: The Bank has in place systems, processes and procedures for monitoring the performance of individual exposures, including computation and adequacy of provisions and reserves.

Principle 6: Information systems and analytical techniques are used to assist management in assessing and monitoring all significant risks as well as portfolio composition. The Bank uses internal models for credit risk assessment. For Retail portfolio application and behavioral scorecards are in place. For Corporate customer the Bank is using rating systems depending on the economic activity of the customers. The risk models and rating systems are consistent with the nature, size and complexity of the Bank's activities.

Principle 7: The Bank takes into account potential future changes in the macroeconomic environment when assessing individual loans and loan portfolios. The Bank is assessing its loan exposures and portfolios under stressful macroeconomic conditions.

Principle 8: The Bank has implemented process for independent, ongoing risk review and communicates risk figures to the Senior Management, Management Board and Risk Committee.

Principle 9: The Bank promotes an open risk culture to support trust and confidence.

Principle 10: The management and all employees feel committed to the Bank's risk policy principles and make their day-to-day decisions according to these guidelines.

Principle 11: The Bank's risk management is organized in a way to prevent conflicts of interests among employees and organizational units.

Principle 12: The Bank carries out on an annual basis the Internal Capital Adequacy Assessment Process ("ICAAP") and the Internal Liquidity Adequacy Assessment Process ("ILAAP").

7. Information under Article 10, paragraph 1, letter „c“, „d“, „e“, „f“ and „g“ of the Directive 2004/25/EC of the European Parliament and the Council of 21 April 2004 on the proposals for takeover bids

7.1. The Bank has not been involved in any significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Directive 2001/34/EC of the European Parliament and of the Council of 28 May 2001 on the admission of securities to official stock exchange listing and on information to be published on those securities as amended by Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, namely Art. 9 – 13.

- 7.2. The Bank has not registered any holders of any securities with special control rights.
- 7.3. No restrictions have been implemented or exercised on the rights to vote, such as restrictions on the rights to vote of holders of a certain percentage or number of votes, deadlines for exercising the rights aloud or systems through which through the co-operation with the company the financial rights attached to the securities are separated of the possession of the securities. All of the Bank's capital shares are ordinary with a nominal value of BGN 1.00 (one) each, giving voting right, dividend right and liquidation quota proportionate to the nominal value of shares.
- 7.4. The main AoA, namely Statute of the Bank, regulates the appointment and replacement of Boards members. It incorporates the main provisions and principals of the applicable commercial law. The document is publicly available on the account of the Bank in the Commercial Registry and the Registry of Non-profit Legal Entities to the Registry Agency at the Ministry of Justice. The responsibilities that rest with the Management Board and Supervisory Board members are given in Statute of the Bank and detailed in the Terms of reference (ToR) of the relevant Board. It also contains provisions governing the fundamental powers and manner of interaction between the Boards in the decision making process.
- 7.5. The provisions providing the competences of buy-back of shares are implemented in Art.11of the Bank's Statute.
- 7.6. No information for takeover bids, other than stated in paragraph for subsequent events, has been received by the Bank as of the date of issuance of these Financial statements.

RISK MANAGEMENT

The Bank considers risk taking as an integral part of its activities for achieving its strategic and business objectives. Risk taking is core to the financial business, and the operational risks are inevitable consequences. Therefore, timely and effective risk management is a key priority of the Bank's management.

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of a combination of risks. The risk management policies reflect the Bank's objectives. It is therefore not intended that large risk positions are maintained to increase short-term profitability. The Bank's intent is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

A consistent and effective framework for risk identification, assessment, monitoring and control has been fully documented by the Bank's Risk Management unit, forming the basis for consistent definition of strategies, policies and procedures across all risk taking units within the Bank. 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 Supervisory Board of the Bank (SB) has delegated to the Risk Committee the role of approving all strategic risk management decisions. The Risk Committee is in charge of monitoring the quantitative and qualitative aspects of all credit, market, liquidity and operational risks. Risk Division supports and complements the activities of the Risk Committee. In addition, Internal Audit is responsible for the independent review of risk management and the control environment.

The Bank's risk management function is capturing all material risk sources across all portfolios and operations. Management is responsible for developing and maintaining processes and systems to ensure effective and efficient operations, adequate control of risks, prudent conduct of business, accurate disclosures both internally and externally, and compliance with internal and external rules.

The Bank's risk measurement, monitoring, and control functions have clearly defined responsibilities that are sufficiently independent from position/risk taking functions. The Bank's internal control systems are designed

to provide adequate segregation of duties, in order to prevent conflicts of interest with respect to the distinct functions of undertaking, approving, monitoring and controlling risks.

The Risk Management Unit has an active participation in the development and pricing of new products, the design of new procedures, in issues relating to business decision-making and to adopting the proper risk management and control mechanisms. The Bank ensures that proper identification of risks inherent in new products and activities is undertaken and that these are subject to adequate procedures and controls before being introduced or undertaken.

The Bank manages with higher priority the following major types of banking risks arising from its activities – credit risk, market risk (including interest rate risk in the banking book), liquidity risk and operational risk. The bank is in process of establishment of a framework for effective management and control of climate and environmental risks.

CREDIT RISK

Credit risk is the risk related to the inability or unwillingness of a customer or a counterparty to fully meet the commitments made to the Bank in relation to lending, trading, settlement, hedging or other transactions within the agreed time period or schedule.

Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments, and counterparty risk in over-the-counter derivative transactions.

The Bank uses rating systems and slotting methodology to assess the creditworthiness of its corporate borrowers. The rating systems aggregate quantitative and qualitative information on individual obligors to perform the assessment of their creditworthiness and determine the credit rating for the obligor. The Bank assesses the credit quality of the wholesale loans on a case-by-case basis using the borrower's credit rating and based on a profound analysis of a set of qualitative and quantitative factors. The classification of retail clients is based on the full delinquency analysis by groups. The grouping is based on the common characteristics of the respective products, the similar risks they bear and the type of collateral that secures them.

Exposures to credit risk are managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing the lending limits where appropriate. The exposure to any borrower is restricted by limits covering on- and/or off- balance sheet.

Off-balance sheet facilities to customers include foreign exchange and interest rate derivatives, letters of credit, letters of guarantee and other financial instruments.

In compliance with its risk strategy, the Bank targets to maintain a low level of credit risk concentration by industries and at a customer level.

The Bank makes assessment of the risk exposure, evolving from the loan portfolio by classifying and provisioning loans in compliance with the requirements of the IFRS framework and Impairment Policy applied on a monthly basis. The impairment provisions reflect the probability that management will not be able to enforce its rights and repossess collateral on defaulted loans.

MARKET RISK

Market Risk Department is the unit responsible for the independent identification, assessment, monitoring and control of the Bank's exposures to market risks, aiming to keep the potential financial losses from adverse changes in market variables such as interest or foreign exchange rates, credit spreads and equity prices within the Bank's risk appetite levels. The Bank's Market & Counterparty Risk Policy and the related procedures apply

to the control of market risks, arising from all of the Bank's assets, liabilities and off-balance sheet positions, therefore covering both trading and non-trading activities that generate market risks.

In 2022, the process of measuring, monitoring, analyzing, reporting and managing the Bank's exposure to market risks continued to be fully in line with the Group's standards and best practices. The analysis of the Bank's risk exposure is supported by stress tests for market risk, carried out on a regular monthly basis and simulating adverse interest rate, credit spread, foreign exchange and equity portfolio scenarios, which have proven to be a valuable forward-looking risk-management tool.

The Bank does not take material open positions in foreign currencies other than the Euro, which keeps the exposure to currency risk at low levels. The Bank's overall exposure to interest rate risk also remained well within its risk appetite levels throughout the year. The main source of interest rate risk is the portfolio of fixed income securities, a large part of which is hedged against this type of risk through asset swaps. The average duration of the portfolio is also intentionally maintained low. The Bank's small proprietary trading equities portfolio consists of equities listed on the Bulgarian Stock Exchange, with equity price risk monitoring and management performed on a daily basis, enhanced by daily calculations of portfolio VaR. Counterparty risk monitoring and management is also performed daily, together with the monitoring of PFE limits for derivative exposures with corporate customers.

LIQUIDITY RISK

Prudent liquidity risk management and appropriate supervision and control are essential elements for the effective management of the Bank. The Bank has limited appetite for liquidity risk and accepts the potentially increased costs of maintaining sufficient liquidity buffers to ensure a sound liquidity position to withstand potential stress events. The ultimate responsibility for liquidity management lies with the Assets and Liabilities Committee (ALCO). The daily liquidity management is carried out by Capital Markets Division, while Market Risk Department performs an independent liquidity risk control function.

During 2022, Postbank continued to maintain a very strong liquidity position. The continuously monitored internal liquidity ratios and liquidity buffers remained significantly above the required levels. The regulatory Liquidity Coverage Ratio (LCR), calculated in accordance with the requirements of Regulation (EU) No 575/2013 and Delegated Regulation (EU) 2015/61, stood at 211% as of 31 December 2022, while the Net Stable Funding Ratio (NSFR) was 156%. The regulatory requirement for both ratios is 100%. The positive outlook of the Bank's liquidity position is also emphasized by the quantitative results from the regular monthly stress tests for liquidity risk, showing that the Bank has built a very strong capacity to withstand extremely adverse scenarios.

OPERATIONAL RISK

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events and includes legal risk.

Operational Risk management in the Bank is supported by a framework of policies, procedures, methodologies, processes, and systems designed to identify, assess, mitigate, monitor, control, and report on the Operational Risk exposure and manifestation.

Operational Risk governance at Eurobank Bulgaria comprises the following bodies/officers: Supervisory Board, Management Board, Risk Committee, Operational Risk Committee, Business Units Managers, Retail Operational Risk Unit, Corporate Banking Operational Risk Unit, Operational Risk Partners, Chief Risk Officer, Operational Risk Department, and Internal Audit Division.

Operational Risk Committee of the Bank acts to provide oversight of the operational risks arising from the activities of Eurobank Bulgaria, ensuring that management implements appropriate processes to assess, monitor and mitigate operational risk. Risk Committee monitors, on behalf of the Supervisory Board, the Operational

Risk level and profile.

The management of Business units manages the inherent Operational Risks within their scope of activities, supported by specialised Operational Risk management units where appropriate as well as Operational Risk partners.

The Operational Risk Department of the Bank is part of the Risk Division. The principal aim of the Department is to support the implementation of Operational Risk management framework, to introduce an effective operational risk management program, to provide reliable information on the most significant risks, to measure, monitor, and inform on the Operational Risk exposure undertaken by the Bank.

The Operational Risk management is based on six distinct, even though interrelated and integrated, Operational Risk Programs that are supported by a dedicated IT application:

- Operational Risk Events – includes capturing, monitoring and reporting on all Operational Risk events with their impact, analysis of root causes, and mitigation measures;
- Key Operational Risk Indicators (KRIs) – KRIs with respective escalation thresholds have been implemented and monitored;
- Risk & Control Self-Assessment (RCSA) – all units perform RCSAs every 12-18 month based on risk-assessed coverage planning;
- Operational Risk Scenario Analysis – estimates on severe yet plausible events and their potential impact;
- Outsourcing Risk Management;
- Operational Risk reporting – there is regular Operational Risk reporting in place, which supports more effective decision making and management of Operational Risk.

The Bank implemented business resiliency and continuity plans to ensure an ability to operate on an ongoing basis and limit losses in the event of business disruption. In addition, the Bank has appropriate insurances to protect itself and its assets from high severity risk impact.

Internal Audit function provides an independent evaluation and assurance on the effectiveness of the Operational Risk framework and its application.

APPENDIX





KPMG Audit OOD
 45/A Bulgaria Boulevard
 Sofia 1404, Bulgaria
 +359 (2) 9697 300
 bg-office@kpmg.com
 home.kpmg/bg

Baker Tilly Klitou and Partners EOOD
 5 Stara Planina Str., 5th floor
 Sofia 1000, Bulgaria
 +359 (2) 9580980
 info@bakertilly.bg
 www.bakertilly.bg

Independent Auditors' Report

To the shareholders of
Eurobank Bulgaria AD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eurobank Bulgaria AD (the Bank) as set out on pages 55 to 177, which comprise the statement of financial position as at 31 December 2022 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the following key audit matter:

Impairment of loans and advances to customers

As at 31 December 2022, the financial statements include:

- Gross loans and advances to customers of BGN 10,410,620 thousand (31 December 2021: BGN 9,092,689 thousand) and ECL allowance of BGN 347,187 thousand (31 December 2021 ECL allowance: BGN 298,738 thousand), as presented in note 18 to the financial statements.
- Impairment charge for credit losses recognized in the income statement of BGN 71,878 thousand (2021: BGN 83,375 thousand), as presented in note 12 to the financial statements.

Also refer to the following notes to the financial statements:

- 2.2.15 Impairment of financial assets
- 3.1 Impairment losses on loans and advances
- 5.2.1 Credit risk

Key audit matter	How this key audit matter was addressed in our audit
<p>Impairment allowances for loans and advances to customers (collectively, "loans", "exposures") represent the Bank's best estimate of expected credit losses ("ECL") associated with these exposures at the reporting date. Measurement thereof requires the Bank to make complex judgements and assumptions.</p> <p>As described in note 3.1 to the financial statements, the expected credit losses have been determined in accordance with the Bank's accounting policies based on the requirements of IFRS 9 Financial Instruments ("IFRS 9"). As required by IFRS 9, the Bank estimates the expected credit losses considering a stage allocation of the loan exposures.</p> <p>For performing exposures (stage 1 and stage 2 loans in the IFRS 9 hierarchy), as well as stage 3 exposures not exceeding specific thresholds set for different segments as per the Bank's "Accounting policy for impairment of lending exposures", the expected credit losses are determined based on statistical models using the Bank's historical debt service data and also forward-looking information and macroeconomic scenarios. The key assumptions in this area are, among other things, the probability of borrower's default ("PD"), the assessment of the amount</p>	<p>Our audit procedures, performed, where applicable, with the assistance of our financial risk management, valuation and IT audit specialists, included among others:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of the loan impairment accounting policies and related methods and models against the requirements of the relevant accounting standard, our business understanding and industry practice. As part of the above, we challenged the Management Board on whether the level of the methodology's sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors; • Making relevant inquiries of the Bank's risk management, internal audit and information technology (IT) personnel in order to obtain an understanding of the ECL estimation process, IT applications used therein, key data sources and assumptions used in the ECL model. Also, assessing and testing the Bank's IT control environment for access and program change; • Testing the design, implementation and operating effectiveness of selected key

<p>non-recoverable from the borrower in the event of a default ("loss given default", "LGD") and of the amount of exposure at default ("EAD"). In the wake of the geopolitical volatility following the outbreak of the Russo-Ukrainian war, the adverse macroeconomic effects of the increase in energy and other commodity prices, resulting inflationary pressures and disruptions in the global supply chains, as well as of the rise in interest rates, measurement of the collective impairment allowance was associated with additional complexities and an increased estimation uncertainty. Among other things, the application of post-model adjustments was required from management in arriving at the year-end estimate of collective impairment losses.</p> <p>For Stage 3 exposures in excess of specific thresholds set for different segments as per the Bank's "Accounting policy for impairment of lending exposures", expected credit losses are determined on an individual basis by means of a discounted cash flows analysis. The process involves subjectivity and reliance on a number of significant assumptions, including those in respect of the expected proceeds from the sale of the related collateral and minimum period for collateral disposal.</p> <p>Given the above factors and complexities, we considered impairment of loans and advances to customers to be associated with a significant risk of material misstatement in the financial statements, which required our increased attention in the audit and as such was determined to be a key audit matter.</p>	<p>controls over the approval, recording and monitoring of loans, including, but not limited to, the controls relating to the appropriateness of the classification of exposures into performing and non-performing, calculation of days past due, stage allocation and calculation of the ECL;</p> <ul style="list-style-type: none"> For a sample of loans, critically assessing, by reference to the underlying loan documentation (updated financial indicators, repayment pattern, default events, forbore status) and through inquiry with the loan officers and credit risk management personnel, the existence of any triggers for classification to Stage 2 or Stage 3 as at 31 December 2022; <p>For ECLs estimated on a collective basis:</p> <ul style="list-style-type: none"> Obtaining the Bank's relevant macroeconomic forecasts and critically assessing the forward-looking information and macroeconomic scenarios used in the calculation of the ECL, by means of corroborating inquiries of the Management Board and inspecting publicly available information; Challenging the collective PD, LGD and EAD parameters for a sample of the Bank's portfolios, by reference to, among other things, our own analysis of the Bank's data on past default occurrence, realized losses on those defaults, contractual cash flows and contractual lifetime; Testing post-model related adjustments to reflect the current market volatility not reflected in the original ECL models. As part of the procedure, we evaluated the data, assumptions and methods used in calculating the adjustments; Recalculating the expected credit losses as of 31 December 2022 based on the Bank's ECL model for a sample of the Bank's portfolios; <p>For ECLs estimated on an individual basis:</p> <ul style="list-style-type: none"> For those loans where triggers for classification in Stage 3 were identified, challenging key assumptions applied in the Management Board's estimates of future cash flows in the impairment calculation, including time to sell and any realizable value of the collateral, by reference to the underlying collateral agreements and
--	---

	<p>appraisals, whose relevance and reliability we independently assessed;</p> <p>For loan exposures in totality:</p> <ul style="list-style-type: none"> Examining whether the Bank's ECL-related disclosures in the financial statements appropriately address the relevant quantitative and qualitative requirements of the applicable financial reporting framework.
--	---

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the annual activity report, the corporate governance statement and the non-financial statement, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the annual activity report, the corporate governance statement and the non-financial statement, we have also performed the procedures added to those required under ISAs in accordance with the New and enhanced auditor's reports and auditor's communication Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in the applicable in Bulgaria Chapter Seven of the Accountancy Act and Art. 100(m), paragraph 8, where applicable, of the Public Offering of Securities Act.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

- The information included in the annual activity report for the financial year for which the financial statements have been prepared is consistent with those financial statements.
- The annual activity report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.
- The corporate governance statement for the financial year for which the financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (m), paragraph 8, where applicable, of the Public Offering of Securities Act.
- The non-financial statement referring to the financial year for which the financial statements have been prepared is provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Standards as adopted by the EU, 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.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We are jointly and severally responsible for performing our audit and for our audit opinion as per the requirements of the Independent Financial Audit Act, applicable in Bulgaria. When accepting and performing the joint audit engagement, in relation to which we are reporting, we are also directed by the Guidelines for performing joint audit, issued on 13 June 2017 by the Institute of Certified Public Accountants in Bulgaria and by the Commission for Public Oversight of Statutory Auditors in Bulgaria.

Report on Other Legal and Regulatory Requirements

Additional reporting in relation to Ordinance No 58/2018 issued by the Financial Supervision Commission

Statement in relation Art. 11 of Ordinance No 58/2018 of FSC on the requirements for protection of financial instruments and deposits of clients, for management of products and for granting or receiving remunerations, commissions, or other monetary or non-monetary benefits

Based on the audit procedures performed and the knowledge and understanding of the Bank's activity (Investment intermediary), in the course and context of our audit of the financial statements as a whole, we identified that the designed and implemented organization for safeguarding of customers' assets complies with the requirements of Art. 3 – 10 of Ordinance No 58 of the FSC and Art. 92-95 of the Markets of financial instruments Act in relation to the activities as an investment intermediary.

Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- KPMG Audit OOD and Baker Tilly Klitou and Partners OOD were appointed as a statutory auditors of the financial statements of the Bank for the year ended 31 December 2022 by the general meeting of shareholders held on 25 July 2022 for a period of one year. The engagement was accepted by a Joint Audit Engagement Letter dated 1 November 2022.
- The audit of the financial statements of the Bank for the year ended 31 December 2022 represents fifth total uninterrupted statutory audit engagement for that entity carried out by KPMG Audit OOD and fifth total uninterrupted statutory audit engagement for that entity carried out by Baker Tilly Klitou and Partners OOD.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the Bank's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Standards as adopted by the EU, 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.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We are jointly and severally responsible for performing our audit and for our audit opinion as per the requirements of the Independent Financial Audit Act, applicable in Bulgaria. When accepting and performing the joint audit engagement, in relation to which we are reporting, we are also directed by the Guidelines for performing joint audit, issued on 13 June 2017 by the Institute of Certified Public Accountants in Bulgaria and by the Commission for Public Oversight of Statutory Auditors in Bulgaria.

Report on Other Legal and Regulatory Requirements

Additional reporting in relation to Ordinance No 58/2018 issued by the Financial Supervision Commission

Statement in relation Art. 11 of Ordinance No 58/2018 of FSC on the requirements for protection of financial instruments and deposits of clients, for management of products and for granting or receiving remunerations, commissions, or other monetary or non-monetary benefits

Based on the audit procedures performed and the knowledge and understanding of the Bank's activity (Investment intermediary), in the course and context of our audit of the financial statements as a whole, we identified that the designed and implemented organization for safeguarding of customers' assets complies with the requirements of Art. 3 – 10 of Ordinance No 58 of the FSC and Art. 92-95 of the Markets of financial instruments Act in relation to the activities as an investment intermediary.

Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- KPMG Audit OOD and Baker Tilly Klitou and Partners OOD were appointed as a statutory auditors of the financial statements of the Bank for the year ended 31 December 2022 by the general meeting of shareholders held on 25 July 2022 for a period of one year. The engagement was accepted by a Joint Audit Engagement Letter dated 1 November 2022.
- The audit of the financial statements of the Bank for the year ended 31 December 2022 represents fifth total uninterrupted statutory audit engagement for that entity carried out by KPMG Audit OOD and fifth total uninterrupted statutory audit engagement for that entity carried out by Baker Tilly Klitou and Partners OOD.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the Bank's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.

- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Bank.
- For the period to which our statutory joint audit refers, KPMG Audit OOD has provided to the Bank, in addition to the audit, the following services which have not been disclosed in the Bank's annual activity report or financial statements:
- Audit of the special purpose financial information of Eurobank Bulgaria AD prepared as of and for the year ended 31 December 2022 in accordance with the accounting instructions of Eurobank SA Group to the components subject to consolidation;
- Review of the special purpose financial information of Eurobank Bulgaria AD prepared as of and for the period ended 30 June 2022 in accordance with the accounting instructions of Eurobank SA Group to the components subject to consolidation;
- Review of the interim condensed financial statements of Eurobank Bulgaria AD, prepared in accordance with IAS 34 *Interim Financial Reporting* as at 30 June 2022;
- Review of the interim condensed financial statements of Eurobank Bulgaria AD, prepared in accordance with IAS 34 *Interim Financial Reporting* as at 30 September 2022;
- Agreed-upon procedures in relation to the Bank's internal control environment in accordance with the requirements of article 76, par. 7, p. 1 of the Law of the credit institutions and article 5 of Ordinance 14 of the Bulgarian National Bank for 2021.
- Agreed-upon procedures on the Bank's 2022 ex-ante contributions to the Single Resolution Fund in accordance with the requirements of Council Implementing Regulation (EU) 2015/81 and Decision SRB/ES/20121/57.
- For the period to which our statutory joint audit refers, Baker Tilly Klitou and Partners EOOD has provided to the Bank, in addition to the audit, the following services which have not been disclosed in the Bank's the annual activity report or financial statements:
- Review of the interim condensed financial statements of Eurobank Bulgaria AD, prepared in accordance with IAS 34 *Interim Financial Reporting* as at 30 September 2022;
- Agreed-upon procedures in relation to the Bank's internal control environment in accordance with the requirements of article 76, par. 7, p. 1 of the Law of the credit institutions and article 5 of Ordinance 14 of the Bulgarian National Bank for 2021.

Sofia, 30 March 2023

For KPMG Audit OOD:

Registered under No 045 in the Register of the registered auditors

IVAN ANDONOV
ANDONOV
ANDONOV
Digitally signed by IVAN ANDONOV ANDONOV
Date: 2023.03.30 20:19:46 +03'00'

Ivan Andonov
Authorised representative

SEVDALINA NIKOLAEVA DIMOVA
Digitally signed by SEVDALINA NIKOLAEVA DIMOVA
Date: 2023.03.30 19:32:45 +03'00'

Sevdalina Dimova
Registered auditor, responsible for the audit

45/A Bulgaria Boulevard Sofia
1404, Bulgaria

For Baker Tilly Klitou and Partners EOOD:

Registered under No 129 in the Register of the registered auditors

Galina Dimitrova Lokmadjieva-Nedkova
Digitally signed by Galina Dimitrova Lokmadjieva-Nedkova
Date: 2023.03.30 21:38:37 +03'00'

Galina Lokmadjieva
Authorised representative and Registered auditor, responsible for the audit
5 Stara Planina Str., 5th floor
Sofia 1000, Bulgaria

ANNUAL ACTIVITY REPORT

The management presents the annual Activity report as of 31 December 2022

BUSINESS DESCRIPTION

Eurobank Bulgaria AD (the Bank or Postbank) was incorporated and is domiciled in Bulgaria. The Bank is a joint stock company (its shares are not traded publicly on any stock exchange) established in accordance with Bulgarian regulations. The Bank is a licensed credit institution and an investment intermediary providing retail, corporate and investment banking services in Bulgaria. Its Head Office is located in Sofia. The address of its registered office is as follows: 260 Okolovrasten pat Str, 1766 Sofia, Bulgaria.

The activities of the Bank are governed by the applicable legislation regulating the credit institutions and the investment intermediaries. Its principal regulators are Bulgarian National Bank (BNB) and the Financial Supervision Commission (FSC). Since 1 October 2020 Postbank is directly supervised by European Central Bank (ECB) as part of the close cooperation process between the ECB and the BNB.

BUSINESS OVERVIEW

Macroeconomic Environment

The world economy went through another turbulent year. While on the path of recovery from the pandemic, it faced new challenges such as the conflict in Ukraine, the rising global inflation and the resurgence of COVID-19 in China. The Russian invasion in Ukraine in the beginning of the year caused a spike in the prices of oil, natural gas and other commodities of which Russia is a big exporter. This was aggravated by the decision of the European Union to wean itself off Russian gas and the search for alternative suppliers. Food prices were under pressure as grain export from Ukraine came almost to a halt.

In addition to the above, inflationary pressures were fueled by strong demand as consumers rushed to spend more with the easing of the supply chains, including on tourism after the reopening of the borders. The tight labor market and the "anti-inflationary" fiscal support in many countries were other factors for the higher inflation.

The decision of China to remove almost all COVID restrictions was surprising, but optimism quickly waned as the number of infections surged to record levels. Towards the end of the year the economic situation was looking better. Europe managed to fill in its gas storages, while the mild weather reduced the demand for gas. Crude oil and gas prices fell, in some cases even below the pre-invasion levels. Inflation in most countries has peaked as the monetary policy measures began to have the desired effect. Nevertheless, some worrying factors remain such as the deceleration of the trade growth and the fact that in some countries higher consumer spending is against savings. Global GDP growth is projected to decelerate from an estimated 3% in 2022 to 1.7% in 2023, before rebounding back to 2.7% in 2024.

The main downside risks are stubbornly high inflation, further escalation of the conflict in Ukraine, slowdown of China's recovery and a new debt crisis. The latter is especially concerning, because many countries have increased their debt levels during the pandemic and got used to an environment of low interest rates and ample

liquidity on the international debt markets. However, as the monetary policy shifts, the countries are faced with significantly higher debt servicing levels, while some might not even be able to get access to funding and will need to take tough decisions. Prolonged inflation is a tangible risk as high core inflation in many countries suggests that the prices will remain elevated for some time.

EU is heading towards stagnation. In the first half of 2022 the economies enjoyed a robust growth fueled by a post-COVID spending spree. However, as inflation was reaching record highs and started to impact the consumers' budgets, the confidence fell and the economies started sliding into recession. Most Member States are expected to experience a short recession in the winter before starting to grow again.

In the EU and the Eurozone as a whole the GDP is expected to grow by 3.5%, but by just 0.8% in 2023, (Eurozone: 0.9%), improving to 1.6% in 2024 (Eurozone: 1.5%).

Realizing that the inflation is not a temporary phenomenon, central banks across the world began a rapid tightening of the monetary policy in a synchronous and persistent way. The Federal Reserve raised its policy rate from 0-0.25% in the beginning of the year to 4.25-4.5% by its end with hikes likely to continue in 2023. Rates are at its highest level in the last 15 years and are likely to have a profound effect on economy growth. ECB decided to act later compared to the other major central bank, started in July and by the end of the year it has raised the rate on the deposit facility cumulatively by 2.5% to 2%. Quantitative tightening, however, is yet to come. At the last meeting of the year, ECB announced that the Asset purchase programme (APP) portfolio will decline at a rate of €15 billion per month from March 2023 onwards. The Pandemic emergency purchase programme (PEPP) portfolio will continue to reinvest the principal payments until at least the end of 2024.

Bulgaria's economic growth is also in a decelerating mode. In the fourth quarter of the year, GDP growth was 2.1%, down from 3.1%, 4.5% and 5.1% in the previous three. Consumption was still the main driver rising by 5.2% YoY. The contribution of the external sector turned negative with export rising by 8.3% YoY, while the growth of the import was 10.5% YoY. The lack of large government infrastructure spending and the insecure political and economic environment caused a decline in the gross fixed capital formation by 4.3% on an annual basis. The gross capital formation was positive though (2.7% YoY), due to the changes in the inventories. For the full year the nominal GDP was just north of 165 billion leva, while the real growth was 3.4%. The household consumption enjoyed a boost in the beginning of the year, but the exceptionally high inflation began to take its toll in the second half. The household financial situation has worsened notably and this is reflected in the consumer confidence surveys and in their desire to spend.

Bulgaria's foreign trade is booming, boosted by the higher prices of the energy resources and the inflation. In nominal terms the exports rose by the impressive 40.2% YoY to 87.5 billion leva, while the value of the imports jumped by 44.1% to 108 billion leva for the first 11 months of the year. Exports to EU countries and to third countries was rising almost in parallel – by 39% and 35.5% respectively. However, the import from third countries was rising much faster than from Bulgaria's EU partners – by 59% and 29.5% respectively. The main reason for this are the higher prices of energy resources which make a significant share of Bulgaria's import and accounted for over a third of the increase of both imports and exports in nominal terms. The higher prices of commodities (mainly metals and ores) and food and its derivatives account for most of the rest. The biggest trading partner of the country is Germany with a share of more than 12% of the foreign trade, followed by Romania and Turkey with 8.4% and 7.3% respectively.

In 2022 the foreign direct investments enjoyed a boom and jumped by the impressive 86% YoY to €2.2bn (2.7% of GDP) – one of the highest levels in history in nominal terms. There was a notable shift in the type of investments in the last year. The flow of equity investments and debt instruments was positive (€460m and €470m respectively), while a year ago there was an outflow in both types (€50m and €590m). The reinvested profit was 30% lower than in 2021 (€1.3bn vs. €1.85bn), however, it would have been higher if not for the significant dividends paid by some companies throughout the year. The biggest net inflow of investments came from Switzerland (€483m), Cyprus (€384m) and Austria (€380m). The biggest outflows were to Netherlands (€178m) and UK (€111m).

Inflation reached its highest level in the past 25 years. Measured through the consumer price index it reached 16.9%. In the first half of the year the main inflationary force was the price of natural gas which more than doubled compared with 2021. The Consumer price index (CPI) reached its peak in September at a level of 18.7%, while in the last quarter of the year it started to decline in line with the lower prices of natural gas. However, as the year progressed inflationary pressures were building in a broad range of categories with the food prices taking the lead and rising by 26.1% YoY at the end of December. Hospitality sector and recreational activities were another source of inflation as consumers picked up their spending after all COVID restrictions were lifted. The increase of the pensions and the wages additionally fuels the inflation which is expected to remain elevated in the medium term.

The unemployment rate declined in 2022 to 3.9%, according to the data by the NSI. The number of unemployed was 125 thousand – a decrease of close to 20 thousand people over the last year. The employment ratio in the age group 15-64 years reached a new year-end record of 71.5%. The workforce shrank by about 40 thousand people in the last year and will continue to decrease with a similar pace over the next years which will help keep the unemployment low, but will exercise an ever growing strain on the social security system.

The number of long-term unemployed (unemployed for more than 2 years) remained almost unchanged at about 42 thousand people, while the ones with basic or no education decreased by 5 thousand. The Northwestern region has the highest unemployment rate (6.3%), followed by the Northeastern (5.4%). The lowest unemployment rate is recorded in the South Central region (around Plovdiv) – 2.7%, while the Southwestern region (which includes Sofia) is a close second with 3.1%.

Tight labor market and the inflation have increased the pressure on the employers to raise the salaries with a pace close to the inflation rate. YoY the increase is 16.2% (inflation was 16.9%) to 1,947 leva at the end of December. In almost all sectors the increase is double digit, while in three it even exceeds 20% YoY – Real Estate, Energy generation and Finance. ITC continues to be the best paying sector with an average salary of 4,669 leva (15.6% YoY), well ahead of the second (Energy generation) where the average salary is 3,265 leva (21.2% YoY).

The public sector is paying an average salary of 2,127 leva (13.7% YoY). Although the salaries in the private sector rose faster – by 17.1% YoY to 1,887 leva, the gap with the public sector remains significant.

The absence of stable government and parliamentary majority throughout the year meant that the government was careful to preserve the financial stability of the country and avoid making large spending on investments. The aim to keep the budget deficit below the Maastricht criteria and thus keep the door open for Bulgaria to enter the Eurozone in the beginning of 2024 also played a significant role in this decision. On a cash basis the budget finished on a deficit of 0.9% of GDP (1.35 billion leva), however, it received a boost in the form of an advance payment from the Recovery and Resilience Facility of 2.7 billion leva. On an accrual basis, the deficit was 2.8%, just below the threshold as per the Maastricht criteria.

Budget revenues were 64.8 billion leva, 12.4 billion more than in 2021. However, some 3.2 billion of them came from the excess profits of the energy companies and another 2.7 billion leva from the Recovery and Resilience Facility. The tax revenues were 46.8 billion leva which is 14% higher than in 2021, but still some 700 million leva below the budgeted revenues. The expenditures rose by 18% YoY (9.8 billion leva) to 64.4 billion leva, however, this number includes 3.2 billion leva one off expenses for energy subsidies. The capital expenditures rose by close to 50% to 5.59 billion leva, but are still around 70% of the budgeted figure. The interest expenditures were 651 million leva or just 4% higher than in 2021, but they are bound to increase in the next years thus restricting other spending. The revenues of the social security funds (mainly pensions and health insurance) were 13.9 billion leva, while the expenditures were 24.4 billion leva - more than 10 billion leva above the revenues – a number which is bound to increase in the next year due to the double digit increase of pensions expected from 1 July 2023.

The state debt rose by 4.6 billion leva in 2022 to 37.1 billion leva (22.9% of GDP). Because of the large nominal

increase of the GDP this level is below 2021's (23.4%). In late 2022 Bulgaria returned to the international debt markets issuing 2.25 billion euro in 7 and 12 year maturities with a weighted average yield of 4.5%. In addition, the Government issued slightly more than 2.6 billion leva-denominated securities with an average yield of 2.02%, but also with much shorter maturity – half was in 3.5 year securities.

In 2023 the rating agency FITCH did three reviews of Bulgaria's credit rating and in each of them confirmed the rating of the country at BBB with a positive outlook. S&P did two reviews also confirming the rating at BBB, but with stable outlook. The third big rating agency, Moody's did not make any updates within the year and kept the rating at Baa1.

BANKING SYSTEM

The results of the banking system beat all previous records. Assets, loans and deposits were growing at an accelerating rate, while growth of income was outpacing handily the expenses. With the quality of the portfolios improving, the provisions were kept at a constant level. The net profit of the banks exceeded the 2 billion mark for the first time and reached an all-time high of 2.08 billion leva, close to 50% higher than in 2021. The return on equity improved considerably – from 8.9% in 2021 to 12.3% a year later, whereas return on assets was 1.4% (2021: 1.1%).

Lending had an explosive growth in 2022. Total loans increased by a record 10.2 billion leva (13.5% YoY) to 86.1 billion leva. In nominal terms, the delta is not only 50% higher than in 2021, but almost three times the one in 2020. Both the retail and the wholesale segments enjoyed a boom – loans to companies increased by 5.7 billion leva (12.3% YoY) to 52.1 billion leva, while loans to households rose by 4.5 billion leva (15.2% YoY) to 33.9 billion leva. In contrast to the previous year, more than half of the new loans to companies were in the form of overdrafts, while the long-term loans (over 5 years maturity) dropped by half. This trend reflects both the need of the companies for additional financing because of the inflation as well as their reluctance to invest in long-term projects in the current economic and political environment.

Both retail segments showed record increases – mortgage loans jumped by 2.6 billion leva (16.1% YoY) to 18.4 billion leva, while consumer loans rose by 1.8 billion leva (12.8%) to 16.1 billion leva. A closer look at the data shows that the best quarter of the year was Q3, while there is a decelerating trend in Q4 as households are preparing themselves for a period of subdued economic activity.

The turning of the interest cycle began to be reflected in the prices of the new loans. From the low point of 2.3% in May, the average rates of the new loans to companies started climbing and reached 3.12% by the end of the year – a level not seen since 2019. Rates on mortgage loans also crept upwards from 2.5% in mid-2022 to 2.6%, while in the consumer lending segment the shift is more noticeable with the rates finishing at 9.65% at the end of the year – a full 1.1 percentage point higher than a year ago.

The increase of deposits was more than impressive – 16.8 billion leva in 2022 (15.4% YoY), almost double the 2021 growth rate and reached 126.2 billion leva. Deposits from financial and nonfinancial companies rose by 10.7 billion leva (close to 26% YoY) to 51.9 billion leva which is more than three times the nominal increase in 2021 and suggests that some companies are faring very well despite the high inflation and the worsening economic prospects. Household deposits also grew by a record amount – 6.2 billion leva (9.1% YoY) to 74.3 billion leva. The gross loans to deposits ratio declined by a single percentage point to 68%, keeping the liquidity buffers of the banks at a solid level. Negative interest rates were quickly abolished in the second half of the year and the banks began to search actively for additional liquidity, anticipating a drop in new deposits in the next year. Interest rates on new deposits went from negative or zero in the beginning of 2022 to around 1% p.a. at its end. This is barely visible in the average rate on the existing stock (a couple of basis points change), but signals that the banks should be prepared to pay more for liquidity in the coming years.

Interest income of the banks rose by the hefty 20% (590 million leva) to 3.63 billion leva. Half of the net increase came from the lending portfolio which is attributed to the higher volumes rather than higher interest rate which are yet to make their mark. However, as rates on the interbank market have gone up in line with the main policy rates, the banks' income from placements went from close to nil in 2021 to just short of 200 million leva in 2022, contributing for 30% of the nominal increase of the interest income. Interest expenses have risen by 120 million leva (42% YoY) to 405 million leva but 95% of this is from derivatives held for trading rather than more expensive funding. Total income was up by 824 million leva (18.5%). Fee and commission income increased by 190 million leva (15.2% YoY) to 1.43 billion leva, while dividend income more than doubled to 362 million leva.

Banks managed to keep the expenses largely under control. Total costs rose by 156 million leva (6.9% YoY) to 2.43 billion leva. However the wage inflation is weighting much more - staff expenses rose by 12.5% YoY (122 million leva) to 1.1 billion leva. The rate of increase is higher than the rise of the average salary in the financial sector suggesting that the banks have to pay more to attract experienced personnel.

The improving quality of the portfolio kept the impairment charges on loans and securities largely flat in 2022. The banks set aside 586 million leva in 2022 which translates to a cost of risk ratio of around 0.72% (2021: 0.82%). The nonperforming exposures ratio reached a new low of 5.17% (2021: 6.55%). The volume of the nonperforming loans dropped by 10% (522 million leva) to just below 4.5 billion leva. Loans overdue more than 180 days fell to 2.23 billion leva, just over half of all nonperforming exposures. The coverage ratio kept rising and stands at close to 78% of nonperforming exposures, some 5 pp higher than in December 2021.

The fast lending growth and the renewed dividend payments by some of the largest Bulgarian banks have eroded the capital adequacy. Total CAD ratio stood at the still solid 20.9% as of December 2022, however, this is more than 1.7 percentage points lower than as of December 2021. The CET 1 ratio was 20% as of the same date.

MAJOR CHANGES IN THE REGULATORY ENVIRONMENT

On 25 July 2022 EU adopted Commission Delegated Regulation (EU) 2022/1288 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of „do no significant harm“, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

On 28 July 2022 BNB adopted Ordinance No. 43 on the Terms and Procedure for Determining and Paying a Maximum Daily Amount upon Suspension of Obligations in Respect of Eligible Deposits. The Ordinance was adopted on the basis of Art. 52a, para. 4 and Art. 101, para. 7 of the Law on Recovery and Restructuring of Credit Institutions and Investment Firms and introduces detailed rules on the determination and payment of the maximum daily amount that depositors - individuals and legal entities are entitled to receive in the event that the performance/fulfilment of a credit institution's obligations on eligible deposits is suspended for the purposes of restructuring.

On 29 September 2022 the BNB Governing Council adopted a decision to increase the countercyclical capital buffer rate applicable to credit risk exposures in Bulgaria to 2.0% in effect from 1 October 2023. BNB stated that as the standardized measure for the deviation of the credit-to-GDP ratio from its long-term trend does not adequately reflect the intensity of cyclical risks, assessments with regard to the countercyclical buffer rate take into account additional indicators which are focused on developments in the credit market, indebtedness, real estate market as well as the general economic outlook. Soaring energy prices, potential supply-chain disruptions, indirect effects of economic activity slowdown in main trading partners and weakening economic sentiments may impair debt servicing capacity of borrowers. The ongoing global process of rapid rise in interest rates also entails higher debt service payments by borrowers.

On 21 November 2022, Commission implemented Regulation (EU) 2022/1994 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/451 as regards own funds, asset encumbrances, liquidity and the provision of information for the purposes of determining global systemically important institutions, with effect from 11 July 2023.

On 30 November 2022 Regulation (EU) 2022/2453 was implemented amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards disclosure of environmental, social and governance risks. This Regulation is binding in its entirety and directly applicable in all Member States.

On 16 December 2022 Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability. The CSRD introduces more detailed reporting requirements on companies' impact on the environment, human rights and social standards, based on common criteria in line with EU's climate goals.

From 31 December the EBA Guidelines on the benchmarking exercises on remuneration practices, the gender pay gap and approved higher ratios under Directive 2013/36/EU enters into force for the data to be collected in 2023 for the 2022 financial year. The guidelines are to ensure the continuous benchmarking of remuneration trends and practices under Directive 2013/36/EU based on data for each year and in parallel with the new remuneration benchmarking exercise for investment firms under Directive (EU) 2019/2034.

EUROBANK BULGARIA PERFORMANCE AND KEY INDICATORS

The year 2022 was one of the best years in the history of Eurobank Bulgaria. The bank recorded a healthy increase of its loans and deposits, a solid improvement in its income and profitability and stable capital adequacy, risk and liquidity ratios. The profit after tax jumped by more than a fifth to 206.8 million leva, very close to the record pre-pandemic one of 210.5 million leva, when one-off factors were in play. The return on equity improved considerably – by 1.3 percentage points to 11.2%, while the return on assets was just below 1.4%.

Gross loans increased by 14.5% YoY (1.32 billion leva) to 10.41 billion leva, rising slightly faster than the market which translated into a market share gain of 11 bps to 12.1%. Eurobank Bulgaria is able to achieve better yield on its portfolio than its peers as it is focusing on profitability and long-term relationship with its clients rather than chasing market share gain at all costs. Thus, the corporate portfolio rose by just 6.8% (288 million leva) to 4.55 billion leva, while consumer loans increased by almost a quarter (371 million leva) to 1.87 billion leva. The primary focus, however, was on the secured lending. Rising incomes and real estate prices meant that the demand for mortgage loans remained on the high side leading to increase of more than 511 million leva (close to 20% YoY) to 3.08 billion leva. The SBB segment is also on an upward trajectory with loans rising by 147 million (19.4%) to 908 million leva.

The positive trend in gross loans volumes was supported by the participation of the Bank in various programs of EIF, Bulgarian Development Bank and Fund Manager of Financial Instruments for support of small and medium sized businesses, as well as in the Guarantee agreements under the Pan-European Guarantee Fund in response to Covid-19 with EIF.

Total deposits rose by 1.37 billion leva (11.1% YoY) to 13.7 billion leva. Retail deposits rose by 914 million leva (10.2% on an annual basis) to 9.87 billion leva. Corporate customers added another 454 million to their accounts (13.5% YoY increase) to a total of 3.81 billion leva. The rate of increase was lower than the market average, but Eurobank Bulgaria chose to utilize some of its liquidity buffers, instead of offering higher interest rates on corporate deposits, thus protected its profitability. Net loans to deposits ratio climbed by about 3 bps to 74%, some 9 percentage points above the market average. Other borrowed funds rose by 309 million leva throughout the year coming from a €50m new medium term loan and a second €110m loan for which Eurobank Bulgaria applied to the regulators to be included as a Tier II capital. Both loans are from Eurobank S.A.

Total operating income rose by 14% YoY (69 million leva) to 564.2 million leva. The majority of the additional income (60 million leva) came from the higher net interest income which rose by 16%, compared with the previous year. The expanding lending portfolio is the biggest contributor for the better results with the repricing of the portfolio having lower weight. In the same time, the net fee and commission income rose 15% YoY (18 million leva) to 142 million leva. Several factors contributed for the better fees and commission income – higher spending through cards, foreign exchange operations and bigger volume of money transfers.

Costs were under increasing pressure in the high inflation environment. Other operating expenses increased by 14.6% (30.2 million leva) to 237 million leva, where half of the increase was spent on staff which is broadly in line with the average of the market. The costs of installing and maintaining new IT systems and the overall inflationary pressure accounted for a big part of the rest. Cost-to-income ratio remained flat at 42% which is a remarkable achievement in the current inflationary environment.

Provisions for impairment in 2022 were lower than in the previous year – 76.0 compared to 84.3 million leva reflecting lending portfolio quality improvement. Cost of risk decreased by about 20 bps to 0.8%, in line with the average for the system. The nonperforming exposure ratio fell below 4% to 3.8%, a solid 1.1 percentage point improvement compared with year-end 2021. In nominal terms the decrease is around 50 million leva of which half is due to written off loans. The coverage ratio improved substantially for the year – by 21 percentage points to 89%.

In 2022 Eurobank Bulgaria was able to cover its expanding risk-weighted assets through internal capital generation. Interim profits were included in the capital base of the Bank throughout the year to sustain the expansion of the lending portfolio and to keep the capital adequacy at solid levels. In June 2022 €50m were taken from Eurobank S.A. in order to comply with the interim MREL target. The total capital adequacy ratio, and the CET1 ratio, at the end of the year stood at 20.2%, not including the interim profit for the fourth quarter of 2022 ending on 31 December 2022. In preparation for the upcoming acquisition in 2023, Eurobank Bulgaria took a €110m loan facility from its mother bank and applied to be included in the Tier II capital at the end of 2022. The Bank received on 06 March 2023 approval for classification of the subordinated debt of EUR 110m as Tier II capital instrument.

EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of BNP Paribas Personal Finance by Eurobank Bulgaria

On 5 December 2022 Postbank signed a put option letter in favor of BNP Paribas Personal Finance SA for the acquisition of its business in Bulgaria. After the successful completion of the Consultation Process, Postbank and BNP Paribas Personal Finance SA signed a business transfer agreement on 20 January 2023. The parties are in a process of satisfying two Condition Precedents – obtaining the Competition Clearance(s) from the Commission of Protection of Competition and BNB Approval. The branch is one of the leaders in the consumer finance market in the country and this acquisition presents a huge opportunity for the Bank to enter into a new fast-developing and high margin segment. In the last more than 15 years, BNP Paribas Personal Finance has built a recognizable franchise on which the Bank wants to build upon and enhance. The acquisition will not only enable Eurobank Bulgaria to increase its market share and target the second place in the segment, but also offers opportunities for cross selling and new ways to service customers.

There are no other than stated above significant post balance sheet events with effect on the financial statements as of 31 December 2022.

RISK MANAGEMENT

The Bank considers risk taking as an integral part of its activities for achieving its strategic and business objectives. Risk taking is core to the financial business, and the operational risks are inevitable consequences. Therefore, timely and effective risk management is a key priority of the Bank's management.

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of a combination of risks. The risk management policies reflect the Bank's objectives. It is therefore not intended that large risk positions are maintained to increase short-term profitability. The Bank's intent is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

A consistent and effective framework for risk identification, assessment, monitoring and control has been fully documented by the Bank's Risk Management unit, forming the basis for consistent definition of strategies, policies and procedures across all risk taking units within the Bank. The Bank's risk management policies are designed to identify and analyze 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 Supervisory Board of the Bank (SB) has delegated to the Risk Committee the role of approving all strategic risk management decisions. The Risk Committee is in charge of monitoring the quantitative and qualitative aspects of all credit, market, liquidity and operational risks. Risk Division supports and complements the activities of the Risk Committee. In addition, Internal Audit is responsible for the independent review of risk management and the control environment.

The Bank's risk management function is capturing all material risk sources across all portfolios and operations. Management is responsible for developing and maintaining processes and systems to ensure effective and efficient operations, adequate control of risks, prudent conduct of business, accurate disclosures both internally and externally, and compliance with internal and external rules.

The Bank's risk measurement, monitoring, and control functions have clearly defined responsibilities that are sufficiently independent from position/risk taking functions. The Bank's internal control systems are designed to provide adequate segregation of duties, in order to prevent conflicts of interest with respect to the distinct functions of undertaking, approving, monitoring and controlling risks.

The Risk Management Unit has an active participation in the development and pricing of new products, the design of new procedures, in issues relating to business decision-making and to adopting the proper risk management and control mechanisms. The Bank ensures that proper identification of risks inherent in new products and activities is undertaken and that these are subject to adequate procedures and controls before being introduced or undertaken.

The Bank manages with higher priority the following major types of banking risks arising from its activities – credit risk, market risk (including interest rate risk in the banking book), liquidity risk and operational risk.

CREDIT RISK

Credit risk is the risk related to the inability or unwillingness of a customer or a counterparty to fully meet the commitments made to the Bank in relation to lending, trading, settlement, hedging or other transactions within the agreed time period or schedule.

Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments, and counterparty risk in over-the-counter derivative transactions.

The Bank uses rating systems and slotting methodology to assess the creditworthiness of its corporate borrowers. The rating systems aggregate quantitative and qualitative information on individual obligors to perform the assessment of their creditworthiness and determine the credit rating for the obligor. The Bank assesses the credit quality of the wholesale loans on a case-by-case basis using the borrower's credit rating and based on a profound analysis of a set of qualitative and quantitative factors. The classification of retail clients is

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

Exposures to credit risk are managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing the lending limits where appropriate. The exposure to any borrower is restricted by limits covering on- and/or off- balance sheet. Off-balance sheet facilities to customers include foreign exchange and interest rate derivatives, letters of credit, letters of guarantee and other financial instruments.

In compliance with its risk strategy, the Bank targets to maintain a low level of credit risk concentration by industries and at a customer level.

The Bank makes assessment of the risk exposure, evolving from the loan portfolio by classifying and provisioning loans in compliance with the requirements of the IFRS framework and Impairment Policy applied on a monthly basis. The impairment provisions reflect the probability that management will not be able to enforce its rights and repossess collateral on defaulted loans.

MARKET RISK

The Bank is exposed to market risk, which is the risk of potential financial loss due to adverse changes in market variables such as interest rates, equity prices or foreign exchange rates. The fair value or future cash flows of a financial instrument may fluctuate because of changes in market variables and thus may influence the Bank's profitability.

The corporate governance with respect to market risk control and supervision is defined in the Bank's Market and Counterparty Risk Policy. It is further supported by procedures which set out the detailed standards and requirements necessary to implement the Policy. The Policy and procedures apply to the control of market risks, arising on all of the Bank's assets, liabilities and off-balance sheet positions, therefore covering both Treasury and non-Treasury activities that run market risk.

The market risk control and supervision framework set by the Bank aims to protect the Bank against unforeseen market losses and contribute to earnings stability through the independent identification, assessment and understanding of the market risks inherent in the business as well as to develop objective, transparent and consistent market risk information as a basis for sound decision making.

The Market Risk Control function helps to align the Bank's organizational structure and management processes with best international banking practice and set standards for controlling market risks and to link business strategy and operations with the objectives for risk control and supervision.

The Bank's market risk appetite is expressed in terms of nominal limits set on the exposures to market risks as well as through characteristics such as different types of allowed markets, products, countries, counterparties and currencies. Currently market risk measurement is done using notional exposure data and notional level limits, supported by regular stress testing. The Bank is not using VaR-based limits. Upon senior management decision in the future the Bank may introduce additional value-at-risk analysis.

The market risk measurement system measures risk arising from exposure to the following specific market risk factors:

a) Interest Rate Risk

Banking is related to maintenance of positions sensitive to the fluctuations in the prevailing levels of market interest rates, which influences the Bank's financial position and cash flow dynamics. Interest rate risk is the probability for potential change of the net interest margin which may increase as a result of such changes, but

may also reduce or create losses in the event that unexpected movements arise. Interest rate risk may include re-pricing risk, yield curve risk, basis risk, spread risk, option risk, volatility risk. The Management reviews the interest rate gaps, the interest rate mismatch and the necessary re-pricing on a monthly basis.

b) Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The major part of the Bank's FX position is against EUR, while the BGN/EUR currency rate remains pegged at 1.95583 as part of the Currency Board Arrangements. The management sets limits on the open positions in individual currencies as well as on the aggregate open positions for both overnight and intra-day positions, and these limits are monitored on an ongoing basis.

c) Equity price risk

Equity price risk is the risk of decrease of the fair values of equities as a result of changes in the levels of equity indices and the value of individual stocks. It may include outright risk, volatility risk, spread risk and dividend risk.

d) Liquidity risk

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

The Bank has a limited appetite for liquidity risk and accepts the potentially increased costs of maintaining sufficient liquidity buffers to ensure a sound liquidity position.

The Bank maintains appropriate liquidity policies which have to ensure prudent liquidity management practices are in place. Within its liquidity risk management framework, the Bank observes various liquidity ratios and indicators. The main aspects to be considered in liquidity control are liquidity ratios, the availability of sufficient and high quality liquid assets and buffers, maturity mismatch profile, diversity and stability of the deposit base, loans to deposits ratio, stress test results and other.

The Bank also makes assessment of its liquidity position under stress scenarios, developed to analyse the adequacy of the Bank's liquidity to withstand crisis situations (e.g. significant deposit outflows, tightening of credit lines, etc.).

The Management Board (MB) of the Bank assigns the Assets and Liabilities Committee (ALCO) as the primary responsible body to advise on the strategic management of assets and liabilities with aim to manage the interest rate and liquidity risks of the Bank. On a strategic level ALCO manages the Bank's assets and liabilities to ensure regular and timely meeting of current and future obligations.

Within its authority is to take all the necessary decisions regarding the interest rate policy, the liquidity and assets and liabilities management and to set the target parameters of potential external funding. The operational management of the Bank's liquidity and the execution of ALCO decisions regarding liquidity are assigned to the Head of Capital Markets Division.

Market Risk Department is responsible to regularly produce and distribute the internally adopted liquidity gap reports with embedded liquidity ratios and is the unit that exercises an independent liquidity risk control function, escalating any breaches of limits to the respective management bodies.

IMPORTANT EVENTS DURING THE FINANCIAL YEAR

Postbank, with its legal name Eurobank Bulgaria AD, is the fourth biggest bank in Bulgaria in terms of assets,

operating with a wide branch network throughout the country and having a significant customer base of individuals, companies and institutions. It has been a leading player in innovations and trendsetter in the Bulgarian banking sector for more than 30 years now, with multiple awards for its innovations. The financial institution holds a strategic place in both retail and corporate banking in Bulgaria. Postbank is among the leaders in the market for credit and debit cards, mortgages and consumer loans, savings products, as well as for products targeted at corporate clients, from small businesses to large corporate international companies with an established presence in the country. The financial institution has one of the best developed branch networks and modern alternative banking channels, paying special attention to providing high-quality services to its clients.

2022 has been another special year for Postbank, filled with numerous successes and prestigious local and international recognitions for the efforts of the Bank to work with care for people, society and nature, combining the best of traditional and digital banking. Postbank celebrated 30-years of successful presence on the Bulgarian banking market with a special event at Sofia Grand Millennium hotel in October 2022 under the motto „Together, We Shape the Future“. The event was honoured by the presence of the President of the Republic of Bulgaria, Mr. Rumen Radev, and the Greek Ambassador, H. E. Mr. Dimitrios Chronopoulos, who delivered their greetings. Ms. Petya Dimitrova, Chief Executive Officer and Chairperson of the Management Board of Postbank, welcomed in her speech the Chief Executive Officer of Eurobank, Mr. Fokion Karavias, who also delivered a speech, as well as Mr. Stavros Ioannou, Deputy CEO of Eurobank.

In December, Postbank announced the acquisition of the Bulgarian branch of BNP Paribas Personal Finance in accordance with a signed agreement between the two companies. With the finalization of the deal, expected to take place in the first half of 2023, Postbank will add a new client base to its portfolio and new opportunities for cross-selling and launching innovative digital solutions targeting clients of both financial institutions. This is yet another step towards expanding the Bank's market share, with Postbank becoming the only financial institution in this country to have completed three mergers over an extremely short period of time in such a challenging environment. The acquisition of BNP Paribas Personal Finance – Bulgaria Branch is also a milestone event for the of Eurobank Group's strategy for expanding its international operation through investments in significant regional markets and businesses, coming shortly after the Group announced expanding its share in Hellenic Bank, one of the biggest retail banks in Cyprus.

In July, Postbank also became the big winner of the 30th anniversary edition of the Bank of the Year Awards organized by the Bank of the Year Association. This is the defining event through which the business community and society at large show their appreciation for the performance of the Bulgarian banking system as a significant part of the national economy. The financial institution was honored for its outstanding performance, high business results and efficiency over the past year, and was awarded the prize for the most dynamically developing bank in Bulgaria. The Grand Prix, „Bank of the Year 2021“, was handed to Ms. Petya Dimitrova, CEO and Chairperson of the Management Board of Postbank, by the President of Bulgaria Mr. Rumen Radev.

A little later in the year, Ms. Dimitrova also received the special distinction Banker of the Year award for the high organic growth achieved by the financial institution in 2022, the award was presented by Ms. Iliyana Yotova, Vice President of the Republic of Bulgaria. These awards, organized for the 29th consecutive year by The Banker Weekly, are traditionally conferred in recognition of managers of financial institutions that have shown the most impressive accomplishments in the current year.

The Bulgarian Credit Rating Agency (BCRA) reconfirmed Postbank's BBB long-term credit rating with a stable outlook in June 2022.

October 2022 marked the start of an ambitious partnership between Postbank and INSEAD, one of the world's leading business schools. The agreement signed between the two institutions will enable employees of the Bank to join the educational programs of the institute and will help them expand their career opportunities by gaining additional knowledge in a variety of areas, such as „Digital transformation“, „Innovations“ „Strategy“, „Leadership“, etc. The financial institution has yet again provided an opportunity for its employees to join a prestigious educational project completely free of charge, giving them a competitive advantage. The curricula

of the prestigious business school INSEAD are a source of exceptional educational experience. The institute operates from key locations on three continents and each year, over 11,000 leaders participate in its master classes. The school brings together people, cultures and ideas with the ambitious goal of developing responsible leaders, able to transform the business and society.

Earlier in the year, Postbank won two gold distinctions from the Annual Employer Branding Awards 2022, organized for the fifth time in the country by b2b Media. The Bank was awarded first place in the „Excellence in Teamwork“ category, introduced for the first time to recognize innovative solutions in building a successful and motivated team. The gold distinction in the „Employer Branding Idea“ category was also given to Postbank for its strategic approach in engaging employees, as part of the strengthening of the employer branding. During the leading awards for best employer, Career Show Awards 2022, Postbank won the gold award in the „Innovations in Personnel Selection“ category and a bronze in the „Employer Branding Strategy“ category.

Moreover, Postbank launched its own innovative career portal, designed to present the strengths and advantages of the company as a Top Employer in Bulgaria, the various training and professional development opportunities for its employees, while also providing easy access to vacancies and career development proposals at <https://careers.postbank.bg/>. The Bank is also among the most sought-after employers at various career fairs and prestigious forums in the country.

At the World Finance Banking Awards in 2022 Postbank won, the Grand Prix for Best Retail Bank in Bulgaria for the fifth consecutive year. These prestigious awards are organized by the reputable publication World Finance, which follows and analyses the global financial industry, business and economy. Postbank's sustainable corporate policy, its rich portfolio of value-adding products and services, and its wide branch network, in combination with its position as a leader in the sector with regard to its approach to innovations, are among the advantages that rank this financial institution among the best globally. A key aspect of the strong leadership and success of retail banking, which Postbank has actively demonstrated over the years, is the high confidence and trust of our clients.

2022 was a consecutive year in a row during which Postbank was named the best custodian bank in Bulgaria. This recognition comes from the prestigious global magazine for capital markets, asset management and investments Global Custodian (www.globalcustodian.com). The publication compiles, on an annual basis, a ranking of the banks offering custodial services, which is based on a survey conducted among their clients.

In June, the institution received a gold award in the „Leader in Digital Transformation“ category of the annual „Company of the Year“ awards organized by The Bulgaria Business Review magazine group. This award came in acknowledgment of the successful implementation of digital solutions for the Bank's clients and its innovative product ONE wallet by Postbank, a last generation mobile wallet.

The distinction was followed shortly thereafter by the three gold awards received by Postbank at the eighth edition of the b2b Media Awards contest 2022. In the „Green Initiative“ category, the financial institution was awarded for its „Green Classroom“ project that has meanwhile grown into a successful and sustainable green initiative implemented in partnership with Mastercard Bulgaria and the Vitosha Nature Park Directorate. The second gold award for the Bank was in the „Innovative Social Media Campaign category, or its digital platform „A Universe of Opportunities“, a venue for presenting projects with social orientation and sustainability in the fields of education, green projects and digital innovations. The program, which was created to mark the 30th anniversary of Postbank, has sparked a broad public interest in 2022, when it had its second edition. Postbank won its third gold award from the contest in the „Campaign with a Cause“ category for its campaign „The Power is in Our Hands“, jointly implemented with Visa Bulgaria, in support of Bulgaria's medical workers in their efforts to fight the COVID-19 epidemic.

For its mobile application Digital Office, Postbank won the silver prize in the „New Service“ category for the campaign „How we Introduced Digital Office at Postbank and Stayed Together“, presented at the seventh edition of the BAAwards 2022 contest, organized by the Bulgarian Advertisers Association. Postbank's social

responsibility campaign „The Power is in Our Hands“, implemented in support of Bulgaria's medical workers' efforts to fight the COVID-19 epidemic, was rewarded with a bronze award by the panel of judges in the „Corporate Social Responsibility“ category of the same contest.

In May 2022, Postbank was awarded three prizes by the PR Prix 2022 contest for best achievements in the public relations area. The company also received the EFFIE award in the prestigious marketing efficiency contest EFFIE Bulgaria 2022. The „Every Dream is Worth It“ advertising campaign for consumer loans and mortgages with overdraft won the bronze award in the most contested category, „Services“, and confirmed once again Postbank's leading position in the financial sector.

Mastercard UNIVERSE, the metal credit card issued by Postbank, won a prestigious recognition at the Elan Awards 2021 contest sponsored by the International Card Manufacturers Association (ICMA). The prize for Postbank's card is in the „Environmentally Friendly Cards“ category and comes as an acknowledgment of the innovations in the design, security and technical excellence that went into creating this next-generation special payment instrument.

Postbank was awarded the Innovative Management prize at the 12th edition of the Business Lady 2022 annual awards of the Business Lady club and magazine. The mission of that publication is to give a platform for publicity and visibility to successful business practices and highlight the professional accomplishments of women business leaders in the country.

The institution was rewarded for its steady and consistent support for the shaping up of future leaders in Bulgaria and the region. The recognition came from the American University in Bulgaria and was delivered at an official ceremony marking the 30th anniversary of the founding of that institution of higher education.

A little earlier, the company received the prestigious distinction „Business Honoris Causa“ at the annual awards of The 24 Hours Daily, in recognition for its innovative solutions and sustainable contribution of the financial institution in support of the Bulgarian education.

Postbank won the „Green Planet“ award, part of the Golden Heart annual awards for charity and corporate social responsibility of Business Lady magazine and club and Bulgaria Business Review magazine. This distinction comes as yet another recognition of the financial institution for its sustainable green policy and constant efforts for cultivating a green consciousness, with the emphasis being on the multi-layered „Green Classroom“ project implemented by the bank in partnership with Mastercard.

The greenest companies operating in Bulgaria were awarded at the 12th unique annual ranking of b2b Media. Postbank won the gold distinction in the „Green Educational Initiative“ category for its project „Green Classroom“. Another gold distinction was conferred by the panel of judges upon Postbank in the „Green Idea“ category. This award came in recognition of the series of green projects that the bank has been implementing for several years, seeking to promote a responsible attitude towards the natural resources by motivating as many people as possible to leave their green footprint.

For pursuing its policy in the area of corporate social responsibility Postbank was awarded the prize in the „Business with a Cause“ category. The cause „Future for the Children“ has been part of the financial institution's social programs of this financial institution for over 12 years now.

In the course of 2022, employees of the bank took part in various business forums and conferences, among which the international forum The World Ahead 2022 organized by The Economist in Sofia; the conference „Financial Forum Innovations 2022“ organized by the Bank of the Year Association; the Sofia Economic Forum 2022; the forum Inflation: Crisis and Opportunities; the financial conference on „Bulgaria in the Eurozone: Advantages

and Opportunities“ organized by Dir.bg, the Confederation of Employers and Industrialists in Bulgaria (CEIBG) and the Bulgarian Small and Medium Enterprises Promotion Agency (BSMEPA); the annual conference Fintech Summit organized by The Capital Weekly and F27; the forum „Accelerate Green“, dedicated to the policies and practices of promoting green investments in the business sector; the specialized annual financial conference „The Sound of Money“ organized by the profit.bg financial portal; the conference on „Digitization and Cybersecurity“ organized by The Banker Weekly; Residential forum 2022; the prestigious forum „Banking Today“; the FinX Conference 2022 at which leading professionals in the banking sector, entrepreneurs and financial analysts shared their experience and forecasts for the development of markets; the prestigious forum „EXPO MoitePari 2022“; „ #NEXT DIFI 2022“, the leading financial forum on digital finance, fintech and banking innovations; the Finance Academy educational program, and others.

Postbank has successfully integrated the ESG criteria in its portfolio. The successful integration of the ESG strategy in the financial sector was the topic for a panel discussion within the 13th annual Credit Risk conference organized by ICAP Bulgaria.

For the financial institution, environmental, social and governance factors are among the foremost values, alongside the understanding that our duty to nature is a key element of our care for the wellbeing of all stakeholders and society at large.

Postbank has continued to offer diverse solutions and support for its clients, with difficulties in servicing their loans as a result of the challenges brought about by the COVID-19 pandemic of 2020. This financial institution has once again supported the liquidity needs and projects of micro-, small and medium-sized enterprises within the framework of the Recovery program. The bank developed and launched this program in 2021, in response to the challenges posed by the COVID-19 pandemic, its aim being to facilitate access for businesses to loans necessary for them to recover and resume their operation. In 2022, on account of the great interest shown by enterprises and the quick approval and disbursement of resources, while also taking into account the continuing need to improve access to funding for the Bulgarian business sector, the Fund of Funds allocated BGN 96.2 million in additional resources for ensuring liquidity and providing the funds necessary for new investments, transformation and growth. The funds were provided by OP „Competitiveness, Entrepreneurship & Innovation“ via REACT-EU.

Environmental protection and the fight against climate change are of fundamental importance for the corporate values of Postbank. As a responsible financial institution, a leader in innovation and a trendsetter in the development of the banking sector in the country, the Bank recognizes the significance of the environmental and climate aspects of its operation in the process of making its key management decisions. Among the recent large-scale projects that Postbank has undertaken in that respect is the process of renewing the corporate car fleet; in that, the company has invested in acquiring more than 50 hybrid electric vehicles (HEVs) to serve its business objectives. These vehicles combine the battery power with the output of an internal combustion engine and are a substantial investment contributing to a greener environment by generating less harmful emissions in the environment. For its proactive ESG policy, the bank received recognition in the report „The Future is Green and Inclusive“, by the networks of the UN Global Compact in Eastern Europe.

In 2022, Postbank marked the 7th anniversary of the opening of its first specialized Home Financing Centres; The financial institution has successfully developed and deployed a network of 31 specialized Home Financing Centres in some of the major cities of Bulgaria: Sofia, Plovdiv, Varna, Burgas, Pleven, Veliko Tarnovo, Ruse, Blagoevgrad, and Stara Zagora.

In 2022, the new, innovative Premium Banking centre created by Postbank in the city of Burgas welcomed its first clients. The specialized Premium Banking centre provides a comfortable environment in combination with

uncompromising standards of service for the Premium segment of the institution. The financial institution develops in sync with the global tendencies in the banking sector; and provides its clients and partners excellent solutions, spaces and concepts designed to meet their highest expectations.

The first innovative video banking zones set up within a bank branch in Bulgaria have welcomed their first clients. In conformity with our strategy of transforming our network of branches and providing new and additional opportunities to our clients, Postbank has developed zones for video banking consultation within its existing branches. Following the successful pilot deployment of this new model of video banking consultation at Financial Centre Sofia, the bank launched a second Video Banking Consultation Zone, this one located at financial centre Sofia Beli Dunav. The introduction of this new service enables our clients to use a specially designed digital space to communicate with our specialists at the Online Home Financing Centre, as well as those at the Digital Hub of the Small Business Banking division, and receive professional advice and specific recommendations about their preferred financial products.

At a ceremony in Sofia on 25 October 2022, Postbank awarded the top prize of the promotional campaign for Visa debit and credit cards to the winning entrant. The winner received the keys to a brand new premium hybrid vehicle, a Lexus UX 250h Hybrid EXECUTIVE Plus, from Angel Mateev, General Manager, Retail Banking, Rumen Radushev, Manager at the Retail Banking Division of the financial institution, and Krasimira Raycheva, Manager, Visa Bulgaria. The sweepstakes also featured other prizes, including travel vouchers worth BGN 8,000 each to a destination of choice; these went to ten other contestants, all clients of the Bank.

In 2022, this financial institution was a key partner in a series of business discussions held in Sofia, Plovdiv, Stara Zagora, Varna, Ruse, Burgas, Veliko Tarnovo, as part of the project Imoti.bg Annual Awards, which took place for the seventh consecutive year with the aim of promoting good practices in the sector. At their meetings with representatives of the real estate business, experts from the bank discussed the current trends in the development of the sector while, from its perspective as a leader in the lending business, they presented their market analysis, consumer profiles and the most recent terms of applying for home loans at Postbank.

NEW PRODUCTS

In 2022, Postbank introduced more innovative products and services, focusing on improving the ease of access while providing additional benefits for its clients. As a result of the steady development of the financial sector towards digitization, businesses were supposed to be quicker in adopting solutions that provide more convenient services to their clients. Therefore, Postbank also continued to support its clients by developing and implementing modern and high-tech financial solutions that they could use remotely, through their preferred communication channel, thus giving them more added value.

The financial institution launched a special Youth Program called “Project YOUth”, targeting children and young people with the idea of introducing them to the world of banking products and services, cultivating in them the ability to take good care of their own finances. That modern solution was developed to help form financial habits and teach young people to become self-reliant from a young age. At the same time, it provides them with a convenient tool for making their daily payments, for which suitable, age-appropriate limits can be set. Amongst the numerous advantages of this solution are the variety of attractive debit card designs, the advantageous terms of the program, the option of setting individual limits for cash withdrawal as well as for parents or custodians to exercise control of the use of the card. The ownership of a debit card educates young people the virtues of appropriate consumption, responsible behaviour and reasonable management of their personal finances.

To enhance the excellent user experience of our clients, Postbank has developed an innovative design for its debit cards, one that promotes a special sense of style and comfort. The financial institution is the first in Bulgaria to offer its plastic debit cards with a totally new design, with the card holder’s personal data being entirely situated on the reverse side of the card. This latest change reflects Postbank’s aspiration to always deliver to its clients financial solutions and products of a high standard and impeccable quality.

Postbank launched on the market its newest financial solution, which integrates combines some of the most sought-after products while offering a wide range of attractive, value-adding banking services. The “Welcome” Program enables clients of the institution to benefit from obtaining a consumer or home loan in combination with the key advantage of using over 10 additional banking services included in the “My Family” package, free of charge for an entire year. Thus, they have access to the needed funding while saving time, effort and money in their routine banking operations, while also being able to take advantage of the special promotional terms offered by a credit card. With this innovative concept, the bank offers comprehensive banking service based on an all-round approach, thus reaffirming its position as a preferred and trusted financial partner.

In November, Postbank made available to its clients a next-generation innovative banking service: EVA, a digital assistant based on artificial intelligence AI technology. Intuitive, efficient and modern, this chatbot was developed with a vision to the future, and is available on all digital channels of the financial institution for use by both current and future clients. EVA – Digital Assistant is the only bot on the Bulgarian market set up with the Speech to Text functionality allowing conversion of a voice message to a text format; it is also fluent in both English and Bulgarian. Thanks to this next-generation chatbot, users can get instant answers to their questions, within 1 second, quickly and easily on a channel of their choice: www.postbank.bg, e-Postbank, m-Postbank, Viber, Facebook messenger.

In 2022, Postbank expanded the client base for its mobile payment tool ONE wallet by Postbank by making the application available to users who are not clients of the bank. ONE wallet is the modern answer to the dynamic needs of present-day users; it provides services with an emphasis on convenience, security and perfect control when using contactless card payments or cash transfers by phone. Each registered user of the service is issued a free digital card with access to an electronic cash account, which can be used for contactless payments from POS terminals, online shopping, ordering cash transfers and for taking advantage of the many more convenient options that ONE wallet offers its users.

A sustainable future is important for the Bank and its customers in the current economy conditions,, innovative technologies and digital services. With its Green Credit financial solution, Postbank encourages small businesses having their own green ideas to implement them freely. The new product is geared towards environmental projects of companies that have formulated clear goals as to how they can reduce their environmental footprint. The purchase of electric or hybrid electric vehicles, the generation of green energy from biomass, solar panels or other renewables (up to 35 kW installed capacity), the acquisition of new, energy saving equipment or the replacement of energy wasting machines and equipment with ones that will help protect the environment – all of these are small steps that lead to a big change.

With its innovative „Green Home Loan“, this financial institution enables its clients to contribute to a more sustainable future by reducing their environmental footprint while seeing their dream of a new home come true. The financing solution can be used both for buying an energy-efficient residential property of Class A, or higher, or for refinancing an existing home loan, as well as for energy-efficient home improvements such as renewable energy production through photovoltaic panels, solar panels for production of hot water or investment in smart home energy systems in order to minimize energy consumption.

In June 2022, Postbank and Bulstrad Life launched an insurance-based investment product under the name Everest V, thus meeting consumer demand for financial solutions with the potential for higher returns. The new Life insurance policy integrated with a structured investment product is an exceptional option currently marketed solely by these two companies. Everest V is an alternative to existing savings products that offers repayment in full of the invested capital on the due date and an option for obtaining an attractive return pegged to the performance of index EURO STOXX 50 ESG (SX5EESG). This index collates the performance of the shares of the top 50 European companies and the economic performance of the Eurozone.

The bank continues to offer its clients a fully remote process of issuance of debit and credit cards allowing clients not just to order their cards online but also to receive them at an address of their choice without having to visit a bank branch at all during the entire process.

Postbank also constantly expands and diversifies its deposit portfolio. To meet the expectations of its clients, in March 2022 the company launched the innovative structured deposit Index Health Care offering an opportunity for extra return. Index Health Care is a long-term deposit in Euro over a 5-year period that offers the option of an interest pegged to the performance of the investment component of index STOXX Europe 600 Health Care. This is a price index based on the performance of the shares of key European companies operating in the healthcare sector. The client invests directly into the companies making up that index, and the potential return is formed on the basis of its performance over the period between the initial and the final date for determining its numerical value.

Another savings product which allows its users to receive additional interest based upon the performance of an index is the structured deposit Index DAX. Introduced in July, it has a 3-year term with return of basic 1% fixed annual interest and an option for additional interest, which itself is based upon the performance of Index DAX on the maturity date of the deposit.

Index ESG Leaders is the latest addition to the rich deposit portfolio of the institution; this is a product with an active ESG policy released in December, that ensures a fixed basic interest for each year of its period, in addition to an option of additional return pegged to the performance of the index STOXX® Europe ESG Leaders Select 30 Price EUR, which traces the performance of 30 European companies that are leaders in terms of environmental, social and governance criteria.

In response to the growing consumer aspirations for greener transport, more nature-oriented behaviour and a greener way of life, Postbank launched the „green idea“ in its core business of consumer lending by offering its clientele the option for a smoother transition towards the „new“ future. ECO Car Loan is the bank’s latest product, wholly oriented towards financing the purchase of environmentally friendly electric vehicles.

Postbank is the first certified bank in Bulgaria to have offered, as early as 2021, the modern service of instant payment in Bulgarian leva featured in the Blink Program of the National Card and Payment Scheme (NCPS), a member of BORICA AD*. In 2022, clients of the institution were able to order cash transfers from their current accounts in BGN and EUR throughout the year, 24/7, including on bank holidays, already using the digital banking channels for online banking (e-Postbank) and mobile banking (m-Postbank).

Postbank continued to offer targeted consumer loans for business studies around the world, a product that is unique on the Bulgarian market. It can be used to pay tuition fees for different educational programs like Master of Business Administration, Executive Master of Business Administration, Advanced Management, etc. The product was created to satisfy the growing interest in financing studies that open the way for career growth and development, as recorded by the bank in recent years.

Clients of Postbank can take advantage of the convenience of the Online Home Financing Centre, which has launched a new model of quick and convenient customer service. The new digital solution integrated in the process of home financing represents a continuation of the services offered by the bank in its specialized home Financing Centres. In this way, the bank has upgraded the service of applying online for a housing loan in order to meet as fully as possible the consumer expectations for remote consulting and communication with the bank in the lending process by transferring it in a fully digital environment.

The bank continues to offer the option of a Savings Home Loan, in which clients are given the opportunity to pay interest only on half of the amount of the loan. This allows them to either pay lower monthly instalments or repay the loan over a shorter period of time.

Cashless payments continued their upward trend, as evidenced by the latest data Postbank has gathered about consumer habits in 2022. An analysis performed by the institution shows that the customers increasingly prefer to use their electronic cards rather than cash when paying for goods and services, with the share of card purchases over cash withdrawals from ATMs having increased by 14%. In the past 12 months, the total volume of online purchases that clients of this credit institution have made using their debit or credit cards has increased by an

impressive 40%. In 2022, the overall value of purchases made using a digitized debit or credit card integrated into a mobile wallet has reached BGN 80 million. Thus, in the course of a single year, the total number of transactions made with digitized bank cards has increased fivefold and the number of users of ONE wallet by Postbank has more than doubled.

SUSTAINABLE DEVELOPMENT

In addition to its business operation, Postbank has continued its focus on the needs of the community, by supporting programs and initiatives jointly with established institutions and public bodies. The bank seeks to cultivate among its staff, as well as among its clientele and the public at large, a responsible attitude to everything and anything that surrounds us. It aspires not only to build itself a competitive advantages by integrating more and more value in the products it offers, but also to decrease its environmental footprint by using every opportunity to contribute to the conservation of the natural environment.

In 2022, the bank implemented a number of socially significant projects in areas like entrepreneurship, education, environmental protection, sports and corporate sponsorship. The bank is an active member and works in support of the initiatives of The Confederation of Employers and Industrialists in Bulgaria (CEIBG), AmCham, HBCB, Association of Banks in Bulgaria, Borica AD, Endeavour Bulgaria Association, Bulgarian Business Leaders Forum, Bulgarian Donors' Forum, Atanas Burov Foundation, UN Global Compact Network in Bulgaria, Bulgarian Association of Advertisers and Bulgarian Fintech Association.

In 2022, Postbank integrated an innovative approach to the recruitment of interns. This financial institution launched a dedicated Instagram profile under the name of PostbankSuperstarter, designed to build upon its innovative talent scouting strategy. The channel was developed especially for the internship program of the financial institution and will be part of the bank's careers platform. The purpose of PostbankSuperstarter is to reach out to all talented and ambitious young people seeking opportunities for a successful launch of their careers in a modern company, an innovator in the banking services market, a leader in the banking sector with over 30 years' history. Postbank is also the first Bulgarian bank to have launched its own channel in the popular social network TikTok.

In November 2022, Postbank joined, for the seventh year running, the social responsibility initiative „Proud of My Parents' Work“, organized by the Bulgarian Network of the UN Global Compact. Students in second, third, fourth and fifth grade from almost 30 schools in the capital Sofia have visited the headquarters of this financial institution to learn more about the jobs and the work of their parents in specially developed educational programs. This year's edition of the project, which is traditionally launched every year on 1 November, was implemented in the course of the whole month in response to the exceptionally avid interest on the part of children from over 30 school classes.

At a special event held on 26 September, Postbank awarded the winners of the second edition of its innovative CSR program „A Universe of Opportunities“. It was created to promote exciting ideas related to social entrepreneurship in service to society. This year's edition, which was organized in response to an exceptionally high public interest in our social program, generated 105 projects in the key areas of „Digital Innovation“, „Education“, and „Green Projects“. The 30 proposals that garnered the strongest public support reached its final stage. The winning entrants were awarded by the financial institution a general prize fund in grants worth a total of BGN 30,000, which they have committed to use to implement their projects within 6 months from the date of receipt of the respective grant.

In 2022, this financial institution, which traditionally is a leading partner of the Bulgarian business sector, gave its support for the fourth time running to the unique growth program Dare to Scale, the first of its kind in Bulgaria, targeting businesses with the potential to substantially scale up their operation. In the project proposed by the global network Endeavour Bulgaria, on account of the great interest shown this year, 12 Bulgarian companies were chosen for support. The selected entrepreneurs underwent trainings and interactive sessions delivered by successful practitioners and leaders of the Endeavour network; among the mentors were experts from Postbank. The Dare to Scale growth program is to continue in the coming years, in order to facilitate the sustainable

growth of more and more local businesses. Through its participation in the Dare to Scale growth program, Postbank actively contributes both to the development of promising scale-up companies in this country and to the business climate in general. This is yet another expression of its commitment to encourage bold ideas, to support innovation and competitiveness in the business sector and the economy as a whole.

For the eighth consecutive year, Postbank was the key partner in the successful small business of the year contest, „The Big Little Ones“, sponsored by The 24 Hours Daily. Every year the entrants - small innovative Bulgarian businesses, present their ideas, which they have successfully developed into a marketable product or service.

The education of children and young people in Bulgaria has always been part of the corporate social responsibility projects CSR projects developed or supported by Postbank. This is why the bank continued to pursue its joint project with SoftUni in support of Bulgarian education, which was launched back in 2018. The project includes various activities designed to prepare young people for the jobs of the future and for their personal realization in Bulgaria. Through their strategic partnership, the two organizations have made it their aim to encourage students to develop their potential as IT and digital leaders, ready to operate in a dynamically changing environment and master the new trends in banking. The design for an application for a specialized Postbank POS Terminal won the Grand prix and a cash prize of BGN 1,000 in the „Coding“ category at SoftUni Fest 2022. The fourth edition of that contest, held entirely online between 17 and 19 June, challenged young people interested in coding, digital marketing and design to develop specific projects on preset topics. A total of 66 teams faced off in the three categories of this year's edition; 7 of those were shortlisted to compete in the finals for the Grand Prix of Postbank in the „Coding“ category.

Postbank has been a traditional supporter of the SoftUniada 2022 coding contest. In the two-day event, held entirely online, 176 participants demonstrated their knowledge and skills in the area of information technology and presented their projects in four categories. Dobromir Angelov, a school pupil from Varna, was placed first in the wildly contested category „Competitive Coding: Junior Category“ and deservedly won the prize of Postbank and the high appreciation of the panel of judges.

IT experts from Postbank took part once again in the career-building online seminar IT Journey, by presenting to young SoftUni students attractive opportunities for employment and career advancement in the company. This financial institution, with its strong international know-how and modern technological solutions constantly implemented in its operation, offers attractive opportunities for internship and professional development to young IT specialists. Postbank is a preferred top employer for young software specialists standing at the start of their professional career.

During the current year, the financial institution provided two scholarships for students at the American University in Bulgaria. As the American University in Bulgaria marked its 30th anniversary, Postbank was part of the celebrations dedicated to its jubilee. The event was honoured by the presence of alumni, faculty, management and public figures at a gala event. During the ceremony, Postbank was acknowledged by the University with a special award for its sustainable and consistent support in building the future leaders of Bulgaria and the region itself.

The first day of the large-scale, Postbank-sponsored training seminar for a total of 215 students from the National High School of Commerce and Banking and the Private Vocational High School for Banking, Commerce and Finance ended with a lecture on „Development of Potential“. A total of 113 twelfth-graders from both schools received certificates for successfully completed practicum in the presence of Ms. Emilia Ivanova, principal of the National School of Commerce and Banking. Thanks to the experienced team of experts of the financial institution with their international know-how and professional expertise, the students build upon their already existing knowledge while receiving practical guidance for their future career development and personal fulfilment. In the final lecture, experts of the financial institution presented to the school graduates the attractive opportunities for professional advancement offered by Postbank. The centrepiece of the training seminar was the year-long internship program offered by the financial institution, which provides a genuine option for young people to

make a successful start with a modern company, an innovator in the market for banking services and one of the leaders in the Bulgarian banking sector its 30-year history.

Postbank and Sofia University have been cooperating in providing education for future financiers in the Master's program „Finance and Banking“ delivered by the Faculty of Business Administration and Economics. The modern subjects „Bank Management“ and „Investment Banking“ are part of the compulsory curriculum for the 2021–2022 academic year and are taught by experts from the bank.

Experts from Postbank once again took part in educational initiatives aimed at improving financial literacy as part of the events marking Global Money Week. This year, the financial institution supports school students by using innovative digital formats to teach them their very first lesson in personal finance management. The bank's participation in this international initiative is part of the sustainable corporate social responsibility policy of the financial institution with a focus on the education and personal development of young people. The international initiative Global Money Week aims to raise public awareness on matters of financial education and financial literacy by organizing various events for children and youths at both national and global level.

For the seventh consecutive year, Postbank, as a member of the Association of Banks in Bulgaria (ABB), takes an active part in a European campaign designed to counteract money laundering schemes and the recruitment of „financial mules“.

Postbank joined the major initiative „The New Sofia Forest“ in its second edition, held in 2022. Almost 100 volunteers from the staff of the company planted over 1,000 young trees as part of its all-round corporate environmental protection program „Green Together with Postbank“ and in line with the sustainable long-term environmental policy of the institution. The afforestation campaign was implemented on the lands of the village of Negovan, in the district of Novi Iskar, and involved the planting of 86,000 one-year-old saplings of the species of Austrian oak (genus *Quercus*) in an area of 13.7 hectares. The initiative of Postbank to join the campaign took place under the motto „Let's Give a Hand to the New Sofia Forest“; it demonstrated how, with our joint efforts, the surrounding environment can change for the better, contributing to the wellbeing of all of society.

In June 2022, Postbank was once again the key partner in the charity relay racing event Postbank Business Run, organized annually by the Begach („Runner“) Sports Club. A total of 309 teams made up of 1,240 participants from businesses operating in different sectors participated in the 10th edition of the event. The event, which took place on the grounds of Business Park Sofia, was organized by the Begach Sports Club with the decisive support of Postbank. A part of it was the children's relay race Kids Run, carried out under the guidance of certified coaches under the IAAF program Kid's Athletics; 50 children aged 4 through 16 joined the race. Apart from that, 10 top executives from various companies took part in the traditional CEO Dash race. Like every previous year, this year's edition of the biggest teambuilding event in Bulgaria, Postbank Business Run 2022, was organized in support of two socially meaningful causes. Funds raised in excess of BGN 10,000 will support the project „Day Centre: a Place for Games, Dreams and Growth“ of For Our Children Foundation, developed for children with special needs, and the Para Chiado event organized by the Shark Sports Club, which offers sports activities for children with disabilities, spinal deformities or excessive body weight.

Postbank is the only bank in Bulgaria which has its own „Green Board“ and an Environmental Office unit within its organizational structure, which both work for the conservation of nature both in terms of limiting the resources used by the bank and in terms of its financing activity. In addition, members of the Board organize various outdoor initiatives in which they seek to involve other staff.

In July 2022, Postbank and Mastercard successfully implemented phase two of the social responsibility initiative „Green Classroom“ in the territory of Vitosha Nature Park. This resulted in building a connecting educational trail between the innovative amphitheatre venue located in the vicinity of the Bear Museum and the Dendrium locality, enabling hikers to move safely between the two sites without using the main thoroughfare. The trail is part of a joint project between the two companies implemented in partnership with the Directorate of Vitosha Nature Park, which was launched in the summer of 2021 as a creative space for learning, fun and games out in

the open, available to visitors of the mountain.

Almost 100 employees of both companies, together with representatives of the Directorate of Vitosha Nature Park, took part in putting the finishing touches on the project. Once again, special guests at the event were Radina Kardzhilova and Deyan Donkov, who had also joined in phase one of the project in 2021. The volunteers signposted the connecting trail to assist in the orientation of visitors to the mountain; they polished and put the finishing touches on the information boards containing interesting educational information about the tree species that can be seen in the Dendrium locality, applied a coat of varnish on several „Vitosha-style“ tables, a gazebo and an existing timber bridge in the area. Situated along the trail is an all-new recreation area comprising several park benches, a table with a built-in board game and an interactive electronic board with moving elements for the youngest visitors who, by moving the animal figures depicted on it in the right sequence, will be able to learn exciting information about them.

Employees of Postbank are regular blood donors to the National Centre for Transfusion Haematology; they participate in donor campaigns organized by the bank's Central Office.

In 2022, Postbank supported the podcast „Property – Bought or Rented“, part of the project Imoti.net Annual Awards, which is released with the cooperation of the financial institution.

Postbank also supported the fourth edition of the festival „Off the Beaten Path“, held in the town of Gotse Delchev and the village of Kovachevitsa.

The most successful businesses in Burgas Region were awarded at the first of its kind gala ceremony Burgas Business Awards, which took place at the convention centre of Hotel Bulgaria. Postbank was the general partner of the event, which showcased, promoted and awarded successful businesses and companies operating not just in the city of Burgas but along the entire southern Black Sea coast of Bulgaria.

„Media and Rescue“ was the motto of the 17th Global Meeting of Bulgarian Media on 1 and 3 November in Israel, traditionally organized by the Bulgarian Telegraph Agency (BTA). Postbank is a partner to this prestigious forum, which brings together representatives of Bulgarian media active overseas.

In the course of 2022, the bank continued its long-standing support for, and interaction with, underprivileged social groups to promote their more active role in society. We supported children from underprivileged families in the town of Kazanlak, elderly people in the city of Ruse, the national campaign „Easter for Everyone: Donate a Holiday to Granny and Gramps“, as well as many other smallscale initiatives.

Postbank has traditionally contributed to the festive decorations of Sofia. In keeping with its established values, this financial institution believes that the overall prosperity and development of society depends on our efforts to improve, each one of us, our living environment; therefore, along with its other projects with a social orientation, for the past several years Postbank has been contributing to the festive decoration of the capital city during the winter holiday season..

AWARDS

- Postbank won two gold distinctions in the annual Employer Branding Awards 2022, organized for the fifth time running in Bulgaria by b2b Media. The Bank won first place in the **Excellence in Teamwork** category, introduced for the first time as a way of rewarding innovative solutions for building a successful and motivated team. The gold distinction in the **Employer Branding Idea** category was also awarded to Postbank for its strategic approach to engaging the staff, as part of the process of establishing an employer brand.
- 2022 has the tenth year running in which Postbank was singled out as **The best custodian bank in Bulgaria**. This recognition comes from the prestigious global magazine about capital markets, asset management and investments Global Custodian (www.globalcustodian.com).
- Postbank received the prestigious distinction **Business Honoris Causa** at the annual awards of The 24 Hours Daily, in recognition for its innovative solutions and steady contribution of the financial institution in support of Bulgarian education.
- Postbank won two distinctions at the seventh edition of the competition organized by the Bulgarian Advertisers Association, BAAwards 2022. The financial institution won silver in the **New service** category for its campaign **How We Introduced Digital Office at Postbank and Stayed Together**. Postbank's social responsibility campaign **The Power is in Our Hands**, implemented in support of Bulgaria's medical workers' efforts to fight the COVID-19 epidemic, was rewarded with a bronze award by the panel of judges in the Corporate Social Responsibility category.
- Postbank won the Green Planet distinction, part of the **Golden Heart annual awards** for charity and corporate social responsibility. This distinction comes as yet another recognition of the financial institution for its sustainable green policy and constant efforts for cultivating a green consciousness, with the emphasis this year being on the **Green Classroom** multi-layered project implemented by the bank in partnership with Mastercard.
- Postbank was awarded the gold distinction in the **Green Idea** category of the national competition **The Greenest Companies in Bulgaria**, organized by b2b Media.
- Postbank was honoured with the gold distinction in the **Green Educational Initiative** category of the national competition The Greenest Companies in Bulgaria, organized by b2b Media. The bank received this distinction for its project **Green Classroom**, which is part of its policy of social responsibility and is implemented jointly with Mastercard Bulgaria.
- Postbank was recognized for its steady and consistent support for the shaping up of future leaders in Bulgaria and the region. This recognition came from the American University in Bulgaria and was delivered at an official ceremony marking the 30th anniversary of the founding of that higher education institution.
- Postbank was recognized with the silver prize for its innovative digital online platform **A Universe of Opportunities** in support of social entrepreneurship in the **Best Use of Social Networks** category at the competition for best overall achievements in public relations, PR Prize 2022.
- Postbank won the silver distinction in the **Campaign for Sustainable Development/Corporate Social Responsibility** category of the PR Prize 2022 competition for best overall achievements in public relations. This distinction came in acknowledgment of the Green Classroom initiative, which is part of Postbank's comprehensive policy of social responsibility and is implemented jointly with Mastercard Bulgaria.
- Postbank won the special prize of the panel of judges in the twenty-second edition of the PR Prize 2022 competition for best overall achievements in public relations in Bulgaria. Postbank's social responsibility campaign **The Power is in Our Hands** was jointly implemented with Visa Bulgaria, in support of Bulgaria's medical workers in their efforts to fight the COVID-19 epidemic.

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail
All amounts are shown in BGN thousands unless otherwise stated

- Postbank won the **Innovative Management** prize at the 12th annual edition of the Business Lady 2022 awards.
- For pursuing its policy in the area of corporate social responsibility Postbank was awarded a distinction in the **Business with a Cause** category. The cause **Future for the Children** has been part of the social programs of the financial institution for over 12 years now.
- Postbank won a gold distinction in the **Leader in Digital Transformation** category of the annual Company of the Year awards. This award came in acknowledgment of the successful launch of digital solutions for the bank's clients and its innovative product **ONE Wallet** by Postbank, a last generation mobile wallet.
- **Mastercard UNIVERSE**, the metal credit card issued by Postbank, won a prestigious recognition at this year's edition of the Elan Awards 2021 contest sponsored by the International Card Manufacturers Association (ICMA). The prize for Postbank's card is in the **Environmentally Friendly Cards** category and comes as an acknowledgment of the innovations in the design, security and technical excellence that went into creating this next-generation special payment instrument.
- Postbank won the Grand Prix at the 30th jubilee edition of the Bank of the Year Awards 2022, organized by the Bank of the Year Association.

At the awards ceremony, Postbank also won the prize in the **Development Dynamic** category.
- Postbank won a gold prize in the eighth edition of the b2b Media Awards 2022. The distinction in the **Campaign with a Cause** category was awarded to the Bank for its campaign **The Power is in Our Hands**, jointly implemented with Visa Bulgaria, in support of Bulgaria's medical workers in their efforts to fight the COVID-19 epidemic.
- Postbank won a gold prize in the eighth edition of the b2b Media Awards 2022. The panel of judges awarded the bank a gold prize in the **Innovative Campaign in Social Media** category, for its digital platform **A Universe of Opportunities**, a venue for presenting projects with social orientation and sustainability in the area of education, green projects and digital innovations.
- Postbank won a gold prize in the eighth edition of the b2b Media Awards 2022. In the **Green Initiative** category, the financial institution was awarded for its **Green Classroom** project that has meanwhile grown into a successful and sustainable green initiative implemented in partnership with Mastercard Bulgaria and the Directorate of Vitosha Nature Park.
- Postbank won, for the fifth consecutive time, **the Best Retail Banks, Bulgaria** prize at the World Finance Banking Awards in 2022. The competition is organized by the prestigious international publication World Finance, which monitors and analyses the global financial industry, business and economy.
- Postbank won the gold in the **Innovations in Personnel Selection** category and a bronze distinction in the **Employer Branding Strategy** category in the leading Career Show Awards 2022 for best employer.
- Petya Dimitrova was awarded the **Banker of the Year 2022 prize** at the twenty-ninth ceremony of the Banker of the Year awards organized by The Banker Weekly. She was recognized with that award for the high organic growth achieved in the course of the year. This is the sixth time that the Chief Executive Officer and Chair of the Management Board of Postbank has received that award.
- Postbank won a bronze **EFFIE** in the Services category for its campaign **Every Dream Is Worth It**.

FINANCIAL STATEMENTS

Income statement

		Year ended 31 December	
	Notes	2022	2021
Interest income calculated using the effective interest method		433,884	371,182
Other interest income		15,441	6,951
Interest expense and similar charges		(22,223)	(11,070)
Net interest income	6	427,102	367,063
Fee and commission income		181,913	148,479
Fee and commission expense		(39,876)	(24,578)
Net fee and commission income	7	142,037	123,901
Other operating income, net	8	379	2,254
Dividend income		601	517
Net trading income	9	(862)	486
Gains less (losses) from trading securities	17	(2,090)	168
Gains less (losses) from investment securities	19b	(2,919)	1,230
Reposessed assets impairment		(1,271)	(240)
Other operating expenses	10	(237,412)	(207,178)
Deposit Insurance Fund expense		(19,530)	(15,524)
Impairment charge for credit losses	12	(75,985)	(84,385)
Profit before income tax		230,050	188,292
Income tax expense	13	(23,224)	(19,066)
Profit for the year		206,826	169,226

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail
All amounts are shown in BGN thousands unless otherwise stated

The financial statements were authorized by the management on 30 March 2023.

**Petia Nikolova
Dimitrova** Digitally signed by Petia Nikolova
Dimitrova
Date: 2023.03.30 18:44:46 +03'00'

Petia Dimitrova
Chairperson and Member of the Management Board and Chief Executive Officer

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

For KPMG Audit OOD, registered under No 045 in the Register of the registered auditors:

**SEVDALINA
NIKOLAEVA DIMOVA** Digitally signed by SEVDALINA
NIKOLAEVA DIMOVA
Date: 2023.03.30 19:17:09
+03'00'

Sevdalina Dimova
Registered Auditor responsible for the audit
For KPMG Audit OOD

**IVAN
ANDONOV
ANDONOV** Digitally signed by
IVAN ANDONOV
ANDONOV
Date: 2023.03.30
20:02:24 +03'00'

Ivan Andonov
Authorised representative
For KPMG Audit OOD

**Dimitar Borisov
Shoumarov** Digitally signed by Dimitar
Borisov Shoumarov
Date: 2023.03.30 17:02:04
+03'00'

Dimitar Shoumarov
Member of the Management Board, Executive Director and Chief Financial Officer

For Baker Tilly Klitou and Partners EOOD, registered under No 129 in the Register of the registered auditors:

**Galina Dimitrova
Lokmadjieva-
Nedkova** Digitally signed by Galina
Dimitrova Lokmadjieva-
Nedkova
Date: 2023.03.30 20:47:03
+03'00'

Galina Lokmadjieva
Registered Auditor responsible for the audit

Statement of comprehensive income

	Year ended 31 December		
	Notes	2022	2021
Profit for the year		206,826	169,226
<i>Items that are or may be reclassified subsequently to profit and loss:</i>	14	(61,550)	(13,437)
Debt securities at FVOCI			
-net changes in Fair Value, net of tax		(88,279)	(7,089)
-reclassified to profit or loss, net of tax		26,729	(6,348)
<i>Items that will not be reclassified to profit or loss:</i>		3,736	7,702
Change in FV of property, plant and equipment, net of tax		3,234	3,371
Remeasurements of retirement benefit obligations, net of tax		502	4,331
Other comprehensive income for the year	14	(57,814)	(5,735)
Total comprehensive income for the year		149,012	163,491

The financial statements were authorized by the management on 30 March 2023.

Petia Nikolova
Dimitrova

Digitally signed by Petia Nikolova
Dimitrova
Date: 2023.03.30 18:44:46 +03'00'

Dimitar Borisov
Shoumarov

Digitally signed by Dimitar
Borisov Shoumarov
Date: 2023.03.30 17:02:04
+03'00'

Petia Dimitrova

Chairperson and Member of the Management Board and Chief Executive Officer
Initialled for identification purposes in reference to the auditor's report:
For KPMG Audit OOD, registered under No 045 in the Register of the registered auditors:

Dimitar Shoumarov

Member of the Management Board, Executive Director and Chief Financial Officer

For Baker Tilly Klitou and Partners EOOD, registered under No 129 in the Register of the registered auditors:

SEVDALINA
NIKOLAEVA DIMOVA

Digitally signed by SEVDALINA
NIKOLAEVA DIMOVA
Date: 2023.03.30 19:17:09
+03'00'

Galina Dimitrova
Lokmadjieva-
Nedkova

Digitally signed by Galina
Dimitrova Lokmadjieva-
Nedkova
Date: 2023.03.30 20:47:03
+03'00'

Sevdalina Dimova

Registered Auditor responsible for the audit
For KPMG Audit OOD

Galina Lokmadjieva

Registered Auditor responsible for the audit

IVAN
ANDONOV
ANDONOV

Digitally signed by
IVAN ANDONOV
ANDONOV
Date: 2023.03.30
20:02:24 +03'00'

Ivan Andonov

Authorised representative
For KPMG Audit OOD

Statement of financial position

	Notes	As at 31 December	
		2022	2021
ASSETS			
Cash and balances with the Central Bank	15	1,571,141	2,139,549
Loans and advances to banks	16	1,443,596	505,362
Trading assets	17	35,228	38,369
<i>of which pledged</i>	17	14,537	-
Derivative financial instruments	25	52,615	11,460
Loans and advances to customers	18	10,063,433	8,793,951
Investment securities	19a	2,747,713	2,635,788
<i>of which pledged</i>	19	593,986	239,011
Deferred tax assets	28	7,053	8,556
Property, plant and equipment, including right of use assets	21	278,184	235,255
Investment property	20	488	797
Intangible assets	22	80,572	79,670
Other assets	23	85,952	41,337
Total assets		16,365,975	14,490,094
LIABILITIES			
Deposits from banks	24	23,904	9,535
Derivative financial instruments	25	36,873	9,139
Due to customers	26	13,682,032	12,313,508
Other borrowed funds	27	475,598	166,578
Current income tax payable		476	976
Provisions for other liabilities and charges	29	12,237	11,417
Retirement benefit obligations	30	3,389	3,629
Other liabilities	31	195,416	188,274
Total liabilities		14,429,925	12,703,056
SHAREHOLDERS' EQUITY			
Share capital		560,323	560,323
Statutory reserves		282,521	282,521
Retained earnings and other reserves		1,093,206	944,194
Total shareholders' equity	32	1,936,050	1,787,038
Total shareholders' equity and liabilities		16,365,975	14,490,094

The financial statements were authorized by the management on 30 March 2023.

**Petia Nikolova
Dimitrova** Digitally signed by Petia Nikolova
Dimitrova
Date: 2023.03.30 18:44:46 +03'00'

Petia Dimitrova

Chairperson and Member of the Management Board and Chief Executive Officer

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

For KPMG Audit OOD, registered under No 045 in the Register of the registered auditors:

**SEVDALINA
NIKOLAEVA DIMOVA** Digitally signed by SEVDALINA
NIKOLAEVA DIMOVA
Date: 2023.03.30 19:17:09
+03'00'

Sevdalina Dimova

Registered Auditor responsible for the audit For KPMG Audit OOD

**IVAN
ANDONOV
ANDONOV** Digitally signed by
IVAN ANDONOV
ANDONOV
Date: 2023.03.30
20:02:24 +03'00'

Ivan Andonov

Authorised representative For KPMG Audit OOD

**Dimitar Borisov
Shoumarov** Digitally signed by Dimitar
Borisov Shoumarov
Date: 2023.03.30 17:02:04
+03'00'

Dimitar Shoumarov

Member of the Management Board, Executive Director and Chief Financial Officer

For Baker Tilly Klitou and Partners EOOD, registered under No 129 in the Register of the registered auditors:

**Galina Dimitrova
Lokmadjieva-
Nedkova** Digitally signed by Galina
Dimitrova Lokmadjieva-
Nedkova
Date: 2023.03.30 20:47:03
+03'00'

Galina Lokmadjieva

Registered Auditor responsible for the audit

Statement of changes in shareholders' equity

	Share capital	Property revaluation reserve	Fair value reserve	Statutory Reserves	Retained earnings and other reserves	Total
Balance at 01 January 2021	560,323	2,766	19,174	282,521	758,763	1,623,547
Profit for the year					169,226	169,226
Other comprehensive income						
Change in fair value reserve on financial assets at FVOCI			(13,437)			(13,437)
Revaluation of property, plant and equipment		3,371				3,371
Remeasurements of retirement benefit obligations, net of tax					4,331	4,331
Total comprehensive income for 2021		3,371	(13,437)		173,557	163,491
Balance at 31 December 2021	560,323	6,137	5,737	282,521	932,320	1,787,038
Balance at 01 January 2022	560,323	6,137	5,737	282,521	932,320	1,787,038
Profit for the year					206,826	206,826
Other comprehensive income						
Change in fair value reserve on financial assets at FVOCI			(61,550)			(61,550)
Revaluation of property, plant and equipment	-	3,234		-	-	3,234
Remeasurements of retirement benefit obligations, net of tax	-	-	-	-	502	502
Total comprehensive income for 2022	-	3,234	(61,550)	-	207,328	149,012
Balance at 31 December 2022	560,323	9,371	(55,813)	282,521	1,139,648	1,936,050

The financial statements were authorized by the management on 30 March 2023.

**Petia Nikolova
Dimitrova** Digitally signed by Petia Nikolova
Dimitrova
Date: 2023.03.30 18:44:46 +03'00'

Petia Dimitrova

Chairperson and Member of the Management Board and Chief Executive Officer

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

For KPMG Audit OOD, registered under No 045 in the Register of the registered auditors:

**SEVDALINA
NIKOLAEVA DIMOVA** Digitally signed by SEVDALINA
NIKOLAEVA DIMOVA
Date: 2023.03.30 19:17:09
+03'00'

Sevdalina Dimova

Registered Auditor responsible for the audit For KPMG Audit OOD

**IVAN
ANDONOV
ANDONOV** Digitally signed by
IVAN ANDONOV
ANDONOV
Date: 2023.03.30
20:02:24 +03'00'

Ivan Andonov

Authorised representative For KPMG Audit OOD

**Dimitar Borisov
Shoumarov** Digitally signed by Dimitar
Borisov Shoumarov
Date: 2023.03.30 17:02:04
+03'00'

Dimitar Shoumarov

Member of the Management Board, Executive Director and Chief Financial Officer

For Baker Tilly Klitou and Partners EOOD, registered under No 129 in the Register of the registered auditors:

**Galina Dimitrova
Lokmadjieva-
Nedkova** Digitally signed by Galina
Dimitrova Lokmadjieva-
Nedkova
Date: 2023.03.30 20:47:03
+03'00'

Galina Lokmadjieva

Registered Auditor responsible for the audit

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail
All amounts are shown in BGN thousands unless otherwise stated

Statement of cash flows

Year ended 31 December
2022 **2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Interest received	487,491	381,992
Interest paid	(17,768)	(10,563)
Dividends received	601	517
Fees and commission received	183,612	148,421
Fees and commission paid	(37,234)	(23,892)
Amounts paid to and on behalf of employees	(127,245)	(110,659)
Net trading and other income received	(1,472)	503
Other operating expenses paid	(108,881)	(94,538)
Tax paid	(14,400)	(14,400)
Cash from operating activities before changes in operating assets and liabilities	364,704	277,381

CHANGES IN OPERATING ASSETS AND LIABILITIES

Net (increase) in reserve with the Central Bank	(67,283)	(104,532)
Net decrease in loans and advances to banks	97,812	-
Net decrease in trading securities	3,141	2,303
Net (increase) in loans and advances to customers	(1,347,476)	(1,091,773)
Net (increase)/ decrease in other assets	(42,257)	2,729
Net (decrease)/increase in derivatives instruments	13,766	(3,261)
Net (decrease)/ increase in due to other banks	14,369	1,796
Net increase in amounts due to customers	1,364,510	2,079,352
Net increase/ (decrease) in other liabilities	(17,976)	14,355
Net cash flows from operating activities	383,310	1,178,350

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment and intangible assets (Notes 21,22)	(59,095)	(29,644)
Purchase of investment securities	(1,362,941)	(1,919,922)
Proceeds on disposal of property and equipment	282	136
Proceeds from sale of investment securities	1,146,284	734,745
Net cash flow/(used in) from investing activities	(275,470)	(1,214,685)

Year ended 31 December
2022 2021

CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES

Long-term financing received	312,933	146,687
Long-term debt repaid	(5,654)	(9,566)
Payment of lease liability	(15,518)	(12,398)
Net cash used in financing activities	291,761	124,723
Effect of exchange rate changes on cash and cash equivalents	1,094	261
Net change in cash and cash equivalents	400,695	88,649
Cash and cash equivalents at beginning of year	1,980,415	1,891,766
Cash and cash equivalents at end of year (Note 33)	2,381,110	1,980,415

The financial statements were authorized by the management on 30 March 2023.

**Petia Nikolova
Dimitrova**

Digitally signed by Petia Nikolova
Dimitrova
Date: 2023.03.30 18:44:46 +03'00'

Petia Dimitrova

Chairperson and Member of the Management Board and Chief Executive Officer

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

For KPMG Audit OOD, registered under No 045 in the Register of the registered auditors:

**SEVDALINA
NIKOLAEVA DIMOVA**

Digitally signed by SEVDALINA
NIKOLAEVA DIMOVA
Date: 2023.03.30 19:17:09
+03'00'

Sevdalina Dimova

Registered Auditor responsible for the audit For KPMG Audit OOD

**IVAN
ANDONOV
ANDONOV**

Digitally signed by
IVAN ANDONOV
ANDONOV
Date: 2023.03.30
20:02:24 +03'00'

Ivan Andonov

Authorised representative
For KPMG Audit OOD

**Dimitar Borisov
Shoumarov**

Digitally signed by Dimitar
Borisov Shoumarov
Date: 2023.03.30 17:02:04
+03'00'

Dimitar Shoumarov

Member of the Management Board, Executive Director and Chief Financial Officer

For Baker Tilly Klitou and Partners EOOD, registered under No 129 in the Register of the registered auditors:

**Galina Dimitrova
Lokmadjieva-
Nedkova**

Digitally signed by Galina
Dimitrova Lokmadjieva-
Nedkova
Date: 2023.03.30 20:47:03
+03'00'

Galina Lokmadjieva

Registered Auditor responsible for the audit

CONTRIBUTION TO SUSTAINABILITY



LETTER TO THE STAKEHOLDERS



Dear readers,

We turn to you - our customers, employees and business partners - with words of deep appreciation. Traditionally, with this letter from the pages of the Postbank Annual Report 2022, we thank you for your participation and contribution to the changes we make together and to present the positive account what our team achieved in economic, ecologic and social aspects.

The year 2022 was one of the best years in the history of Eurobank Bulgaria. The bank recorded a healthy increase of its loans and deposits, a solid improvement in its income and profitability and stable capital adequacy, risk and liquidity ratios. The profit after tax jumped by more than a fifth to 206.8 million leva, very close to the record pre-pandemic one of 210.5 million leva, when one-off factors were in play. The return on equity improved considerably – by 1.3 percentage points to 11.2%, while the return on assets was just below 1.4%.

Gross loans increased by 14.5% YoY (1.32 billion leva) to 10.41 billion leva, rising slightly faster than the market which translated into a market share gain of 11 bps to 12.1%. Eurobank Bulgaria is able to achieve better yield on its portfolio than its peers as it is focusing on profitability and long-term relationship with its clients rather than chasing market share gain at all costs. Thus, the corporate portfolio rose by just 6.8% (288 million leva) to 4.55 billion leva, while consumer loans increased by almost a quarter (371 million leva) to 1.87 billion leva. The primary focus, however, was on the secured lending. Rising incomes and real estate prices meant that the demand for mortgage loans remained on the high side leading to increase of more than 511 million leva (close to 20% YoY) to 3.08 billion leva. The SBB segment is also on an upward trajectory with loans rising by 147 million (19.4%) to 908 million leva.

The positive trend in gross loans volumes was supported by the participation of the Bank in various programs of EIF, Bulgarian Development Bank and Fund Manager of Financial Instruments for support of small and medium sized businesses, as well as in the Guarantee agreements under the Pan-European Guarantee Fund in response to Covid-19 with EIF.

Costs were under increasing pressure in the high inflation environment. Other operating expenses increased by 14.6% (30.2 million leva) to 237 million leva, where half of the increase was spent on staff which is broadly in line with the average of the market. The costs of installing and maintaining new IT systems and the overall inflationary pressure accounted for a big part of the rest. Cost-to-income ratio remained flat at 42% which is a remarkable achievement in the current inflationary environment.

Provisions for impairment in 2022 were lower than in the previous year – 76.0 compared to 84.3 million leva reflecting lending portfolio quality improvement. Cost of risk decreased by about 20 bps to 0.8%, in line with the average for the system. The nonperforming exposure ratio fell below 4% to 3.8%, a solid 1.1 percentage point improvement compared with year-end 2021. In nominal terms the decrease is around 50 million leva of which half is due to written off loans. The coverage ratio improved substantially for the year – by 21 percentage points to 89%.

Through the following pages of the report, you can learn in detail about all components of our contribution to creating sustainable benefits to our customers, partners and society.

Sincerely,

Dimitar Shoumarov
Executive Director,
Chief Financial Officer and
Member of the Management Board

Asen Yagodin
Executive Director and
Member of the Management Board

GUIDING PRINCIPLES AND BELIEFS

Some of the main components of Postbank's corporate responsibility policy include constant efforts in improving the economic environment through holding an open dialogue with stakeholders, as well as the Bank's active contribution to society

The Bank's corporate responsibility policy is built on four main pillars:

- A dialogue with the Bank's stakeholders through actions and initiatives aimed at identifying issues and providing suitable solutions;
- Improvement of corporate governance to ensure the organization's transparency;
- Social contribution to activities of key importance to local communities;
- Environmental protection, combatting global warming and contribution to sustainable growth.

MISSION, VISION AND VALUES

Our Mission

We are a dynamically developing bank and we support the ideas and dreams of our employees, customers and partners at every stage of their lives. We value trust, quality and effectiveness. We share the good example and support creative ideas. We respect the fair and responsible attitude, personal contribution and team spirit. We take care of people, society and the environment, and create a new financial world that combines the best of traditional and digital banking. Together we find the successful individual solutions for your tomorrow.

Our Vision

To be the fastest growing, most preferred and reliable financial institution that makes traditional banking modern and fully accessible.

Our Values



INNOVATION
We start where the other stop.



EMPATHY
We look people in the eyes.
We hear them with our hearts



MERITOCRACY
We order the world fairly.



SOCIAL CONTRIBUTION
We think plurals, but we succeed as one.



TEAMWORK
Our favorite color? All together.



RESPECT FOR PEOPLE
In our world, everyone comes first.



TRUST
The capital that we rise every day.



EFFICIENCY
We hit our targets. Always.



CREATIVITY
„Impossible“ is our favorite challenge.



QUALITY
We are masters of perfection.

Open and transparent relations

Some of Postbank's main priorities are to continue improving its sustainable development and corporate social responsibility policies, taking into account the expectations of the people and organizations it works with. To achieve this objective, the Bank has set up channels for a dialogue with its stakeholders in order to facilitate the transparent and continuous communication with all interested parties. Thus, Postbank's partners and clients can always rely on a communication channel, which ensures that their opinion reaches the Bank.

The stakeholders can use the following channels to exchange information with Postbank:

Clients

- One of the largest branch networks across the country;
- Specialized business centres – Small Business Banking, Mortgage Lending and Premium banking;
- Business centres servicing medium and large corporate customers;
- Modern digital channels for servicing and communication with customers;
- Client Relations department;
- 24/7 Customer Service Centre available on phone number: 0700 18 555 and short code: *7224;
- Webpage: www.postbank.bg;
- Press Office's webpage: <http://mediacenter.postbank.bg/>;
- Monthly newspaper, Bankovi Istorii (Bank Stories), with circulation of 15,000 copies, distributed via the Bank's Head Office and branches;
- Postbank's profiles on social media such as Facebook, LinkedIn, Google+, YouTube;
- Head office on 260 Okolovrasten Pat Str, 1766 Sofia;
- Meetings with the Bank's representatives.

Shareholders and investors

- General Meeting of Shareholders;
- Scheduled meetings;
- A notification system for regulated information;
- Press Office's webpage: <http://mediacenter.postbank.bg/>.

Personnel

- Human Resources Division;

- Regular meetings;
- Annual meeting of the Bank;
- Annual performance attestation;
- Internal project aimed at encouraging green practices – Green Together with Postbank;
- Monthly newspaper, Bankovi Istorii (Bank Stories), with circulation of 15,000 copies, distributed via the Bank's Head Office and branches;
- Notifications to the personnel;
- Intranet (Help Desk);
- Weekly electronic news bulletin;
- Contribution to sustainable development;
- Internal contest, called Ideino (Good Ideas), which is aimed at encouraging employees' ideas and proposals for improving their work

Suppliers

- Contacts with Contractors;
- Committees on supplier selection.

Community and environment

- Environmental Office;
- Social and environmental projects;
- Participation in forums, seminars, conferences and round-table meetings on these topics;
- Contacts with specialized bodies and institutions;
- Cooperation with social agencies;
- Media coverage of these topics.

ECONOMIC CONTRIBUTION CONTRIBUTION TO ECONOMIC GROWTH

Postbank sees contributing to Bulgaria's economic development as a key priority in achieving sustainability. The extent of the Bank's corporate responsibility is determined by the scope of its operations and the proper and fair distribution of capital among its different stakeholders, while securing its stable economic position and investment opportunities, development of human capital and technological innovations.

In addition to the fair distribution of capital, Postbank strives to support the Bulgarian economy by adhering strictly to centralized procedures for managing procurements, ensuring the top quality of supplies, containing costs and promoting the best social practices. Postbank follows a unified policy of selection of suppliers, based on strategic synergies and mutually beneficial relations. The procedures for selection and evaluation of suppliers are regulated by complete transparency at all stages and by objective criteria such as good prices, regular deliveries and successful cooperation in the past. Moreover, in the selection of suppliers, the Bank aims at ensuring complete respect of human rights in those companies, as well as consistent application of environmentally friendly practices aimed at constant reduction of energy consumption.

Recognizing the need for support to local economies, in 2021 Postbank preferred to work with local suppliers in selected categories of goods and services. The Bank works with a large network of local partners, accounting for around 90% of all its suppliers.



THE CONTRIBUTION OF THE BANK TO THE "SOCIAL PRODUCT"

SOCIAL PRODUCT	PUBLISHED RESULTS 2022		PUBLISHED RESULTS 2021		PUBLISHED RESULTS 2020	
	BGN Mio	EUR Mio	BGN Mio	EUR Mio	BGN Mio	EUR Mio
The contribution of the Bank to the "Social product"						
Turnover	632.2	323.2	531.5	271.8	501.9	256.6
Interest Expense and Fees & Commissions expense	-62.1	-31.8	-35.6	-18.2	-32.2	-16.5
VAT on Added Value of the Bank	-3.3	-1.7	-6.3	-3.2	-7.2	-3.7
Impairment losses	-76.0	-38.9	-84.4	-43.1	-83.4	-42.6
Social Product	490.8	250.9	405.2	207.2	379.1	193.9

The "Social product" and its Distribution

I. Personnel	112.6	57.6	100.9	51.6	90.3	46.2
Gross Pay	126.9	64.9	112.9	57.7	101.0	51.7
Employer contribution to social security institutions	5.5	2.8	4.8	2.5	4.8	2.5
Medical, Retirement and other benefits	1.1	0.6	1.5	0.8	1.7	0.9
Contribution to Social Security Institutions (Employer and Employees)	-30.3	-15.5	-26.7	-13.6	-26.0	-13.3
Employees tax	9.4	4.8	8.3	4.2	8.8	4.5
II. Suppliers of Goods & Services	104.1	53.2	75.6	38.7	66.2	33.9
III. Donations and sponsorships	0.3	0.1	0.2	0.1	0.3	0.2
IV. State	67.0	34.2	59.3	30.3	69.6	35.6
Income Tax and various taxes	23.2	11.9	19.1	9.7	17.1	8.8
Value added taxes	3.3	1.7	6.3	3.2	7.2	3.7
Deposit Guarantee and Investors compensation schemes	19.5	10.0	15.5	7.9	28.0	14.3
Contribution to Social Security Institutions (Employer and Employees)	30.3	15.5	26.7	13.6	26.0	13.3
Employees tax	-9.4	-4.8	-8.3	-4.2	-4.2	-4.5
V. Company	206.8	105.7	169.2	86.5	152.7	78.1
Retained Earnings / Reserve	206.8	105.7	169.2	86.5	152.7	78.1
Social Product	490.8	250.9	405.2	207.2	379.1	193.9

RESPONSIBLE CONDUCT AND PRODUCT LIABILITY

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

Compliance with regulations and laws, as well as transparent reporting to the shareholders and other involved parties form the core of the Bank's responsibility.

PREVENTION OF MONEY LAUNDERING AND TERRORISM FINANCING

The Bank is committed to the prevention of money laundering and the fight against terrorist financing. The AML/CFT policy is in line with the relevant legislation and applicable Group policy and incorporates the requirements of the EU AML Directives, the respective AML regulations and the Financial Action Task Force (FATF) recommendations.

In this respect, the Bank has developed and implemented a compliance programme, which utilizes a risk-based approach to the management of the Bank's money laundering risk and includes Customer Due Diligence, enhanced due diligence for high-risk clients, monitoring systems and processes, policies and procedures to combat tax evasion, etc.

FRAUD AND CORRUPTION PREVENTION

Eurobank Bulgaria AD has adopted a policy of zero tolerance against bribery. The internal policies and procedures in place aim to establish a robust internal system and controlling environment that minimize corruption risk and to set out a clear approach to action in certain risky situations.

The Bank's anti-bribery instruction expressly prohibits the direct or indirect participation in any corruption-related activities. The prohibition applies to all employees and persons acting in the name and on behalf of the Bank. It is the duty of all employees to be vigilant and to report any cases or attempts of such deeds, as well as suspicions of such.

CODE OF CONDUCT

The Code of Conduct and Ethics sets the standards and provides the framework for the principles, rules, conduct and decisions that the Bank's employees ought to follow during their professional engagement. The Code is complemented by specific policies and internal rules that serve as a further point of reference and are related to the management of conflicts of interest, anti-bribery and corruption, reporting of unethical conduct, external engagements, prevention and detection of market abuse, etc. The Bank provides regular training and raises awareness in order to prevent behaviour that aim or lead to any misconduct.

AUDITS BY REGULATORS

The Bank's responsible conduct is also guaranteed to the maximum by the fact that it is subject to audits by a number of state authorities.

DEVELOPMENT OF THE HUMAN CAPITAL

HUMAN RESOURCES

Any organization's achievements could not be discussed apart from the role of its human capital. Postbank Management shares the conviction that taking care of employees, their development and motivation is essential for the organization, for the achievement of both its short-term and strategic goals.

Dynamic environment and intense competition on the banking market impose ambitious and multidimensional requirements on the human resources function. They are related to the capability of human resources staff to identify and put appropriate people at relevant positions, to ensure effective training in order to quickly develop necessary professional skills, as well as to develop and motivate internal talents.

The Human Resources (HR) Division contributes to the Bank's success, by creating and sustaining an environment which encourages employees' achievements and efforts in raising their level of professional qualification.

During the year 2022, a number of structural changes and projects were realized in the direction of digitalization and automation of different processes, aiming to optimize and increase the effectiveness of the whole HR team.

EMPLOYER BRANDING

In 2022, the newly found Talent Management and Employer Branding Department continued fulfilling the mission of the Human Resources Department – to take care of the good reputation and image of the bank as a preferred employer internally by the employees as well as externally.

The main goal of the department is to enhance organizational performance in the key areas of employees' engagement, recruitment, retention and talent acquisition, as well as to maintain a supportive and trustful working environment, resulting in motivated and committed employees and loyal and satisfied customers.

In the direction of an employer brand in 2022, were realized some key projects focused on the digitalization, gamification and personalization of the experience for candidates and employee:

1. **New creative and interactive career website www.careers.postbank.bg with digital gamification** – a career quiz game with added value for candidates. The game shows in an engaging and useful way what type of employees we are looking for and in the same time helps the users identify their career preferences and positions right for them to which we direct them through special video job offers. The website is integrated into the bank's corporate site through the Careers section.

2. **VR software application with specific gamification of the employer brand. It is used** for talent attraction and onboarding and creates an inspiring personalized experience. We have used VR technology in an innovative way that features the application of gamification in a virtual environment. Our values, employee benefits, rewards, work environment, training and development opportunities as well as trivia and useful information are all presented through interactive quizzes and VR games. Web-based desktop versions: WebGL and 360 video recording.

RECRUITMENT

The successful recruitment process is highly important for having qualified and motivated human capital. Therefore, as it has been so far, this process complies with high professional standards of accuracy, transparency and objectivity. The flexible recruitment strategy has become our top priority.

In 2022 we upgraded the implementation of innovative recruitment methods with a conceptually new channel on the social network Instagram – **PostbankSuperstarter**. It enables a quick and easy application for an internship at the bank with just 3 photos or a story.

For the Bank, the selection process премина на ново по-високо ниво на дигитализация и автоматизация, чрез изцяло нова технологична платформа за подбор, свързана с новия карьерен сайт. The Platform is a centralized hub with the profiles of all applicants from all job portals. The platform is used to send emails to candidates at all stages in the process, and the system supports email templates that can be created and edited by the HR team.

Through the new automatic platform, we achieved optimization of the recruitment process. After launching the site, the number of suitable candidates out of all who applied increased from 15% to 30%, which is also an indicator of the higher quality of the submitted applications and shortening of the hiring process.

Providing an inspiring personalized digital experience to applicants was solidified and developed as the main task of the HR team. Digital recruitment provides a number of advantages, main of which is the speed with which contact is made with applicants and meetings are organized.

The recruitment process in 2022 also included several participations (both in person and online) in various career events and developing career profiles of the bank in partnership with: Career Show. Kosher, Job Tiger (National career days), AIESEC, ESTIEM, Bulgaria Wants You, nPloy, Dev.bg etc.

We presented the career opportunities in the bank in more than eight leading universities in the country.

In 2022 the proactive approach to contacting suitable candidates using various social networks

Since the requirements for appointment at different positions at the Bank are related to both high level of professional knowledge and proven moral and ethical values, the Bank aims at developing its employees – people with high potential. This is why, more than 1/2 of the Bank's openings (55.47 %) are taken by personnel coming from the so-called internal market, i.e. by promoted and reappointed employees. As a result 44.53% of 2022 openings were occupied by candidates outside the organization i.e. attracted from the so-called external market.

Requirements for professional training remained high also for the candidates from the external market. In the changed environment of a competitive recruitment market in 2022, it makes an impression that 17.79% from the newly-appointed employees had less than two years of professional experience. There are a total of 173 interns hired in 2022

PROFESSIONAL TRAINING

The opportunity for professional development and providing professional training to employees is focus of the bank and one of the most powerful means to achieve its strategic goals. The high expectations of the management and the employees in this direction are met through the organization of training initiatives in many directions.

What has remained unchanged is the emphasis on connecting the theoretical training with the real practice. We continued upgrading the content of our learning portal, where in an easy and convenient way our employees can learn more about the products through short explanatory animated video lessons in the digital guide of the product universe of a successful banker iKnow, as well as to find out more about the opportunities for trainings and development in the bank, and more information about the knowledge and skills they will need for the different positions and careers paths.

We continued to support people's professional and personal development and provided an opportunity for all our employees to enroll in e-learning and attendance trainings and to develop their skills.

In 2022 together with the different social and management skills that assist the successful performance of the work tasks in two ways – Development of personal effectiveness and Development of Managerial skills, we put a focus also on the Measures against money laundering.

Postbank was the first bank in our country that led special training related to the Measures against money laundering- one of the most important and crucial financial topics, that not only requires our constant attention but is also connected with the fulfillment of a number of regulatory requirements. The adequate response to this extremely significant global problem requires banking institutions to actively counteract by taking a series of actions to prevent the negative effects of this phenomenon.

The training program gave the opportunity to all employees not only to upgrade their knowledge on the topic, but also to acquire extremely valuable and important expertise that will improve their professional qualification qualitatively. A successful final guarantees each employee an internationally recognized ICA (International Compliance Association) certificate.

This significant project also marked the beginning of the implementation of the automated training management system LMS (Learning Management System), designed to manage, disseminate and track the training of employees.

In 2022, we kept up the trend with an increase in e-learning man hours and exceeded 112,000 hours, and after we got back to the normal situation we adapted our approach, and the total number of man hours for 2022 increased by nearly 15% hours and reached nearly 210,000 hours. We launched various new initiatives – online webinars, newsletter, thematic meetings with employees, created a library and launched a new partnership with for e-learning and microlearning.

INDUCTION PROGRAMS

Induction programs continued being in the focus of the Training and Development Department as an essential tool which ensures continuity and high quality of business processes. They are subject to periodic review, change and upgrade, tailored to the needs of the staff.

The onboarding process included training through the VR application, that gives the opportunity for a personalized gamified experience, through which the new bank employees get to know useful and interesting information about the bank as an employer

Given the changed situation, we revised and adapted the training program for newly appointed employees, paid special attention to the practical part of the training and to the opportunity to work in a real environment under the supervision of the coach, we added the support of a Mentor. We have focused on their preparation in order to maintain the effectiveness and standardised approach of training.

FEEDBACK

The feedback from different levels is of particular importance to the entire HR team, and that's why at every stage of candidates' and employees' experiences, we seek their opinions. With the new technologies, this process becomes increasingly efficient since all forms of feedback are electronic. This allows for easier monitoring of the effectiveness of the selection, training, and employee development processes, as well as a quick assessment of the pros and cons of the respective training programs, with continuous efforts to

improve based on this feedback .

Aiming to constantly improve the employee experience, in 2022 a new department “Strategic HR projects and digitalization” was found with main focus on the initiative **Employee Journey Mapping** – a process of proactively collecting feedback through the entire Employee Life Cycle.

The results are analyzed and used for identifying areas for improvements with the aim to offer POSITIVE EMPLOYEE EXPERIENCE.

MEASURING THE PROFESSIONAL PREPARATION

In 2020 the practice for regular and standardized measurement of employees’ professional preparation in terms of systems, products and actual campaigns continued, by conducting regular quarterly trials for Branch Network employees. The tests have been organized online and the results are received immediately. They were used to identify the areas in need of knowledge improvement.

LONG-TERM QUALIFICATIONS

The Bank continued providing its high-flyers with opportunities to enrol in internationally recognized qualification and certification programs such as ACCA, CFA, CIA, CISA, CIMA, as well as to gain a degree in Bulgaria.

In addition, we have added Project Management Professional and Professional Coaching Qualification to the list of qualifications.

PERFORMANCE MANAGEMENT

The Bank’s commitment to employees’ personal and professional development is one of its major values. In this respect, every year each employee’ personal performance is evaluated by the annual performance appraisal process, which supports their further purposeful skill development.

In 2022, in order to continuously improve our EFFICIENCY, in the Performance Management process we have focused on digitalisation with We Grow, which guarantees to achieve TRANSPARENCY for all employees, OBJECTIVITY through the same evaluation parameters, focus on DEVELOPMENT through continuous improvement of results and EFFICIENCY in the use of digital applications.

The Performance management procedures helps to increase the efficiency and effectiveness of the whole process. The system enables employees to focus on the areas of business that are most suitable for the development of their potential, while motivating them to achieve their professional goals.

STAFF DEVELOPMENT

We launched new development programs:

1. **Leadership Development Program** - long term focused on updating and upskilling the Middle management. In 2022 we have started with level 1
2. **MBA Essentials Programe** is a program focused on development of the key employees in managerial positions. The included topics in the Modules develop key knowledge and practical skills in more than one business field.

3. **NEXT Development Program** provide high performing, high potential employees with a differentiated development framework to accelerate their careers and foster their development.

4. **SBB Academy (6 months)** identifies talents from the Branch network for development in the segment Small Business Banking 40% of the participants were already reappointed on position in the SBB area.

STAFF ENGAGEMENT AND RECOGNITION

Creating a more empathetic culture, an individualized approach, and personal and team recognition for employees is the path the bank is following to ensure better care for its people, to build stronger teams, and to promote high engagement.

Key employees were engaged in strategically important processes and projects for the Bank in order to show recognition and focus on the importance of individual professionals and the entire team of the Bank.

“Finding not only a way up, but to each other as well. We succeed, because we are together.” - that was the motto of our tremendous **TEAMBUILDING** for more than 1300 employees in the Headquarters.

Large number of the employees were engaged with trainings and development programs for themselves, as well as engaged as trainers, lectors and mentors in different initiatives and partnerships.

We showed personal and team recognition internally and externally to employees who showed commitment and dedication in participating in various projects and initiatives.

Huge interest and high level of commitment we achieved throughout the new HR initiatives in 2022

We accomplished a brand new campaign “The children of Postbank” for the 15th of September, with pictures from the first day of school.

TALENT AQUISITION AND COLLABORATION WITH UNIVERSITIES

As part of the purposeful development of an active and fruitful partnership between business and education and in support of the Bank’s socially responsible policy in the field of education, we upgraded the bank’s cooperation with various partner organizations and educational institutions

Strategic partnerships:

1. **INSEAD** (one of the leading business schools in the world) **Long-term**.
2. **American University in Bulgaria** – Postbank became a founding member in the Corporate Advisory Board of the AUBG. Various initiatives, events, and opportunities for students, alumni, AUBG and Postbank employees; 2 Scholarships for students.
3. **Sofia University „St. Kliment Ohridski“** - we continued our strategic partnership as the sole bank participating in the academic program with two modules created by our experts for the Master’s program in „Finance and Banking.“ The modern disciplines „Bank Management“ and „Investment Banking“ were part of the mandatory curriculum for the academic years 2021/2022 and 2022/2023, with the training conducted entirely by our experts.
4. **MENTOR THE YOUNG** - we became a part of this partnership community. Our colleagues joined as mentors in the program, presenting themselves as business leaders and experts, and they motivated and supported the personal and professional growth of their mentees throughout the entire Season

3 of the program. We also organized a business simulation that challenged the program participants.

5. National Trade and Banks High School and Private Professional High School for Banking, Commerce, and Finance - a total of 215 students who successfully completed practical training organized by Postbank in partnership with these two educational institutions. Over a period of three months, a series of lectures led by professionals from the company familiarized high school students from the 10th, 11th, and 12th grades in detail with banking and presented real-life examples from a banker's daily routine.

We also conducted a series of masterclasses at eight leading universities in the country. This initiative, in collaboration with Georgi Zahariev and Finance Academy, showcased Postbank as an employer, career opportunities, and the bank's Internship Program.

COMPENSATION AND SOCIAL BENEFITS

Postbank is aware of the social impact of its position as a major employer and is determined to provide its staff with various benefits. In this context, the Bank has implemented and strives to extend a consistent policy of providing additional benefits to its workforce and of applying strict health and safety standards at the workplace. The Bank provides various forms of support for ad hoc cases. All employees of the Bank have an additional health insurance in a private fund the price of which is fully covered by the employer. The additional insurance covers also the cost of medical treatment if necessary. Employees can also conclude agreements for additional insurance of family members at preferential terms if they wish so.

The Bank provides its staff with an additional life insurance, covering the expenses upon occurrence of an insurance event. Moreover, the opportunity to use the Bank's products and services at preferential terms is a significant benefit for Postbank's employees. These include home and consumer loans, credit cards, overdrafts, online banking. Staff members pay no fees for most banking operations such as cash transfers, withdrawals, etc.

The Additional voluntary pension insurance at the expense of the employer is a benefit that aims to motivate and encourage the loyalty of employees in the bank, as well as to show the concern of Eurobank Bulgaria AD, as an employer to employees and their future, providing them with better retirement opportunities.

It applies to all employees with continuous service in the bank for at least 5 years from the date of receipt.

In 2022, the benefits package was expanded and supplemented in direction of the opportunity for Home Office (it was officially introduced and regulated) and with new corporate discounts

HEALTH AND SAFETY AT WORK

The success and productivity of a business relies on the efficiency of its employees. This is why, ensuring healthy and safe working environment for each employee is the basis for health management at the Bank. Postbank not only strictly adheres to all safety standards prescribed by the labour legislation, but also undertakes additional actions to protect its employees' health for reasons of moral character and out of the conviction of the Bank's Management that the establishment of healthy and safe environment leads to better motivation of the staff and better competitiveness.

Postbank works in close cooperation with a labour medicine service to ensure the safety and health of its staff during work. A joint assessment is made of the risks for the staff's health and safety, including assessment upon changes of labour conditions at the workplace and upon introduction of new technologies. All Postbank's employees are represented on the Health and Safety Committee centralized committee covering all Bulgarian entities, part of the Bank. The Committee is based in Sofia and is responsible for the Bank's head office and branches.

REDUCING THE ENVIRONMENTAL FOOTPRINT

ENVIRONMENTAL POLICY

ENVIRONMENTAL POLICY STATEMENT

Postbank Bulgaria believes that environmental responsible actions are an essential part of its business and seeks efficiency in the use of natural resources, as well as minimization of waste. It also recognizes sustainable business growth. As a financial services institution, Postbank acknowledges the impact on the environment from its operations indirect impacts stemming from lending and investment activities and from relationships with its stakeholders and society at large.

Postbank is committed to assess the environmental impact of its activities, set appropriate objectives and targets, continuously control and improve its environmental performance and comply with the local national and international environmental laws and regulations.

Postbank believes that environmental management is an integral part of an enterprise's proper and socially responsible behavior. To this end it pursues responsible environmental attitude towards its shareholders, employees, clients, suppliers and society at large, by implementing sound environmental practices, whilst promoting economic growth.

During the reporting period Postbank has adopted its ESG Strategic Vision thus reiterating its ambition to act as a leader in sustainable finance in Bulgaria, and it has been published on its website.

POSTBANK ESG STRATEGIC VISION

Environmental pollution and climate change are among the biggest challenges of our time. They define the quality of life and the future of our planet. They impact all businesses and increasingly affect households. They also cause a number of social issues. Turning all these into opportunities requires the application of best governance practices.

As a responsible financial institution, we have stepped up to undertake the role that our time is calling for by embedding climate-related and environmental criteria in our management philosophy and key decision-making processes.

We are convinced that our success as a financial institution is tied up to taking into consideration the vast social aspects that our operations have and aspire to apply best governance practices to ensure our values are abided by daily.

We are well aware that climate change and the physical and transition risks associated with it provide a broad spectrum of opportunities for innovative solutions to the challenges they pose, and we are ready to offer financial products that help alleviate them. We also acknowledge that business opportunities and possibilities to contribute to society are the opposite sides of the difficulties we are facing. We aspire to maintain and expand our position as a leader in sustainability in Bulgaria by undertaking a proactive approach to ESG matters.

OUR COMMITMENT

Postbank has been a leader in sustainable finance in Bulgaria for the past decade and we commit to maintain this position by developing further our ESG policies and translating them into actions to support our clients and stakeholders. To this end, we are committed to:

- Offer the best sustainable finance products to our customers;
- Help turn sustainability challenges ahead of our customers into opportunities by providing financial solutions to them;
- Enhance our sustainability impact by providing innovative financial approaches to market demands;
- Act responsibly by closely monitoring ESG risks in our activities;
- Increase staff and stakeholders awareness on ESG issues through involvement in various ESG activities;
- Ensure a positive and inspiring work environment for our staff;
- Manage actively our environmental footprint by maintaining a robust resource efficiency program;
- Add value to society by contributing to various social activities.

WE IMPLEMENT OUR ESG VISION BY

- Orienting our core business activities towards sustainability;
- Managing ESG risks across our commercial portfolio;
- Demonstrating care for the environment through sparing internal resources and implementing green procurement practices;
- Enhancing awareness on ESG matters across our staff, stakeholders, and the broader society by acting as an agent of change;
- Investing in human capital by initiating and supporting an array of training and educational programs in ESG and broader issues.

We have formed a special management committee - the Environmental and Sustainability Committee (ESC) and have endowed it with the governance of the implementation of our ESG vision and our Environmental Policy Statement, as well as with oversight of the bank's compliance with requirements stemming from being a signatory of international initiatives, such as the United Nations Principles for Responsible Banking (PRB). The committee discusses the materiality of ESG impacts for the bank and identifies key impact areas, upon which sets annual targets. Under the ESC supervision, several thematic working groups operate to ensure the achievement of the targets as set out and the undertaking of remedial actions whenever necessary.

In addition to the ESC, we have established a special function - the Environmental and Social Affairs Coordinator - who is in charge of coordinating the implementation of the decisions of the ESC.

To enhance internal awareness, since 2008 we have set up Green Board – an informal internal

organization of volunteers which aims to foster awareness on environmental matters and to come up with initiatives in the area of responsible banking. Throughout the years of its existence, the Green Board has proven to be an efficient channel of innovative ideas from the bank employees.

We have also invested in our own internal program Green Together. Our bank is funding green initiatives which are implemented with the voluntary work of our employees.

ENGAGEMENT WITH THIRD PARTIES

Postbank is a United Nations Environmental Program – Finance Initiative (UNEP FI) member since 2013, and a signatory of the Principles for Responsible Banking (PRB) since 2020. This makes Postbank the first and to date the only bank in Bulgaria to join these international financial initiatives.

Drawing on international expertise and best banking practices through engaging in UNEP FI's initiatives enhances the Bank's internal expertise and provides it with innovative ideas and possible solutions to address the most pressing ESG challenges.

1. Postbank environmental management overview

Today's world is facing the phenomena of pollution and climate change. There is hardly any individual or organization who would doubt the importance of managing the consequences of the changes pollution and climate change create in the environment, and of coming up with the proper means to curb them.

There are two main types of environmental aspects of the activity of an organization – direct and indirect, and they lead to the manifestation of two corresponding types of impacts. The direct impacts on environment originate from the operation of a company (operational footprint), while the indirect stem from the products and services the company offers.

Banks do not directly impact the environment to a large extent since their consumption of energy and other resources is minor on the background of other industries. They, however, could contribute significantly to the effort to save the environment through selective lending practices as well as through the implementation of environmental risk management in their loan portfolios. Apart from that, banks could serve as a good example to society taking care of how internal resources are used.

Postbank is committed to actively manage both its direct and indirect environmental impacts on the environment. For that matter it has established Environmental and Sustainability Committee, Green Board and Environmental and Social Affairs Coordinator in its organizational structure, which are in charge of implementing the environmental policy of the Bank.

2. Resource consumption management at Postbank

Postbank has analyzed the materiality of its direct impacts on climate change and the environment and have identified three areas in which to concentrate systematic efforts to manage impacts – CO₂ emissions from electricity consumption, and the use of paper and water.

The outcome of the analysis on 2022 data is presented in Fig. 1, 2, and 3 below through three selected environmental indicators. These indicators are presented in dynamics for a period of 11 years spanning 2012-2022, and they reveal the trends of internal resource use as a result of the various initiatives that the Bank has been undertaking in order to manage them.

Fig 1. Postbank CO₂ Footprint from Electricity Consumption, 2012-2022



Source: Environmental Office calculations based on Premises Department data

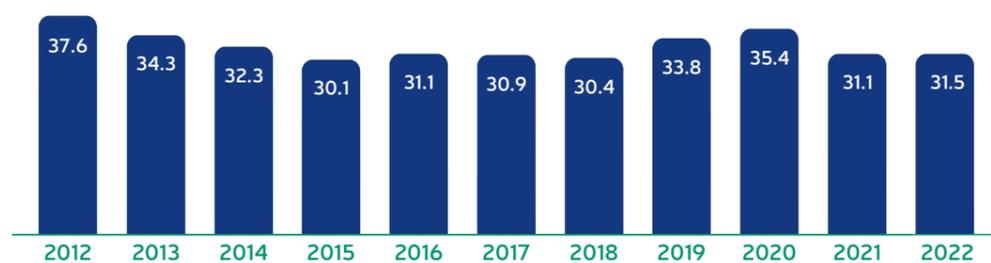
As evident from the chart presented in Fig. 1, CO₂ emissions from electricity use in Postbank have slightly decreased – by 6% in 2022 YoY, and 31% when compared to the base 2012 year. In the reporting period, the Bank has initiated two large projects with the aim of achieving further energy efficiency of its premises and improve its CO₂ footprint – massive reconstruction of the Head Office building and solar panels deployment on its roof. The outcome of these projects will start materializing in 2023.

Another major step towards reducing CO₂ emissions was the gradual replacement of the conventional car fleet with hybrid vehicles. In 2022, 73% of the car fleet has already been changed.

The data on paper consumption are presented on Fig 2. They show that the Bank has consumed 1% more paper in 2022 YoY despite increased business volumes. Containing paper use in an environment of significant business growth is the outcome of broad efforts in the area of digitalization, improving internal processes, and increased staff awareness for resource efficiency.

Compared to the base 2012 year, there is a decrease of 16%.

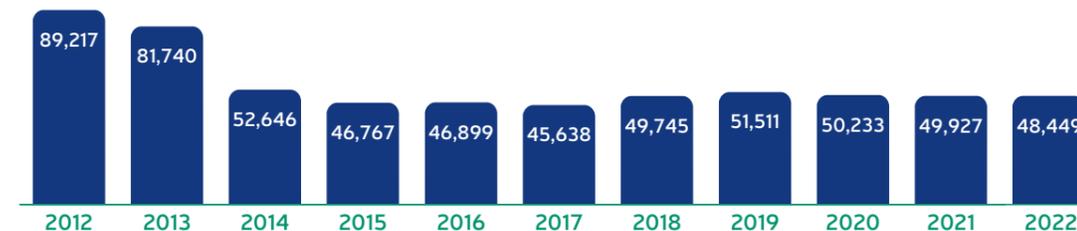
Fig. 2 Paper Consumption in Postbank, millions sheets of paper, 2012-2022



Source: Environmental Office calculations based on Premises Department data

Water consumption for office needs has shown a slight decrease of 3% in 2022 YoY. Data are presented on Fig. 3 below. The analysis of the data on water consumption for the past 11 years shows that it has been decreased significantly and for the past several years it has stabilized, revealing that the current level is most probably the optimum one.

Fig. 3 Water Consumption in Postbank, m³, 2012-2022



Source: Environmental Office calculations based on Premises Department data

3. Climate-change related, environmental and social risk management in lending

Apart from the direct aspects and its impact on society, Postbank is continuously investigating the indirect environmental aspects from its operations. These are related primarily to its corporate and small and medium enterprises loan portfolio. In this area, Climate Change-Related, Environmental and Social Risk Management Procedure is implemented to ensure that lending is provided accounting for the risks for the climate, the environment and society. The Bank encourages green businesses indirectly through the implementation of this procedure. It prescribes the particular methodology which is followed to ensure that environmental and social risks are evaluated and monitored in the loan approval and subsequently monitoring process.

The data on the distribution of environmental and social risk across the corporate and small and medium enterprises loan portfolio are presented in Fig. 4 below. They show that the Bank has preserved the distribution of levels of risk in its commercial portfolio from the past year - a significant number of the deals, 37%, have low environmental and social risk, 62% have medium risk, and only 1% are characterized by having high such risks.

Fig. 4. Distribution of Levels of Environmental and Social Risk in the Commercial Loan Portfolio of the Bank



Source: Environmental Office calculations based on Corporate and Small Business banking Divisions data

Postbank views responsible relationships with its clients and customers as instrumental for working in accordance with its Environmental Policy Statement. The key document in this direction is the Climate Change-Related, Environmental and Social Risk Management Procedure of the Bank. It is applicable to all small business and corporate clients.

According to it, all commercial deals are evaluated based on how the applicants are dealing with climate change-related, environmental and social matters in their operations. The Bank appraises each such deal based on a number of both quantitative and qualitative environmental, climate-related and social

criteria, part of which are then input in an automated scorecard. The aim is to ensure that the customer demonstrates high awareness of the related matters and is making his best efforts to act accordingly.

An important part of the evaluation process includes requesting the customer to fill in a short questionnaire with qualitative questions on how his business activities relate to the environmental, climate and social considerations. This questionnaire is completed by the customer with the assistance of the bank employee in charge of him so that exchange of information could take place as to what the needs of the customers are and how the Bank could meet them.

As a result of the application of the procedure and the automation of the process, deals are being monitored for their environmental, climate-related and social aspects on an annual basis and, if necessary, remedial actions could be requested from the client so that proper management of associated risks is ensured.

Apart from risk management, during the reporting period Postbank formalized the steps that need to be taken inside the bank in order for green banking products to be launched. The bank intends to encourage the creation and spread of green products that could meet the demands of its customers, which will lead to more sustainable relationships them.

The Bank is proactive towards its clients by proposing them green products so that they could benefit from such opportunities. In the reporting period, the following sustainable products have been launched: ESG structured deposit product, green corporate and SME loans as well as green mortgage loan. The Bank is planning to expand its green products portfolio in the coming years.

During the reporting period all corporate banking staff as well as small business banking and finance management staff have undergone training in climate-related, environmental and social risk management principles and in the application of the respective Procedure at the bank. Within this period one presentation dedicated on the EU Green Deal impact on banking was presented at an Executive Committee meeting, and a training dedicated to the same topic was done for the Management Board and Supervisory Board members.

The EU Taxonomy (Regulation (EU) 2020/852 of the European Parliament and of the Council) is a green classification system that translates the EU's climate and environmental objectives into criteria for specific economic activities for investment purposes. The Taxonomy Regulation is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy.

For an economic activity to be defined as environmentally sustainable under the Taxonomy, and thereby classified as aligned with the Taxonomy, it must meet the following criteria:

1. making a substantial contribution to at least one environmental objective;
2. doing no significant harm to any other environmental objective;
3. complying with minimum social safeguards;
4. complying with the technical screening criteria.

The Taxonomy is currently limited to the classification of environmentally sustainable economic activities. However, work is ongoing at the EU level to review whether the Taxonomy will be expanded to classify e.g. social sustainability and activities that could cause significant harm to the environment.

The year 2022 is the first year that NFRD undertakings, including the Bank, are reporting according to the Taxonomy. For financial undertakings, according to the Art. 10 of the same Delegated Act, the transitional rules for the period from 1 January 2022 until 31 December 2023 are limited to the reporting of the extent to which their customers and counterparties' activities are Taxonomy-eligible as well as information on

assets that cannot be assessed under the Taxonomy Regulation, e.g. derivatives.

The Bank has calculated the data needed for the requisite disclosures based on the EBA's recommendations and the European Commission's FAQs and used the FINREP reporting format. "FINREP" is the required format of reporting based on the Regulation (EU) No 575/2013 of the European Parliament and of the Council Regulation (EU) No 575/2013 (CRR) and Regulation (EU) No 680/2014. A conservative approach was utilized in the analysis: if insufficient data is available to assess counterparty's eligibility, the Bank considers it as non-eligible.

The reported KPIs are included in the table below:

Taxonomy KPIs	2022	2021
Taxonomy-eligible assets/ Covered assets	28.79%	27.1%
Taxonomy non-eligible assets/ Covered assets	71.21%	72.9%
Non-NFRD counterparties/ Total Assets	28.53%	26.7%
Derivatives, hedge accounting / Total Assets	0.18%	0.0%
Trading and On-demand interbank loans/ Total Assets	1.6%	1.2%
Central governments, central banks, supranational issuers/ Total Assets	17.4%	24.9%

Taxonomy-eligible assets include residential and commercial real estate mortgages towards households and non-financial corporations (categories according to FINREP).

Covered assets include financial assets at amortized cost, financial assets at FVOCI, financial assets at FVPL, repossessed collaterals by the Bank. Total covered assets do not include exposures to central governments, central banks and supranational issuers.

The exposure to undertakings that are not subject to NFRD has been identified excluding the counterparties that are subject to NFRD from the total asset of the Bank.

Central governments, central banks, derivatives, trading positions and on-demand interbank loans have been identified according to FINREP.

The Bank will continue developing its environmental management strategy by closely monitoring ESG and climate change regulatory and market developments, identifying and exploiting areas of most significant positive and negative environmental and climate-change impact of its operations and building strategic business opportunities in relation to the increase of positive impacts and reduction of negative impacts.

4. ESG internal management, staff awareness, external reporting and publicity

In 2022, Postbank has completed projects related to improving the well-being of its staff such as the equipment of fitness center in the Head Office premises and the deployment of mini golf facilities in the area surrounding them.

During the reporting period presentations dedicated on the EU Green Deal impact on banking were

presented and discussed at Executive Committee meetings, and a training dedicated to the same topic was done for the Management Board and Supervisory Board members thus ensuring awareness and alignment at top management level.

Being a signatory to the Principles for Responsible Banking (PRB) during the reporting period Postbank successfully completed the respective reporting requirements which has been evidenced in its Second Year Progress Report to the PRB.

In order to provide for the necessary publicity towards its stakeholders, the Bank launched a website dedicated to its ESG strategy and activities where all information relating to them is concentrated in one place.

In 2022 Postbank achieved the goals it had set for the year in the area of environmental management:

- Develop a more-detailed impact analysis to identify areas of most significant (potential) positive and negative environmental and climate-change impact of its operations;
- Identify strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts;
- Continue staff training in ESG and climate change-related topics: Supervisory and Management Board members passed training on the impact of ESG-related regulations on banks.

For 2023 Postbank has identified the following goals in the area of ESG:

- Deploy ESG reporting and disclosures to fulfill regulatory requirements and meet best management practices in the area;
- Improve automation of processes related to internal reporting of ESG risks and opportunities;
- Enhance staff training to boost further internal awareness.

5. Fines, sanctions or cases brought through dispute resolution mechanisms

In 2022 Postbank had no fines, sanctions or cases in the area of environmental management.

SUSTAINABLE DEVELOPMENT

In addition to its business operation, Postbank has continued its focus on the needs of the community, by supporting programs and initiatives jointly with established institutions and public bodies. The bank seeks to cultivate among its staff, as well as among its clientele and the public at large, a responsible attitude to everything and anything that surrounds us. It aspires not only to build itself a competitive advantages by integrating more and more value in the products it offers, but also to decrease its environmental footprint by using every opportunity to contribute to the conservation of the natural environment.

In 2022, the bank implemented a number of socially significant projects in areas like entrepreneurship, education, environmental protection, sports and corporate sponsorship. The bank is an active member and works in support of the initiatives of The Confederation of Employers and Industrialists in Bulgaria (CEIBG), AmCham, HBCB, Association of Banks in Bulgaria, Borica AD, Endeavour Bulgaria Association, Bulgarian Business Leaders Forum, Bulgarian Donors' Forum, Atanas Burov Foundation, UN Global Compact Network in Bulgaria, Bulgarian Association of Advertisers and Bulgarian Fintech Association.

In 2022, Postbank integrated an innovative approach to the recruitment of interns. This financial institution launched a dedicated Instagram profile under the name of PostbankSuperstarter, designed to build upon its innovative talent scouting strategy. The channel was developed especially for the internship program of the financial institution and will be part of the bank's careers platform. The purpose of PostbankSuperstarter is to reach out to all talented and ambitious young people seeking opportunities for a successful launch of their careers in a modern company, an innovator in the banking services market, a leader in the banking sector with over 30 years' history. Postbank is also the first Bulgarian bank to have launched its own channel in the popular social network TikTok.



In November 2022, Postbank joined, for the seventh year running, the social responsibility initiative „Proud of My Parents“ Work“, organized by the Bulgarian Network of the UN Global Compact. Students in second, third, fourth and fifth grade from almost 30 schools in the capital Sofia have visited the headquarters of this financial institution to learn more about the jobs and the work of their parents in specially developed educational programs. This year's edition of the project, which is traditionally launched every year on 1 November, was implemented in the course of the whole month in response to the exceptionally avid interest on the part of children from over 30 school classes.



At a special event held on 26 September, Postbank awarded the winners of the second edition of its innovative CSR program „A Universe of Opportunities“. It was created to promote exciting ideas related to social entrepreneurship in service to society. This year's edition, which was organized in response to an exceptionally high public interest in our social program, generated 105 projects in the key areas of „Digital Innovation“, „Education“, and „Green

Projects". The 30 proposals that garnered the strongest public support reached its final stage. The winning entrants were awarded by the financial institution a general prize fund in grants worth a total of BGN 30,000, which they have committed to use to implement their projects within 6 months from the date of receipt of the respective grant.



In 2022, this financial institution, which traditionally is a leading partner of the Bulgarian business sector, gave its support for the fourth time running to the unique growth program Dare to Scale, the first of its kind in Bulgaria, targeting businesses with the potential to substantially scale up their operation. In the project proposed by the global network Endeavour Bulgaria, on account of the great interest shown this year, 12 Bulgarian companies were chosen for support. The selected entrepreneurs underwent trainings and interactive sessions delivered by successful practitioners and leaders of the Endeavour network; among the mentors were experts from Postbank. The Dare to Scale growth program is to continue in the coming years, in order to facilitate the sustainable growth of more and more local businesses. Through its participation in the Dare to Scale growth program, Postbank actively contributes both to the development of promising scale-up companies in this country and to the business climate in general. This is yet another expression of its commitment to encourage bold ideas, to support innovation and competitiveness in the business sector and the economy as a whole.

For the eighth consecutive year, Postbank was the key partner in the successful small business of the year contest, „The Big Little Ones“, sponsored by The 24 Hours Daily. Every year the entrants - small innovative Bulgarian businesses, present their ideas, which they have successfully developed into a marketable product or service.



The education of children and young people in Bulgaria has always been part of the corporate social responsibility projects CSR projects developed or supported by Postbank. This is why the bank continued to pursue its joint project with SoftUni in support of Bulgarian education, which was launched back in 2018. The project includes various activities designed to prepare young people for the jobs of the future and for their personal realization in Bulgaria. Through their strategic partnership, the two organizations have made it their aim to encourage students to develop their potential as IT and digital leaders, ready to operate in a dynamically changing environment and master the new trends in banking. The design for an application for a specialized Postbank POS Terminal won the Grand prix and a cash prize of BGN 1,000 in the „Coding“ category at SoftUni Fest 2022. The fourth edition of that contest, held entirely online between 17 and 19 June, challenged



young people interested in coding, digital marketing and design to develop specific projects on preset topics. A total of 66 teams faced off in the three categories of this year's edition; 7 of those were shortlisted to compete in the finals for the Grand Prix of Postbank in the „Coding“ category.

Postbank has been a traditional supporter of the SoftUniada 2022 coding contest. In the two-day event, held entirely online, 176 participants demonstrated their knowledge and skills in the area of information technology and presented their projects in four categories. Dobromir Angelov, a school pupil from Varna, was placed first in the wildly contested category „Competitive Coding: Junior Category“ and deservedly won the prize of Postbank and the high appreciation of the panel of judges.

IT experts from Postbank took part once again in the career-building online seminar IT Journey, by presenting to young SoftUni students attractive opportunities for employment and career advancement in the company. This financial institution, with its strong international know-how and modern technological solutions constantly implemented in its operation, offers attractive opportunities for internship and professional development to young IT specialists. Postbank is a preferred top employer for young software specialists standing at the start of their professional career.



During the current year, the financial institution provided two scholarships for students at the American University in Bulgaria. As the American University in Bulgaria marked its 30th anniversary, Postbank was part of the celebrations dedicated to its jubilee. The event was honoured by the presence of alumni, faculty, management and public figures at a gala event. During the ceremony, Postbank was acknowledged by the University with a special award for its sustainable and consistent support in building the future leaders of Bulgaria and the region itself.

The first day of the large-scale, Postbank-sponsored training seminar for a total of 215 students from the National High School of Commerce and Banking and the Private Vocational High School for Banking, Commerce and Finance ended with a lecture on „Development of Potential“. A total of 113 twelfth-graders from both schools received certificates for successfully completed practicum in the presence of Ms. Emilia Ivanova, principal of the National School of Commerce and Banking. Thanks to the experienced team of experts of the financial institution with their international know-how and professional expertise, the students build upon their already existing knowledge while receiving practical guidance for their future career development and personal fulfilment. In the final lecture, experts of the financial institution presented to the school graduates the attractive opportunities for professional advancement offered by Postbank. The centrepiece of the training seminar was the year-long internship program offered by the financial institution, which provides a genuine option for young people to make a successful start with a modern company, an innovator in the market for banking services and one of the leaders in the Bulgarian banking sector its 30-year history.



Postbank and Sofia University have been cooperating in providing education for future financiers in the Master's program „Finance and Banking“ delivered by the Faculty of Business Administration and Economics. The modern subjects „Bank Management“ and „Investment Banking“ are part of the compulsory curriculum for the 2021–2022 academic year and are taught by experts from the bank.

Experts from Postbank once again took part in educational initiatives aimed at improving financial literacy as part of the events marking Global Money Week. This year, the financial institution supports school students by using innovative digital formats to teach them their very first lesson in personal finance management. The bank's participation in this international initiative is part of the sustainable corporate social responsibility policy of the financial institution with a focus on the education and personal development of young people. The international initiative Global Money Week aims to raise public awareness on matters of financial education and financial literacy by organizing various events for children and youths at both national and global level.

For the seventh consecutive year, Postbank, as a member of the Association of Banks in Bulgaria (ABB), takes an active part in a European campaign designed to counteract money laundering schemes and the recruitment

of „financial mules“.



Postbank joined the major initiative „The New Sofia Forest“ in its second edition, held in 2022. Almost 100 volunteers from the staff of the company planted over 1,000 young trees as part of its all-round corporate environmental protection program „Green Together with Postbank“ and in line with the sustainable long-term environmental policy of the institution. The afforestation campaign was implemented on the lands of the village of Negovan, in the district of Novi Iskar, and involved the planting of 86,000 one-year-old saplings of the species of Austrian oak (genus *Quercus*) in an area of 13.7 hectares. The initiative of Postbank to join the campaign took place under the motto „Let’s Give a Hand to the New Sofia Forest“; it demonstrated how, with our joint efforts,

the surrounding environment can change for the better, contributing to the wellbeing of all of society.

In June 2022, Postbank was once again the key partner in the charity relay racing event Postbank Business Run, organized annually by the Begach („Runner“) Sports Club. A total of 309 teams made up of 1,240 participants from businesses operating in different sectors participated in the 10th edition of the event. The event, which took place on the grounds of Business Park Sofia, was organized by the Begach Sports Club with the decisive support of Postbank. A part of it was the children’s relay race Kids Run, carried out under the guidance of certified coaches under the IAAF program Kid’s Athletics; 50 children aged 4 through 16 joined the race. Apart from that, 10 top executives from various companies took part in the traditional CEO Dash race. Like every previous year, this year’s edition of the biggest teambuilding event in Bulgaria, Postbank Business Run 2022, was organized in support of two socially meaningful causes. Funds raised in excess of BGN 10,000 will support the project „Day Centre: a Place for Games, Dreams and Growth“ of For Our Children Foundation, developed for children with special needs, and the Para Chiado event organized by the Shark Sports Club, which offers sports activities for children with disabilities, spinal deformities or excessive body weight.



Postbank is the only bank in Bulgaria which has its own „Green Board“ and an Environmental Office unit within its organizational structure, which both work for the conservation of nature both in terms of limiting the resources used by the bank and in terms of its financing activity. In addition, members of the Board organize various outdoor initiatives in which they seek to involve other staff.



In July 2022, Postbank and Mastercard successfully implemented phase two of the social responsibility initiative „Green Classroom“ in the territory of Vitosha Nature Park. This resulted in building a connecting educational trail between the innovative amphitheatre venue located in the vicinity of the Bear Museum and the Dendrarium locality, enabling hikers to move safely between the two sites without using the main thoroughfare. The trail is part of a joint project between the two companies implemented in partnership with the Directorate of Vitosha Nature Park, which was launched in the summer of 2021 as

a creative space for learning, fun and games out in the open, available to visitors of the mountain.

Almost 100 employees of both companies, together with representatives of the Directorate of Vitosha Nature Park, took part in putting the finishing touches on the project. Once again, special guests at the event were Radina Kardzhilova and Deyan Donkov, who had also joined in phase one of the project in 2021. The volunteers signposted the connecting trail to assist in the orientation of visitors to the mountain; they polished and put the finishing touches on the information boards containing interesting educational information about the tree species that can be seen in the Dendrarium locality, applied a coat of varnish on several „Vitosha-style“ tables, a gazebo and an existing timber bridge in the area. Situated along the trail is an all-new recreation area comprising several park benches, a table with a built-in board game and an interactive electronic board with moving elements for the youngest visitors who, by moving the animal figures depicted on it in the right sequence, will be able to learn exciting information about them.



Employees of Postbank are regular blood donors to the National Centre for Transfusion Haematology; they participate in donor campaigns organized by the bank’s Central Office.

In 2022, Postbank supported the podcast „Property – Bought or Rented“, part of the project Imoti.net Annual Awards, which is released with the cooperation of the financial institution.

Postbank also supported the fourth edition of the festival „Off the Beaten Path“, held in the town of Gotse Delchev and the village of Kovachevitsa.

The most successful businesses in Burgas Region were awarded at the first of its kind gala ceremony Burgas Business Awards, which took place at the convention centre of Hotel Bulgaria. Postbank was the general partner of the event, which showcased, promoted and awarded successful businesses and companies operating not just in the city of Burgas but along the entire southern Black Sea coast of Bulgaria.

„Media and Rescue“ was the motto of the 17th Global Meeting of Bulgarian Media on 1 and 3 November in Israel, traditionally organized by the Bulgarian Telegraph Agency (BTA). Postbank is a partner to this prestigious forum, which brings together representatives of Bulgarian media active overseas.

In the course of 2022, the bank continued its long-standing support for, and interaction with, underprivileged social groups to promote their more active role in society. We supported children from underprivileged families in the town of Kazanlak, elderly people in the city of Ruse, the national campaign „Easter for Everyone: Donate a Holiday to Granny and Gramps“, as well as many other smallscale initiatives.

Postbank has traditionally contributed to the festive decorations of Sofia. In keeping with its established values, this financial institution believes that the overall prosperity and development of society depends on our efforts to improve, each one of us, our living environment; therefore, along with its other projects with a social orientation, for the past several years Postbank has been contributing to the festive decoration of the capital city during the winter holiday season..

AWARDS

- Postbank won two gold distinctions in the annual Employer Branding Awards 2022, organized for the fifth time running in Bulgaria by b2b Media. The Bank won first place in the **Excellence in Teamwork** category, introduced for the first time as a way of rewarding innovative solutions for building a successful and motivated team. The gold distinction in the **Employer Branding Idea** category was also awarded to Postbank for its strategic approach to engaging the staff, as part of the process of establishing an employer brand.
- 2022 has the tenth year running in which Postbank was singled out as **The best custodian bank in Bulgaria**. This recognition comes from the prestigious global magazine about capital markets, asset management and investments Global Custodian (www.globalcustodian.com).
- Postbank received the prestigious distinction **Business Honoris Causa** at the annual awards of The 24 Hours Daily, in recognition for its innovative solutions and steady contribution of the financial institution in support of Bulgarian education.
- Postbank won two distinctions at the seventh edition of the competition organized by the Bulgarian Advertisers Association, BAAwards 2022. The financial institution won silver in the **New service** category for its campaign **How We Introduced Digital Office at Postbank and Stayed Together**. Postbank's social responsibility campaign **The Power is in Our Hands**, implemented in support of Bulgaria's medical workers' efforts to fight the COVID-19 epidemic, was rewarded with a bronze award by the panel of judges in the Corporate Social Responsibility category.
- Postbank won the Green Planet distinction, part of the **Golden Heart annual awards** for charity and corporate social responsibility. This distinction comes as yet another recognition of the financial institution for its sustainable green policy and constant efforts for cultivating a green consciousness, with the emphasis this year being on the **Green Classroom** multi-layered project implemented by the bank in partnership with Mastercard.
- Postbank was awarded the gold distinction in the **Green Idea** category of the national competition **The Greenest Companies in Bulgaria**, organized by b2b Media.
- Postbank was honoured with the gold distinction in the **Green Educational Initiative** category of the national competition The Greenest Companies in Bulgaria, organized by b2b Media. The bank received this distinction for its project **Green Classroom**, which is part of its policy of social responsibility and is implemented jointly with Mastercard Bulgaria.
- Postbank was recognized for its steady and consistent support for the shaping up of future leaders in Bulgaria and the region. This recognition came from the American University in Bulgaria and was delivered at an official ceremony marking the 30th anniversary of the founding of that higher education institution.
- Postbank was recognized with the silver prize for its innovative digital online platform **A Universe of Opportunities** in support of social entrepreneurship in the **Best Use of Social Networks** category at the competition for best overall achievements in public relations, PR Prize 2022.
- Postbank won the silver distinction in the **Campaign for Sustainable Development/Corporate Social Responsibility** category of the PR Prize 2022 competition for best overall achievements in public relations. This distinction came in acknowledgment of the Green Classroom initiative, which is part of Postbank's comprehensive policy of social responsibility and is implemented jointly with Mastercard Bulgaria.
- Postbank won the special prize of the panel of judges in the twenty-second edition of the PR Prize 2022 competition for best overall achievements in public relations in Bulgaria. Postbank's social responsibility campaign **The Power Is in Our Hands** was jointly implemented with Visa Bulgaria, in support of Bulgaria's medical workers in their efforts to fight the COVID-19 epidemic.

- Postbank won the **Innovative Management** prize at the 12th annual edition of the Business Lady 2022 awards.
- For pursuing its policy in the area of corporate social responsibility Postbank was awarded a distinction in the **Business with a Cause** category. The cause **Future for the Children** has been part of the social programs of the financial institution for over 12 years now.
- Postbank won a gold distinction in the **Leader in Digital Transformation** category of the annual Company of the Year awards. This award came in acknowledgment of the successful launch of digital solutions for the bank's clients and its innovative product **ONE Wallet** by Postbank, a last generation mobile wallet.
- **Mastercard UNIVERSE**, the metal credit card issued by Postbank, won a prestigious recognition at this year's edition of the Elan Awards 2021 contest sponsored by the International Card Manufacturers Association (ICMA). The prize for Postbank's card is in the **Environmentally Friendly Cards** category and comes as an acknowledgment of the innovations in the design, security and technical excellence that went into creating this next-generation special payment instrument.
- Postbank won the Grand Prix at the 30th jubilee edition of the Bank of the Year Awards 2022, organized by the Bank of the Year Association.

At the awards ceremony, Postbank also won the prize in the **Development Dynamic** category.

- Postbank won a gold prize in the eighth edition of the b2b Media Awards 2022. The distinction in the **Campaign with a Cause** category was awarded to the Bank for its campaign **The Power Is in Our Hands**, jointly implemented with Visa Bulgaria, in support of Bulgaria's medical workers in their efforts to fight the COVID-19 epidemic.
- Postbank won a gold prize in the eighth edition of the b2b Media Awards 2022. The panel of judges awarded the bank a gold prize in the **Innovative Campaign in Social Media** category, for its digital platform **A Universe of Opportunities**, a venue for presenting projects with social orientation and sustainability in the area of education, green projects and digital innovations.
- Postbank won a gold prize in the eighth edition of the b2b Media Awards 2022. In the **Green Initiative** category, the financial institution was awarded for its **Green Classroom** project that has meanwhile grown into a successful and sustainable green initiative implemented in partnership with Mastercard Bulgaria and the Directorate of Vitosha Nature Park.
- Postbank won, for the fifth consecutive time, **the Best Retail Banks**, Bulgaria prize at the World Finance Banking Awards in 2022. The competition is organized by the prestigious international publication World Finance, which monitors and analyses the global financial industry, business and economy.
- Postbank won the gold in the **Innovations in Personnel Selection** category and a bronze distinction in the **Employer Branding Strategy** category in the leading Career Show Awards 2022 for best employer.
- Petya Dimitrova was awarded the **Banker of the Year 2022 prize** at the twenty-ninth ceremony of the Banker of the Year awards organized by The Banker Weekly. She was recognized with that award for the high organic growth achieved in the course of the year. This is the sixth time that the Chief Executive Officer and Chair of the Management Board of Postbank has received that award.
- Postbank won a bronze **EFFIE** in the Services category for its campaign **Every Dream Is Worth It**.

