

FINANCIAL  
AND SUSTAINABILITY  
**REPORT**

2023



EUROBANK BULGARIA AD

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# FINANCIAL

## *AND BUSINESS REVIEW*







## Letter to the Shareholders

Letter to the Shareholders  
from Petia Dimitrova,  
Chief Executive Officer and Chairperson  
of the Management Board of Postbank

2023

Dear shareholders,

Another extraordinary year for Postbank filled with significant achievements and strategic successes has passed. In the beginning of June 2023 our family grew by a new valuable member – the Bulgarian branch of BNP Paribas Personal Finance. This is yet another successful deal for us after acquiring Alfa Bank Bulgaria Branch in 2016 and Piraeus Bank Bulgaria in 2019.

This acquisition not only further strengthened our leading position in the consumer lending segment but also significantly broadened the portfolio of products we can offer our new and existing customers. It is a key moment for the strategic development of our Eurobank Group and reflects its philosophy on expanding operations in important regional markets.

In the very beginning, I would like to express my special gratitude for the persistent and unwavering support we receive from the Eurobank Group for it provides us with the necessary confidence to be a leading persistent factor in our sector. I highly appreciate the fact that in 2023 the Board of Directors of Eurobank chose Sofia to host its most important meeting of the year. We are proud of this outstanding recognition on behalf of the leadership of our financial group. During its first official visit to the country, the senior management held a meeting with the President of the Republic of Bulgaria and other high-level officials, as well as corporate customers and employees of Postbank.

With this letter I would like to express my enormous gratitude to all employees, the whole team at the bank, which achieved our record successes throughout the year. I am also grateful for the trust we receive from our customers and in return we are inspired and creating innovative products and services that I will touch upon in the next part.

In support of my introductory remarks thus far, I would like to present part of our enhanced results in all indicators. Net profit for the year reached a new record of BGN 308 million – a significant annual growth of almost 50%. Return on equity was 14.6% or almost 3.3 percentage points higher than last year and return on assets marked 1.74%.

Net loans have increased by slightly less than BGN 2.5 billion (24% year on year) up to BGN 12.9 billion,



of which approximately BGN 879 million came from the acquisition of BNP Paribas Personal Finance and the rest is from organic growth. Market share growth last year marked 1.2 percentage points and reached 13.3% - a new best.

More than half of new loans came from the consumer lending segment – the portfolio grew by 74% (BGN 1.38 billion) up to BGN 3.25 billion, where the inorganic growth with BNP Paribas Personal Finance entirely supported this segment of business.

The favorable interest rates and robust real estate market contributed to the development of the mortgaging portfolio by 20% year on year (BGN 588 million) reaching BGN 3.67 billion.

Small business lending also marks growth – loans for small businesses have increased by BGN 112 million (12.3% year on year) up to BGN 1.02 billion.

The corporate segment grew by 9.2% year on year with a nominal increase of BGN 419 million, reaching BGN 4.97 billion. We must note that this volume is in fact 50% higher than last year's nominal growth and slightly higher than the market average, which leads to an increase in our market share in the segment.

The total size of deposits has grown to just less than BGN 2 billion (14.4% growth year on year) up to BGN 15.56 billion. This was significantly more than the market growth (8.4%) which allowed us to improve our market share by 60 basis points up to 11.45% - the highest in history. Two-thirds of the growth came from retail customers whose deposits surpassed BGN 11.2 billion at the end of the year. Despite the dynamic market conditions and poor liquidity among companies, we have managed to attract more than BGN 640 million in new deposits from corporate customers, following which the total amount reached BGN 4.45 billion.

Our record-breaking business results were deservedly recognized with more than 20 prestigious accolades. One extremely valuable and to me personally indicative of the direction of our development is the award for successful digital transformation at the annual Bank of the Year Awards, organized by the Bank of the Year Association. We set a record with the fifth in a row award for Best Bank in Retail Banking in Bulgaria and Best Digital Bank in Bulgaria from the London-based World Finance Magazine. We were awarded for the second time in 2023 as Top Employer with a certificate from the independent international Top Employers Institute. We also received the Mark of Excellence for significant achievements in the field of gender equality in the competition organized by the Ministry of Labor and Social Policy in Bulgaria. We have added several awards for our overall contribution to sustainable business development and creating social, environmental and employer projects.

## **Dear Shareholders,**

As indicated above, we continue to support our customers by developing and introducing cutting-edge high-tech financial solutions, giving them further added value. Please allow me to present some of our new products and services below.

A few months after the acquisition, we unveiled our new brand PB Personal finance by Postbank with the first of its kind Retail Reload – Powered by AI conference. We chose Grigor Dimitrov as ambassador of our new brand. The world-famous tennis player was the star of the brand's first communication campaign under the motto Finance for Champions. This partnership was a logical step as Postbank's mission is to be an innovative bank for dynamic people seeking modern concepts, digital and financial products, to whom we offer excellent experience.

In 2023 we presented our latest program Priority by Postbank with the special guest the prominent Bulgarian actor Kalin Vrachanski as ambassador. The financial solution offers a combination of complex banking services for convenient and secure everyday banking, digital and savings products, as well as additional preferential conditions related to the bank's lending offers.

Habits today are different to yesterday because life imposes its dynamism. The dynamic development of financial and technological innovations is focused entirely on customer satisfaction and swift, easy and convenient access to banking. Young people follow trends, look for new products and tailor-made solutions. Banks that cater to customer demands are preferred. We had the pleasure of having innovations and digitalization as an integral part of our strategy and a major part of our achievements long before others began actively discussing the topic. With the rich portfolio of innovative products and services we offer our customers we provide a personalized customer experience for the most important thing in banking is the relation between the consumer and their financial partner. We are proud to have developed the digital assistant EVA – a chatbot based on AI technology that speaks both Bulgarian and English and which we continue to develop with entirely new to the market functionalities. We also developed our own career chatbot in Viber to find the most appropriate applicants, becoming a pioneer bank in digitizing talent selection and attraction on the Bulgarian market.

Our one-of-a-kind express banking digital zones are an excellent example of an added value service also in line with our policy of seeking sustainable digital solutions.

### **Dear Shareholders,**

ΠPostbank has successfully integrated ESG criteria in its strategy and activities. Protecting the environment and fighting climate change are also fundamental to our corporate values. As a responsible financial institution and leading factor in the innovations and formation of paths for the sector's development in the country, the bank recognizes the significance of the environmental and climate aspects of its operations in the process of making key managerial decisions. We undertook a major project with the construction of a solar park for own needs on the roof of our Head Office building with a total installed capacity of 388 kWp. The annual green energy generated is expected to reach 432 thousand kWh and in days with intense sunlight the electricity generated by the plant will cover at least 30% of the energy consumed in the building over a 24-hour period.

Other than our main business operations, we have also continued to focus on the needs of local communities. We have implemented several socially significant projects in the field of entrepreneurship, education, environmental protection, sports and corporate donations. We are striving to guide not only our employees but also our customers and society to be responsible toward everything that surrounds us. Thus we are aiming not only to create competitive advantages through providing ever greater added value to the products we offer but also to minimize our negative impact on the nature by using every single opportunity to contribute to environmental protection.

### **Dear Shareholders,**

We expect 2024 to be more successful and we have set even greater goals. I, as banker and Chairperson of the Association of Banks in Bulgaria, am actively working on us entering the euro area as soon as possible. I firmly believe that everyone in the country will continue working towards this – both government and parliament with the timely drafting and adoption of necessary legislation so that we, banks and businesses, could have enough time to prepare and implement the requirements for euro membership.

Adopting the second most used currency in the world is a long-awaited process that positively impacts the country's economy and would be a driver accelerating reforms, improving the wellbeing and helping achieve European living standards.

### **Ladies and gentlemen,**

Innovations are our strength and inspiration along the path that unites us at the top and the digital transformation has always been part of our leadership vision and approach.

In the coming year again we at Postbank will continue to broaden the scale of our overall digitalization. Our



established strategy includes the digitalization of every single element of business – products, services, various channels, risk management.

In a constantly developing world we at Postbank strive to lead by example. Our goal is to be the most digital, most innovative and best bank with the greatest achievements. 2023 was extraordinary for us – a year in which we achieved astonishing results. I will allow myself to mention but a few – indeed just a few – of the projects successfully implemented in 2023 at the bank level. Some examples cover the virtual Point of Sale VPOS, a new version of the CRM platform, the solar park on the Head Office roof alongside numerous others.

They clearly and categorically affirm that the team at Postbank is the driver with its collective spirit, energy and inspiration, constantly expanding the limits of what is possible, transforming the banking sector and creating a new dimension where the human, natural and digital worlds coexist in complete synergy.

I would like to conclude my letter to you with my deep conviction that right here, right now, Postbank possesses all necessary prerequisites to be the digital leader to lead the sector to the future.

Together we grow towards the extraordinary!

**Kind regards,**

**Petia Dimitrova,**  
**Chief Executive Officer and Chairperson of the Management Board of Postbank**

# 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 a trend setter 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.

2023 has been another special and important year for Postbank, filled with numerous achievements 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.

In June 2023, Postbank officially concluded the acquisition deal of the trading enterprise and operations of the Bulgarian branch of BNP Paribas Personal Finance S.A, France. Effective as of June 1, 2023, the branch's operations transitioned to the Postbank family and continue to operate in the Bulgarian market under the brand PB Personal Finance, part of Postbank, maintaining its business model.



In November 2023, Postbank introduced its new brand „PB Personal Finance“ with its first-of-its-kind conference „RetailReload – powered by AI.“ The special event, organized in partnership with Mastercard Bulgaria, brought together over 250 representatives from leading companies who, along with internationally renowned lecturers, discussed the latest trends and innovations in the field of artificial intelligence in retail business. Driven by the desire to share expertise and global practices, the companies united in their mission to introduce the Bulgarian retail ecosystem to innovative ways in which artificial intelligence is changing the consumer experience and helping with more effective business management.

Grigor Dimitrov was chosen as the ambassador for the new brand „PB Personal Finance“ of Postbank (PB Personal finance by Postbank). The world-renowned tennis player is the star of the brand's first communication



campaign, carrying the strong message „Finance for Champions.“ This partnership is a logical step in line with Postbank’s mission to be an innovative bank for dynamic people seeking modern concepts, digital and financial products, providing them with an excellent experience. Customers have easy access to personalized banking solutions with high added value, and the latest innovative concept „One Stop Shop for your Beyond Banking ideas“ provides users with financing at the next level.



In 2023, the top management of Eurobank chose Sofia to host its most significant meeting of the year. Between March 27 and 29, the Board of Directors of the Eurobank Group gathered for the first time in the Bulgarian capital. Its selection as the host city is an exceptional recognition from the leadership of the financial group for the successes and dynamic development of Postbank, as one of the leaders in the Bulgarian market. During their first official visit to the country, the senior management of Eurobank held meetings with the President of the Republic of Bulgaria, Rumen Radev, and other high-level officials, as well as with corporate clients and employees of Postbank. The discussions involved the Chairman of the Board of Directors of Eurobank Group, George Zantias, the Group CEO, Fokion Karavias, the Group Deputy CEO, Stavros Ioannou, the General Manager of International Operations and Private Banking of the group, Michalis Louis, and the CEO and Chairman of the Management Board of Postbank, Petia Dimitrova..

In February 2023, Mrs. Petia Dimitrova, CEO and Chairman of the Management Board of Postbank, was elected Chairperson of the Board of Directors of the Hellenic Business Council in Bulgaria. This high recognition comes after Mrs. Dimitrova served as Vice Chairperson of the Board of Directors of the Hellenic Business Council in Bulgaria for the past few years. It is one of the most important business organizations in the country, comprising leading Bulgarian companies, as well as representatives of Greek and Cypriot businesses in our country. Mrs. Dimitrova’s chairmanship is not only recognition of the uncompromising standards she imposes in her work but also a great honor for Postbank as a trusted and reliable business partner.



Mrs. Petia Dimitrova was also elected Chairperson of the Supervisory Board of the Association of Banks in Bulgaria in April. The election took place after a meeting of the Supervisory Board of the Association of Banks in Bulgaria and is a recognition of Mrs. Petia Dimitrova’s active role as a member of the governing body of the organization and leader of one of the leading banks in the Bulgarian market.

During the annual „Bank of the Year“ awards organized by the „Bank of the Year“ Association, Postbank won the award for successful digital transformation, and for another year, triumphed with one of the most important distinctions therein. The award was received after an assessment by a professional jury and was presented to Mrs. Petia Dimitrova, CEO and Chairman of the Management Board of Postbank.





At a ceremonial ceremony in December 2023, the newspaper „BANKER“ presented its traditional „Banker of the Year“ awards for the 30th time. These prizes are awarded to those managers of financial institutions who have achieved remarkable success during the year. Mr. Dimitar Shumarov, Executive Director, Chief Financial Officer, and member of the Management Board of Postbank, was honored with the „Banker of the Year“ award. He received it for achieving high resilience in the current complex macroeconomic environment.

Ms. Petia Dimitrova, CEO and Chairperson of the Management Board of Postbank, and Chairperson of the Association of Banks in Bulgaria, as well as the Hellenic Business Council in Bulgaria, participated in a working meeting with the Minister of Finance, Asen Vassilev. The meeting was attended by representatives of major investors in the metallurgy and metal processing sector, the Banking sector, the cement industry, the construction sector, petroleum product trading, and other sectors, as well as the Ambassadors of the Republic of Greece, Marios Liberopoulos, and the Republic of Cyprus, Haralambos Kafkaridis. In her welcome remarks to the guests, she focused the ensuing lively discussion on topics such as the tax system in Bulgaria, the country's acceptance in the eurozone and Schengen, and projects under the National Recovery and Resilience Plan.



Пощенска банка подкрепи създаването на Канадската търговска камара в България. Канадската търговска камара в България „КанЧам“ обяви официалното си учредяване на церемония в Националния археологически музей в София. Финансовата институция беше представена на събитието от Петя Димитрова, главен изпълнителен директор и председател на УС на Пощенска банка и председател на Асоциацията на банките в България. Г-жа Димитрова е и вицепрезидент на „КанЧам“. Създаването на камарата цели укрепването на икономическите връзки и затвърждаването на общата визия за насърчаване на двустранната търговия, инвестиции и сътрудничество между двете държави. Със създаването си Канадската търговска камара в България ще допринесе за разширяването на търговския обмен и икономическите връзки между България и Канада – една от водещите страни в Г-7 и 10-та икономика в света.

Postbank supported the establishment of the Canadian Chamber of Commerce in Bulgaria, „CanCham“. „CanCham“ officially announced its establishment at a ceremony at the National Archaeological Museum in Sofia. The financial institution was represented at the event by Petia Dimitrova, CEO and Chairperson of the Management Board of Postbank, and Chairperson of the Association of Banks in Bulgaria. Ms. Dimitrova also serves as Vice President of „CanCham.“ The establishment of the chamber aims to strengthen economic ties and reaffirm the common vision for promoting bilateral trade, investment, and cooperation between the two countries. By establishing itself, „CanCham“ will contribute to expanding trade and economic relations between Bulgaria and Canada – one of the leading countries in the G-7 and the world's 10th largest economy.

As a leading employer who values its success through the satisfaction of its employees, Postbank has always sought to develop the skills of its team members and provide an environment for unleashing their potential. Thanks to its active policy in this direction, the financial institution was recognized as a „Top Employer“ for 2023 in Bulgaria with a certificate from the international independent Top Employers Institute. Founded over 30 years ago, the Institute has certified over 2,000 companies from more than 120 countries to date. The Bank receives this recognition after a detailed monitoring of the processes in the company over the past year. The award is for





its innovative vision and high standards in implementing globally recognized human resources management practices, care for people, working conditions, employee personal and professional development programs, and more. Postbank is also the first company in the Eurobank group to receive the „Top Employer“ recognition.

For another year, Postbank is among the major winners in the prestigious awards for best employer in Bulgaria – the Career Show Awards, receiving a total of four

gold and one bronze awards in some of the most attractive and contested categories of this year's competition. The financial institution received the gold award for „Best Employer“ in the „Banking“ and „Finance“ sectors. The recognitions are for the successful implementation of innovative and creative solutions and successful employer practices for talent attraction, training, management, and development. The company was also honored in the overall and most contested category „Best Employer for 2023“ for its comprehensive employer brand strategy. Postbank won an award in the category „Use of Technology in HR,“ where its innovative approach to digital and VR gamification of the employer brand and automation of HR processes was recognized again.



Postbank won two international awards in this year's edition of the prestigious Employer Brand Stars Awards 2023 competition. The awards in the highly competitive categories „Use of Digital“ and „Candidate Experience“ are recognition of the institution's commitment to implementing innovative strategies and successful employer practices. As the only winner from Bulgaria, Postbank's achievements demonstrate its modern approach to human resource management and are further evidence of its innovative vision for managing its employer brand.

For another year, Postbank is one of the unequivocal winners in the b2b Media Employer Branding Awards competition. The financial institution was awarded a total of two gold and one silver awards in some of the most attractive categories. The Bank won first place in the Creative Thinking category, receiving recognition for its innovative internal project „Together We Are the Face of Postbank.“ Postbank also dominated with the gold award in the Excellence in Teamwork category. The financial institution was also honored in the Employer Branding Innovation category, where its innovative approach to VR gamification of the employer brand was recognized with a silver medal.



Postbank launched the first sign language academy for banking employees in Bulgaria, „Beyond Sound.“ With it, financial experts from the institution's branch network will be able to provide their services in an even more accessible way and easily serve clients who use this method of communication. The entire training program will be conducted with the assistance and support of Stray Sheep – a company aiming to popularize sign language in Bulgaria, and in collaboration with the Andy and Ay Academy for Deaf Children, as a result of which bank employees will be fully prepared to offer a comprehensive experience to clients with entirely non-verbal communication. With this

initiative, Postbank once again confirms its position as a responsible company and its commitment to being as helpful as possible to its clients by providing easy, fast, modern, and convenient banking services.

Postbank was also awarded the Distinctive Sign for Significant Achievements in the Field of Gender Equality. The financial institution was the only bank awarded the high prize in the 2023 edition of the competition, organized by the Ministry of Labor and Social Policy (MLSP). The awards were presented by Deputy Prime Minister and Minister of MLSP L. Lazarov and Deputy Minister N. Klisurska.

Postbank received high recognition after being awarded a long-term deposit rating of Baa3 by the international rating agency Moody's (Moody's Investors Service). The outlook for the long-term deposit rating is positive. At the same time, the rating agency – one of the three largest in the world, awarded Postbank a Baa2 long-term Counterparty Risk Ratings (CRR) rating. The stable capitalization, strong recurring profitability, and growing deposit base of Postbank were fully deservedly assessed and reflected in Moody's report. The stable capitalization, strong recurring profitability and growing deposit base of Postbank were deservedly assessed and reflected in Moody's report.

Postbank received the gold award in the „Innovative Bank“ category at the annual „Company of the Year“ awards. This is another recognition for the financial institution, which has been among the market leaders for 32 years and successfully implements some of the most modern and innovative solutions for the benefit of its clients.

Postbank was the big winner of the first edition of the unique innovative awards, Leaders of Influence Awards 2023, organized by b2b Media. In addition to the most significant prize, Postbank also won gold awards in some of the most contested categories: „Strategy, Leadership, and Success,“ „Leadership Award,“ and „Green Influencer.“ In the „Green Influencer“ category, Postbank was the only awarded participant, fully corresponding with its key message – to be a bank for green ideas. The green start towards a sustainable future is realized with every small step, effort, and achievement made by businesses and society in their mission for more environmentally friendly behavior.

Postbank was honored with two awards during the eighth edition of the BAAwards 2023 for outstanding achievements in marketing communications by the Bulgarian Association of Advertisers (BAA). The financial institution won gold in the „New Service“ category for the campaign „EVA – Financial Digital Assistant.“ The socially significant campaign „Universe of Opportunities“ by Postbank was assessed by the jury with a silver award in the „Corporate Social Responsibility“ category.

Postbank won two awards at the twenty-third edition of the PR Prize 2023 for outstanding achievements in public relations in Bulgaria. At the ceremony held at the Peroto Literary Club, the innovative campaign „The Digital Face of Postbank“ triumphed with second place in the „Internal Communications Project“ category. The recognition is for building a collective digital image of all over 3000 employees of the Bank in a unique and emotionally engaging way. The innovative, large-scale, and entirely digital project for corporate social responsibility „Universe of Opportunities“ was awarded for the second consecutive year, grabbing the honorary third place in the „Digital Communications“ category.







The extensive digital platform „Universe of Opportunities“ brought another award to Postbank, which won the „Innovative Corporate Social Responsibility Project“ category at the annual Charity and Corporate Social Responsibility Awards „Golden Heart“ The recognition is part of a series of significant awards that the Bank receives for its multi-layered CSR policy, within which it implements various projects for the benefit of society.

Postbank was awarded three prizes at the ninth edition of the b2b Media Annual Awards 2023. The awards were won in competition with many strong projects. The first gold award the Bank received was in the „Community Branding Campaign“ category for the project „The Digital Face of Postbank“ – an innovative campaign that built a collective image combining the characteristics of the Bank’s employees. The competition’s jury awarded the second gold award to the Bank in the „Innovative Campaign in Social Media“ category for the digital platform „Universe of Opportunities.“ In the „Green Initiative“ category, the financial institution was awarded second place for its project „Green Classroom,“ which grew into a successful and sustainable green initiative, implemented in partnership with Mastercard Bulgaria and the Directorate of Vitosha Nature Park.

Postbank received the „Business Honors Cause“ award for its active contribution to environmental conservation and the green transformation of business and society. The awards are presented for the second consecutive year by the newspaper „24 Hours“ and distinguish companies that are actively engaged in the field of social entrepreneurship. Angel Mateev, Executive Director of the Retail Banking Sector at Postbank, accepted the award, which was presented to him by the Minister of Environment and Water, Julian Popov.



In the 13th edition of the b2b Media Annual Awards for „The Greenest Companies in Bulgaria,“ Postbank won a gold award in the „Green Project“ category for its project „Green Classroom.“ Once again, Postbank was honored with the first-place prize by the competition’s jury in one of the most contested categories – „Green Educational Initiative,“ and in the „Leader in Green Initiatives“ category, the Bank won the third prize, which resonates with its role as a Bank for Green Ideas, where sustainable business development is at the core of its long-term strategic vision.



Postbank won one of the prestigious awards at the ESG Awards competition organized by PwC, held for the second consecutive year, which aims to recognize sustainable business practices and ESG strategies. The award in the „Responsible Management Strategy and Internal Training“ category was presented to Dimitar Shumarov, Executive Director and Chief Financial Officer of Postbank, who expressed his gratitude and stated that this award is an exceptionally important recognition for the efforts of all employees who work with tremendous enthusiasm and dedication, and the results prove it. He emphasized that he admires the opportunity for sharing ideas, as sharing our achievements helps us move in unity towards a common cause, such as ESG.

Throughout the year, the Bank's employees participated in various business forums and conferences, including the international forum The World Ahead 2023, organized by The Economist in Sofia, the „Banks and Business“ conference by Capital, the multi-platform project „Inflation – Equations and Solutions,“ organized by Bulgaria on Air TV, the forum „Strategy for Political and Economic Development of Bulgaria,“ organized by the Hellenic Business Council in Bulgaria, the conference „Financial Innovation Forum,“ organized by the Bank of the Year Association, the Investor Finance Forum, the international conference „Prospects and New Opportunities for Pension Markets in Central and Eastern Europe,“ organized by the European Confederation PensionsEurope (CEEC Forum) and the Bulgarian Association of Supplementary Pension Security Companies (BASSPSC), the 4th RICS International Conference „Investments, ESG, and Market Valuations,“ the specialized annual financial conference „The Noise of Money,“ organized by the financial portal profit.bg, Residential Forum 2023, the prestigious „Banking Today“ forum organized by the financial portal investor.bg, the leading financial forum for digital finance, fintech, and banking innovations #NEXT DIFI 2023, the traditional conference of the construction-investment industry in Bulgaria – „FORUM REAL,“ the educational program of the Finance Academy, and others.

Postbank successfully integrates ESG criteria into its portfolio. The successful integration of the ESG strategy into the financial sector was the topic of discussion at the 14th annual Credit Risk Conference organized by ICAP Bulgaria.

For the financial institution, environmental, social, and governance factors are among the leading values, alongside the understanding that our debt to nature is a key element of our care for the well-being of all stakeholders and our society as a whole.



Environmental protection and the fight against climate change are fundamental to Postbank's corporate values. As a responsible financial institution and a leading factor in innovation and shaping the development trends of the sector in the country, the Bank acknowledges the importance of the environmental and climate aspects of its activities in the process of making key management decisions. Among the latest large-scale projects that Postbank undertakes in this direction is the construction of a photovoltaic power plant for its own needs on the roof of its head office building, with a total installed capacity of 388 kWp. It is expected that the annual production of green energy will reach 432,000 kWh, with the electricity generated by the plant covering at least 30% of the building's electricity consumption for a day with intense sunlight. The

implementation of the large-scale photovoltaic project offers several advantages, allowing the company to further reduce its carbon footprint and simultaneously motivate employees to be more responsible. The idea for the project was developed in harmony with Postbank's ESG strategic vision, which outlines the basic principles on which its corporate philosophy for development is based, both in the immediate future and in the long term.

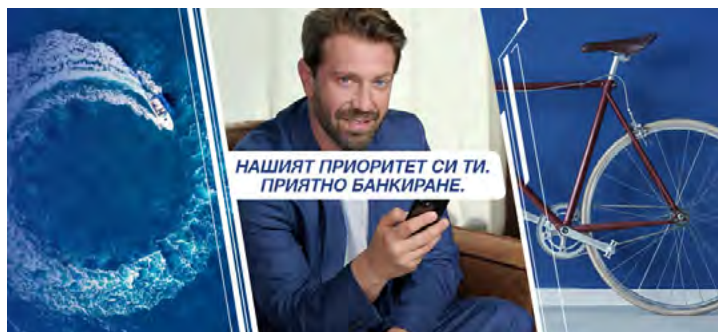
The financial institution was the main partner in 2023 of a series of business discussions in Sofia, Plovdiv, Stara Zagora, Varna, Ruse, Burgas, Veliko Tarnovo, and others, part of the project „Annual Awards of Imoti.net,“ which has been held for the eighth consecutive year and encourages best practices in the sector. At meetings with representatives of the real estate business, the bank's experts discussed trends in the development of the sector and, as a leader in lending, presented their analysis of the market, the profile of consumers, and the current conditions for housing loans from Postbank in the challenging year.





## NEW PRODUCTS

In 2023, Postbank introduced more innovative products and services, focusing on providing support to its customers by developing and implementing modern and high-tech financial solutions that they can use remotely through convenient communication channels, providing them considerable added value. Companies need to be faster in implementing solutions that create conveniences for customers in order to remain successful in the continuous digitalization of the financial sector.



In 2023, Postbank introduced its newest program „Priority by Postbank“ with the special participation of actor Kalin Vrachanski as its ambassador. The financial solution provides a combination of comprehensive banking services for convenient and secure daily banking, digital and savings products, as well as additional preferential conditions related to the Bank’s credit offerings. The leading role of Kalin Vrachanski, one of the most beloved and popular Bulgarian actors, in the campaign of the

new program once again testifies to its exclusivity and places exceptional focus on the customer and Postbank’s commitment to providing impeccable user experience. Customers who prefer not to wait and use the „Priority by Postbank“ program can benefit from innovative services created for them - the Digital Sales and Service Center and the Priority Desk - priority service in over 45 of the Bank’s branches. Postbank’s Digital Center is an opportunity for customers to contact the Bank from anywhere. A team of experts will take care of the desired services quickly and conveniently. Customers can request a video call or contact by phone, with the option to remotely sign the necessary documents instantly. By using the „Priority by Postbank“ program, Priority customers save time with each visit to the Bank by choosing service at the Priority Desk.

Postbank and Bulstrad Life Vienna Insurance Group presented their newest joint product, the International Life Insurance with additional health coverage „Premium Insurance,“ during a special event in Sofia and in the company of leading business media. The new „Premium Insurance“ was developed specifically for Premium clients of Postbank seeking high-quality medical care, providing financial support, comprehensive health services, and full service in the country and abroad with a limit of up to 2,000,000 EUR. The special event took place at the recently opened innovative Premium Banking Center „San Stefano Plaza“ of Postbank, which is a continuation of the long-term strategy of the financial institution for the complete renovation of its branch network and with exceptional attitude towards customers from the Premium segment. The specialized centers provide comfort and confidentiality, combined with uncompromising service standards for their high-class clients in luxurious surroundings and spaces with modern high-tech design.



Postbank partnered with „Bon-Bon Music“ in a special campaign dedicated to the youth program „Project YOUth.“ The talents from the music group at different ages participate in the program, discussing the advantages of the project in an interesting and exciting way. The soundtrack of the campaign is created by „Bon-Bon Music“. The young people from the group are not only the main actors in the videos but also the artists who, through the universal language



of music, reach the target youth audience, to which the project's message is directed. Postbank developed the modern program to encourage the development of useful financial habits and culture in managing their own budget, as well as to help children acquire key skills that build more independence. With „Project YOUTH,“ Postbank focuses on building a stable relationship with its youngest users, inspiring them, and offering them a service tailored to their needs and age, with which they can discover a universe of new financial opportunities.

During the largest pop culture festival in our country, Aniventure Comic Con 2023, which took place on July 8 and 9 at Inter Expo Center in Sofia, Postbank, together with Visa, created a special interactive corner where they welcomed participants and stimulated their creativity with various entertainment, surprises, and prizes. In order to encourage and allow visitors to show their potential and competitive spirit, the two companies offered participants a fun program with numerous activities on the spot. The culmination during the exhibition at the Postbank and Visa booth was the organized raffle with the grand prize PlayStation 5, which attracted the interest of visitors, and over 500 people registered to participate. Each of the areas in the dedicated space was inspired by Postbank's special Youth program „Project YOUTH,“ and the design of each installation in the modern corner was painted with the help of teachers from the National Academy of Arts.



Postbank launches a new comprehensive program through which customers can save for a new home and avail themselves of housing loans under preferential conditions. „Towards Home“ is a value-added financial solution designed to assist in the journey towards owning a dream home by combining two banking products. Under the program, customers can open a deposit account with special conditions to save their own contribution towards purchasing a home, as well as apply for a housing loan with promotional terms.

**ЖИЛИЩЕН КРЕДИТ С**  
**ФИКСИРАНА ЛИХВА В ЕВРО**  
**за първите 10 ГОДИНИ**

**МАКСИМАЛЕН РАЗМЕР:** 350 000 евро  
**СРОК:** 35 години  
**ВАЛУТА:** EUR

**ЛИХВЕН ПРОЦЕНТ:** фиксиран за първите 10 години



**ЦЕЛ:** покупка, ремонт, строителство или довършителни дейности по жилище, рефинансиране на други задължения

**ПРЕДИМСТВА ЗА ТЕБ:** осигурява дългосрочна сигурност, спокойствие, гъвкавост и по-добро планиране на разходите

Postbank introduced to the Bulgarian market a housing loan with a fixed interest rate for the first 10 years in euros. With its new financial offering, the institution reaffirms its customer-centric approach and provides consumers planning to purchase property with long-term security and predictability for the future. The loan can be up to 350,000 euros, with a maximum term of up to 35 years, and can be used for purchase, renovation, construction, or finishing activities for a home, as well as for refinancing other obligations. The talents from the music group at different ages participate in the program, discussing the advantages of the project in an interesting and exciting way. The product offers an optimal solution to a specific expectation of the consumers to be able to plan their expenses long-term. Its creation is driven by the growing interest and inquiries from the bank's clients for a loan with a fixed interest rate and is in line with the Bank's long-



term strategy to provide value-added financial solutions that meet the needs of consumers and the market environment.



Utilizing the functionalities of one of the world's most popular communication platforms, Postbank is the first financial institution in Bulgaria to develop its own career chatbot on Viber to provide an excellent experience for its new candidates. SKY by Postbank allows users to profile themselves according to their interests and desires, helping them engage with the company through various games, raffles, as well as for personal communication when expressing interest. Postbank's career chatbot SKY will assist users in choosing a position, send them information about new internship and job opportunities, challenge and guide them to discover what matters most to them and more about Postbank as an employer. The creation of the innovative chatbot for young talents coincides with the presentation of the new edition of the Bank's annual internship program. In 2023, the financial institution, for which innovation is a tradition, once again

gives young people the opportunity to apply for internships with an Instagram CV in the special channel PostbankSuperstarter on the popular social network.

The Bank continues to offer its customers a fully remote process for issuing credit and debit cards, allowing customers not only to apply for their cards online but also to receive them at their desired address, with the entire procedure taking place without visiting a bank office. In 2023, in over 10 cities across the country, including Sofia, Plovdiv, Varna, Burgas, Ruse, Blagoevgrad, Pleven, Pazardzhik, Gabrovo, and in a total of over 45 locations (financial centers) of Postbank, machines for instant card issuance are operational. Nearly 40,000 clients have benefited from the speed of this modern banking service, and Postbank's goal is to provide even greater coverage and make it accessible to more clients across the country. Thanks to the convenience and increasingly widespread network of locations where the service is available, there has been more than a twofold increase in the number of instantly issued cards in 2022 compared to the previous year, undoubtedly proving their role in consumers' daily lives, along with the time saved and access to a range of other benefits that card products offer to their users.

Postbank reports increasing interest in its innovative program „Project YOUTH,” designed for the youngest clients of the institution. Over the past year, their number has increased by 33.5%, which is a clear indication of growing interest and engagement among young people in banking products and financial solutions. Nearly 64% of the Bank's entire youth portfolio utilizes digital services such as Internet banking and/or the modern mobile wallet ONE wallet by Postbank, with among the most active clients, the use of digital services for daily banking exceeding 77%. The latest data from a study by Predicta, commissioned by Postbank, clearly show that the younger generation increasingly relies on remote services and digital banking solutions in their daily rhythm of life, making personal budget management even more secure, easy, and convenient. The data analysis also observes that the largest growth in active users is in the age group of 18-26 years, with over 70%. Increased interest in using online banking among young people is reported in June 2023 compared to the same period a year ago.





features of Postbank's modern solution together.

In 2023, Postbank added new and attractive features to its innovative mobile application. The current version offers users the opportunity to receive free notifications on their mobile device, informing them of movements in their accounts, as well as with each card transaction made at a POS terminal, ATM device, or online. They also have the option to stagger transactions made with credit cards in the last 30 days, worth over 100 leva, into equal monthly installments for a period of 3, 6, 9, or 12 months directly through the mobile wallet. Every client can invite a friend to the application, allowing them to discover the exceptional

Postbank's new digital service allows users to become bank clients and apply for a product completely remotely without the need to visit an office. With just a few clicks, they can apply for a consumer loan and take advantage of the Bank's new Digital program. The online consumer loan comes with preferential conditions - desired financing up to 10,000 leva for a period of up to 72 months. As clients of the Bank, users also receive free access to Internet banking (e-postbank) and mobile banking (m-postbank) by Postbank, as well as the opportunity to take advantage of the benefits of the Digital package program with a payment account and debit card for comprehensive banking services, and to conclude „Payment Protection“ insurance on the loan.

Postbank also offers a fully digital registration and application process for Mastercard Standard, Mastercard World, or Mastercard Premium credit cards from any location and at any time, without the need to visit a bank office. With the new credit card, the user has the option to stagger already made payments with it into a different number of equal monthly installments, optimizing their monthly budget. As clients of the Bank, users have the opportunity for free registration for Internet banking e-Postbank and mobile banking m-Postbank, as well as access to the innovative digital wallet ONE Wallet by Postbank for quick payments with just a phone.

The „Green Loan“ proposal for corporate clients by Postbank provides financing of up to 90% of the project costs for the construction of a photovoltaic plant for self-consumption, with an installed capacity of up to 2 mWh, with a maximum financing amount of 2 million euros, and a long repayment period - up to 12 years after the facility is put into operation, in addition to a grace period of up to 18 months, necessary to complete the project. When applying for financing for a solar panel, candidates have the opportunity to take advantage of the attractive conditions offered by Postbank, as green financing is among the main priorities of the credit institution. Postbank finances solar projects under the specified parameters and in cases of selling electricity on the open market.

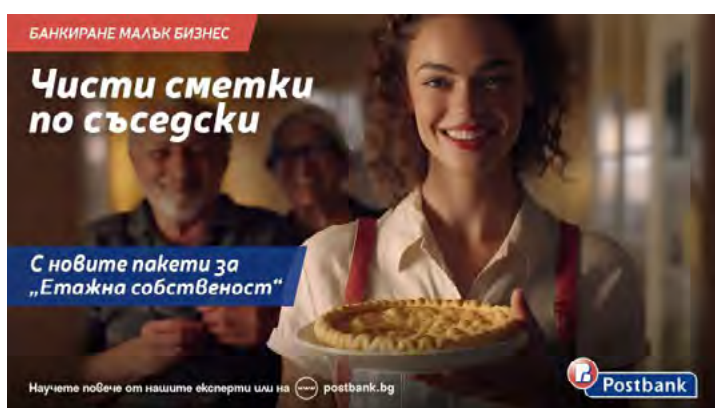


Postbank offers an attractive proposition for turnover or investment loans with a fixed interest rate for the first three years to every owner managing a business with an annual turnover of up to 4,000,000 leva. The credit can be in Bulgarian leva or euros, with a minimum repayment term of 5 years and a maximum term of up to 10 years, as well as the option for equal monthly installments, enabling them to forecast, optimize, and allocate their company's budget.





Postbank's „Professional Property Manager“ product package provides the necessary tools - a current account in Bulgarian leva, a business debit card (Mastercard Business or Visa Business), and internet banking for anyone whose work is related to this field of activity. The professional property manager account at Postbank has no opening fee or minimum balance requirement, and the client can benefit from a lower monthly service fee by activating all products from the package.



For those wishing to take advantage of various opportunities, manage common income and expenses for shared building spaces quickly and efficiently, Postbank provides a comprehensive financial solution for homeowners who are part of the Homeowners' Association under the Property Management Act. The „Property Ownership“ product package combines three of the most desired elements - an account for the „Current Expenses“ fund, an account for the „Repair and Renewal“ fund, and a special account for the „Renovation Program,“ aimed at easing the owners' obligations by offering them a comprehensive service for their expectations.

The Bank is among the first in the country to offer products aimed at this type of activity to facilitate the process of organizing internal procedures and applying for external financing.

Postbank continues to expand its portfolio of deposit products. Structured deposits, as one of the most current and attractive savings products, combine the security of a bank deposit with the possibility of profitability tied to the performance of a certain market index, while ensuring the preservation of the initial invested capital. It is a tool guaranteed under the conditions and in accordance with the Deposit Guarantee Act and has the potential to earn a better interest rate at maturity compared to standard time deposits. The newest savings product with which Postbank complements its portfolio of deposit solutions is the structured deposit „Index EURO 50,“ which responds to consumers' exceptional interest. It is a structured deposit for 5 years in euros, where the return consists of two components - a basic fixed annual interest rate and the possibility of additional interest at deposit maturity, which in turn is based on the performance of a stock index. The product has guaranteed principal at maturity and a basic fixed annual interest rate of 3.00% on the deposited amount, payable annually in advance during each year of the deposit term after the expiration of the first (initial) period and can be withdrawn at any time.



Postbank continues to offer targeted consumer loans for business education worldwide, unmatched in the Bulgarian market. It can finance fees for various programs such as Master of Business Administration, Executive Master of Business Administration, Advanced Management, etc. The product is designed to meet the growing interest in financing education that opens the path to career growth and development, registered by the Bank in recent years.

Postbank clients can also benefit from the conveniences of the Online Housing Credit Center, which introduces a new model for quick and convenient customer service. The new digital solution in the housing financing

process is an extension of the services offered by the Bank in its specialized Housing Credit Centers. This way, the Bank enhances the service for online housing loan applications to fully meet consumer expectations for remote consulting and communication with the Bank during the loan approval process, transitioning the process into a digital environment.

## SUSTAINABLE DEVELOPMENT

In 2023, the Bank implemented a number of socially significant projects in the areas of entrepreneurship, education, environmental conservation, sports, and corporate philanthropy. Postbank is an active member and supports initiatives of KRIB, American Chamber of Commerce in Bulgaria (AmCham), Bulgarian Industrial Capital Association (BICA), British Bulgarian Business Association (BBBA), Association of Banks in Bulgaria in Bulgaria, „Borika“ AD, Endeavor Bulgaria Association, Bulgarian Business Leaders Forum, Bulgarian Donor Forum, Atanas Burov Foundation, Bulgarian Network of the UN Global Compact, Bulgarian Association of Advertisers, and Bulgarian Fintech Association.



# FINANCIAL REVIEW

Eurobank Bulgaria AD as is  
BGN'000

2023 2022

## SEPARATE STATEMENT OF FINANCIAL POSITION

Net Loans and Advances to customers	12,540,242	10,063,433
Core Client Deposits	15,653,641	13,682,032
Shareholders` Equity	2,275,621	1,936,050
<b>Total Assets</b>	<b>19,389,818</b>	<b>16,365,975</b>

## SEPARATE INCOME STATEMENT

Net Interest Income	636,757	427,102
Net Fee and Commissions Income	148,601	142,037
Net trading Loss/Gain	2,511	(2,952)
Other operating income	9,815	1,901
<b>Total Operating Income</b>	<b>797,684</b>	<b>568,088</b>
<b>Total Operating Expense</b>	<b>326,850</b>	<b>240,822</b>
Deposit Insurance Fund	(20,753)	(19,530)
Provisions for impairment	(107,212)	(74,283)
<b>Profit Before Tax</b>	<b>342,869</b>	<b>230,050</b>
Income tax	(34,789)	(23,224)
<b>Profit After Tax</b>	<b>308,080</b>	<b>206,826</b>

## KEY FINANCIAL RATIOS

<b>Total Capital Adequacy Ratio</b>	<b>20.6%</b>	<b>20.7%</b>
<b>Net Interest Margin</b>	<b>3.59%</b>	<b>2.80%</b>
<b>ROA (after tax)</b>	<b>1.74%</b>	<b>1.36%</b>
<b>ROE (after tax)</b>	<b>14.6%</b>	<b>11.2%</b>
<b>Earnings per Share</b>	<b>54.98%</b>	<b>36.91%</b>
<b>Total funding</b>	<b>16,831</b>	<b>14,182</b>
<b>Fees&amp; Commissions/OPEX</b>	<b>45.46%</b>	<b>58.98%</b>
<b>Provisions/Loans</b>	<b>0.93%</b>	<b>0.8%</b>
<b>Provisions/Operating income</b>	<b>13.44%</b>	<b>13.69%</b>
<b>Cost/Income Ratio</b>	<b>40.97%</b>	<b>42.08%</b>
<b>Net Loans/Deposits ratio</b>	<b>80%</b>	<b>74%</b>

## WORLD ECONOMY

Although the growth of the world economy decelerated in 2023, it was better than expected due to the stronger performance of the economies of the United States and several developing countries. The factors that hampered the growth in 2023 were the same as in the previous year – the conflict in Ukraine, the tightening of the monetary policy triggered by the still higher rising inflation and the weak world trade. Being far from the European conflict and reaping the benefits from the falling energy prices and easing supply-side restrictions, the emerging markets and developing economies managed to maintain the momentum and repeat the growth rate from the previous year. On the other hand, most of the advanced economies saw a harder landing, in some cases even going into technical depression.

The prospects for 2024 are mildly optimistic. Global growth is expected to be 3.1% in 2024 – same as in 2023; rising slightly in 2025 to 3.2%. The above is based on the assumptions that once again, the developing countries will be the drivers of growth, while the advanced economies will be struggling with high interest rates and the withdrawal of fiscal support. Any change in the last two assumptions will result in a stronger growth than expected. Faster disinflation will allow the central banks to speed up the loosening of the monetary policy and will improve business sentiment, easing the pressure for government intervention.

The main downside risks are higher geopolitical risk from intensified conflict in the Middle East and the Red Sea, persistent inflation and tighter fiscal policy. The latter prospect is highly worrying as the indebtedness of the countries continues to rise and in an environment of elevated interest rates it might necessitate tax increases and deep spending cuts which the private consumption will not be able to compensate. In addition, a persistent high inflation will increase the pressure for wage increases, especially in the advanced economies with the risk of a renewed wage-price spiral, which was avoided thus far. Last but not least, escalation of the conflicts in the Middle East and the Red Sea could have a negative impact on the world trade and the prices of oil which will cause a spillover effect on the inflation and might trigger the previous two scenarios.

Although the EU economies have largely avoided recession, the economic activity has lost momentum, trying to adjust to the changed environment. Various factors contributed to the decline – consumption was hit by the decline of the real wages and the phasing out of the fiscal support, the investment lagged behind as companies limited borrowing because of the high interest rates, while the contribution of the external sector was only positive because of falling import. Overall, the EU economy is expected to grow by just 0.6% in 2023 (the same rate valid for the eurozone countries), before mildly rebounding to 1.3% in 2024 and 1.7% in 2025. The eurozone's prospects are slightly worse for the next two years – 1.2% and 1.6% respectively.

The decisive actions of the central banks helped tame the inflation which was in a constant and higher than expected decline throughout last year. The Federal Reserve raised its policy rate from 4.25-4.5% at the end of 2022 to 5.25-5.5% by end of July 2023, but has not touched it since. ECB actions were slightly behind and more conservative as usual, but still the rates on the deposit facility were increased by 2 percentage points to 4% in 2023. In parallel, ECB has stopped reinvesting the principal payments from maturing securities under the Asset purchase programme (APP), while the same is expected to happen for the Pandemic emergency purchase programme (PEPP) from the middle of 2024, which will reduce the portfolio at a rate of €7.5bn per month on average. With inflation falling towards the target levels, speculations are that the two central banks will start easing the monetary policy in the second half of 2025.

## ECONOMIC SITUATION IN BULGARIA

In 2023 Bulgaria's economy has decelerated towards the projected level of 1.8%. In the fourth quarter of the year, GDP growth was 1.6%, compared to 1.8%, 2.0% and 2.4% in the previous three. Consumption grew by 3.1% YoY following a downward trend. Growth of the gross capital formation (4.2% YoY) was positive for a third consecutive quarter, but the country still falls behind the level of local investments needed to increase productivity as the population ages and the wages are rising with double digit rates. The contribution of the external sector was positive, however, due to faster drop of imports, compared to exports.



In nominal terms Bulgaria's foreign trade was hit by the falling prices of energy resources and commodities as well as by the restrictions on imports from Russia. The value of exports was BGN 86.6 billion, or 6.8% lower than a year ago. The value of imports was BGN 96.9 billion, 10.2% below the level in 2022. The exports to non-EU members experienced a modest decrease of 2.9% YoY as the drop of the export of energy products and arms was partially compensated by the higher exports of foods and machinery. In contrast, the imports from non-EU members dropped by close to 20%, most of it because of the lower prices of energy resources and the restrictions on the imports from Russia and Ukraine, in case of the latter mostly grains. The exports and imports to EU countries were also lower on an annual basis – by 8.9% and 2.5% respectively. The biggest trading partner of the country was Germany with a share of more than 12% of the foreign trade in 2023, followed by Romania (8.4% YoY) and Turkey (7.3% YoY).

In 2023 the foreign direct investment continued to grow, reaching €3.37bn (28% increase YoY) – the highest level in history in nominal terms. Little more than €3bn, or close to 90% of the investments, were reinvested profit as many foreign owned companies enjoyed a boom fueled by inflation and falling energy prices. Equity investments decreased by about 20% to €530m as there were fewer deals and green-field investments last year. The flow of the debt instruments was negative (-€172m) as rising interest rates made it cheaper for the companies to finance themselves locally rather than from abroad. The biggest net inflow of investments came from Switzerland (€821m), Austria (€377m) and Belgium (€336m), while the biggest net outflows were to Israel (€27m) and Ireland (€22m).

Inflation has been in constant decline over the last year. Measured through the consumer price index it fell to 4.7% at the end of December 2023, compared to 16.9% a year earlier and a peak of 18.7% in September 2022. Only few goods and services had lower prices compared to last December – mostly oils, energy resources and electronics, while the index was below zero in none of the main categories. Despite the preferential VAT rates enjoyed by the Hospitality sector, its prices rose at highest rate – 9.5% YoY, followed by Education (8.2%) and Health (8.1%). The average Harmonized Index of Consumer Prices which is the benchmark for the country convergence report has also been falling during the year, but at a level of 8.6% in December it is still well above the threshold, jeopardizing the adoption of the euro as the national currency of Bulgaria in the beginning of 2025.

The slowdown of the economy was felt in the labor market. The unemployment rate rose by half a percentage point to 4.3%, according to the data by the National Statistical Institute. The number of unemployed was 127 thousand – some 14 thousand more than a year ago. The employment ratio in the age group 15-64 years fell to 70.5% - 1.2 pp lower than in 2022. The workforce shrank by about 50 thousand people last year, in line with the general decline of the population.

The number of long-term unemployed (unemployed for more than 2 years) increased slightly – by 1.4 thousand people to 39.4 thousand. More worryingly, the youth unemployment (age 15-24) jumped significantly – from 9.1% in 2022 to 14.1% in 2023, suggesting that for the people with basic and lower education it is increasingly harder to find work in the current environment. The Northwestern region has the highest unemployment rate (8.2%), followed by the Northcentral (5.2%). The lowest unemployment rate is recorded in the South Central region (around Plovdiv) – 2.5%, being also one of the two regions where the unemployment level is decreasing. The Southwestern region (which includes Sofia) is moving in the opposite direction and although it has the second lowest unemployment rate in the country (3.6%), it is 0.6 pp. higher than in 2022.

The rising unemployment and the economic slowdown didn't seem to have a profound effect on the wages. The average salary in the country rose by 12% YoY to BGN 2,173 at the end of December – or more than twice the inflation rate for the same period which makes Bulgaria one of the few countries in EU with real wage growth in 2023. A more detailed analysis, however, shows that the salaries in the lowest paid sectors which were booming last year such as construction and hospitality are rising by more than 20% YoY, while the salaries of the agricultural workers have barely moved. IT continues to be the best paying sector with an average salary of BGN 5,043 (8% YoY), well ahead of the second (Electricity and gas) where the average salary is BGN 3,455 (6% YoY).

The public sector was paying an average salary of BGN 2,344 (10% YoY). Although the salaries in the private sector rose faster – by 12% YoY to BGN 2,115, the public sector is still paying some 10% more than the private one.

One of the main priorities of the new Government which took office in the beginning of June was Bulgaria to become a member of the Eurozone in the beginning of 2025, thus emphasizing on a strict fiscal discipline in order to comply with the Maastricht criteria. The budget for 2023 which was finally adopted at the end of July targeted a deficit below 3%. The preliminary data by the Ministry of Finance showed that the budget finished with a deficit of 3.1% on a cash basis (BGN 5.62 billion). On an accrual basis, according to the European System of National and Regional Accounts 2010 (ESA 2010) methodology, the deficit is expected to be 2.2%, or well below the threshold.

Budget revenues were BGN 67 billion, BGN 2.3 billion higher than in 2022 and at 96.5% of the projected level. Although projected revenues were not met mostly due to the delayed second tranche from the Recovery and Resilience Facility, none of the major tax and nontax items was above the target either. The tax revenues were BGN 52.3 billion which is 12% higher than in 2022, but around BGN 850 million below the budgeted revenues. The expenditures rose by 10% (BGN 6.4 billion) to BGN 70.8 billion. In contrast to previous years, the capital expenditures are above the projected level as more money has been paid for EU projects and because of the advance payment on a cash basis for the investment program for municipal projects. On an annual basis, the capital expenditures rose by 63% (BGN 3.5 billion) to BGN 9.1 billion – a record amount. The interest expenses jumped by 27% YoY to BGN 831 million and will keep growing because of the newly issued debt and the projected deficits for the next years. The revenues of the social security funds (mainly pensions and health insurance) were BGN 15.6 billion (12% higher than in 2022), while the expenditures were close to BGN 30 billion which represents more than 20% increase on an annual basis. In the last few years, the growth of the social security expenditures has outpaced the increase of the revenues (pensions will rise by another 11% from July 2024) and this trend will be difficult to sustain in the long run.

The state debt expanded by BGN 4.3 billion in 2023 to BGN 41.4 billion or 21.5% of GDP. Since the nominal increase of the GDP was higher, the ratio improved vs. 2022 (22.1%). In the beginning of 2023, Bulgaria issued €1.5 billion in 10-year bonds to cover maturing debt, while in November 2023 another €2.3 billion bonds (with maturities of 7.5 and 12.5 years) were issued for financing the projected budget deficit. No local debt was issued in 2023.

In 2023 the rating agency FITCH did two 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 one review confirming the rating at BBB but improving the outlook to positive. The third big rating agency, Moody's did its first review since 2020, keeping the rating and the outlook unchanged at Baa1 / stable.

## BULGARIAN BANKING SYSTEM

The Bulgarian banking system had another successful year. While in many other countries the tightening of the monetary policy resulted in higher borrowing costs and reduced demand for loans, Bulgaria's banking system remained largely insulated from these trends and continued to break records. Bulgarian banks were able to gain higher income from their operations linked to the international markets such as deposits in other banks, securities and index-based loans, while at the same time keeping the retail rates largely intact which resulted in unimpeded demand and solid portfolio quality. The net profit of the banks surged by close to two-thirds to a new high of BGN 3.4 billion. The return on equity improved substantially – from 12.3% in 2022 to 18.3% a year later, while the return on assets was 2.1% (2022: 1.4%).

In 2023 lending was growing with almost the same pace as in the previous year – 13.2% and 13.5% respectively. In nominal terms, total loans increased by BGN 11.3 billion to BGN 97.4 billion, where growth was almost equally balanced between companies and households – loans to companies rose by BGN 5.8 billion (11.1% YoY) to BGN 57.9 billion, while loans to households were up by BGN 5.5 billion (16.3% YoY) to BGN 39.5 billion. However, a significant part of the new lending to companies (BGN 2.1 billion or 36% of the new loans) was to other financial institutions and most of it was probably used for lending to households. In contrast to the previous year, a larger



part of the new loans to nonfinancial companies are for long-term lending rather than overdrafts which suggests that the businesses have overcome the liquidity strain in 2022, caused by the high electricity prices and the rising inflation. The demand for consumer loans remained almost unchanged compared to the previous year, and they rose by BGN 1.9 billion (11.8% YoY) to BGN 18 billion. Simultaneously, the improving standard of living, the stable interest rates and the active real estate market shot up the demand for mortgage loans to new heights – BGN 3.66 billion net increase in 2023 to BGN 22 billion or almost 20% growth on an annual basis.

The interest rates on new loans in local currency to nonfinancial companies followed closely the international trends and moved in parallel with the EURIBOR, rising from 3.12% at the end of December 2022 to 4.55% a year later – levels not seen since 2016. This was, however, not observed in the retail segment – rates on new consumer loans in leva were 9.6% at the end of December 2023, compared to 9.7% in 2022, while the mortgage rates oscillated throughout the year at a level of around 2.6%.

Growth of deposits decelerated sharply in 2023 from 15.4% to 8.4% p.a. and for the first time in almost 15 years the increase of the deposits could not cover the disbursed new loans. Total deposits expanded by BGN 10.6 billion to BGN 136.8 billion, or BGN 740 million lower than the respective increase of the lending portfolio. After the abundant 2022, in the current year the companies experienced a liquidity squeeze as new deposits fell almost five times from BGN 10.6 billion (26% YoY) to BGN 2.2 billion (4.3% YoY). Although some key factors for the drop were the lower electricity, oil and natural gas prices, the delayed budget payments and the lower international trade, the higher rates that the large corporate customers could get on their deposits abroad certainly played a part. Households, on the other hand, deposited a new record amount in the banks – BGN 8.3 billion (a third more than in 2022), bringing the total to BGN 82.6 billion, yearly growth is explained by the higher income enjoyed by Households and the lack of alternatives for depositing abroad. Drawing on the ample liquidity buffers built up in the last few years, the banks were not in an immediate need to attract new liquidity which subdued the upward movement of the interest rates on deposits. Higher rates were offered for terms deposits and longer maturities both to large corporates and households, but the overall impact is still small – cost of funds has increased by less than 15 bps throughout the year.

Interest income swelled by 62% YoY (BGN 2.2 billion) to BGN 5.9 billion. More than half of the net increase (BGN 1.18 billion) came from the lending portfolio, predominantly from the loans to companies, while the income from the household loans was growing in parallel with the increase of the volumes. Income from deposits with banks more than quintupled in 2023 to BGN 1 billion, while the interest income from securities rose by BGN 216 million to BGN 482 million. Interest expenses jumped 2.5 times to just over BGN 1 billion, but this came predominantly from the increased costs for wholesale funding –banks building up MREL funding, rather than deposits from clients. The latter rose by about BGN 160 million (282% YoY) to BGN 218 million representing just 21% of the interest expenses of the banks. Net fee and commission income rose modestly by 3% (BGN 45 million) as banks had to compensate the safekeeping fees they charged on large deposits in the first half of 2022. Total income for the year was BGN 6.9 billion, or 31% higher than in 2022.

Expenses for the year were BGN 2.7 billion, largely kept under control and in line with the inflation rate. Staff expenses were BGN 1.26 billion, growing by 14.8% YoY (BGN 163 million) similar to the wage rate increase in the financial economic segment.

As the portfolio quality improved, the banks had a lower impairment charge on loans and securities – it was down by 30% to BGN 413 million. The nonperforming exposures ratio improved by 121 bps to 3.96%. The volume of the nonperforming loans fell by more than BGN 590 million to BGN 3.85 billion, mostly due to loans overdue more than 180 days (BGN 439 million), written off or sold. At the end of the year the coverage ratio stood at 81% (2022: 77.6%).

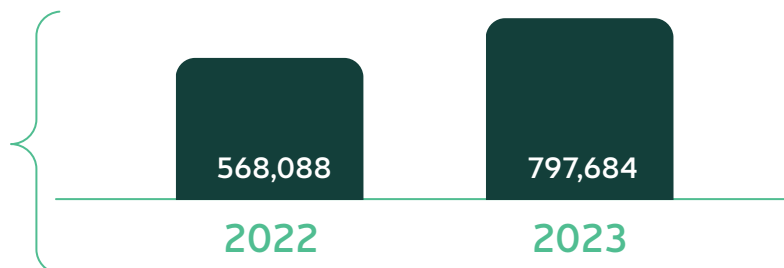
Throughout the year the banks have been building up their capital buffers preparing for the binding MREL requirements which entered into force on 1 January 2024. Total CAD ratio stood at 21.65% as of the end of December or close to 80 b.p percentage point above the level a year ago. The CET 1 ratio was 20.07% as of the same date.

## EUROBANK BULGARIA PERFORMANCE AND KEY INDICATORS

The year 2023 was by far the best in Eurobank Bulgaria's history. Gaining from the strong market performance and leveraging on the successful acquisition of the business of the Bulgarian branch of BNP Paribas Personal Finance S.A. (BNP Paribas PF) in the middle of the year, Eurobank Bulgaria improved its results by every measure. Net profit for the year reached a new record of BGN 308 million – a sizable annual increase of close to 50%. The return on equity was 14.6% or 3.3 pp better than last year's, while the return on assets was 1.74% (2022: 1.36%).

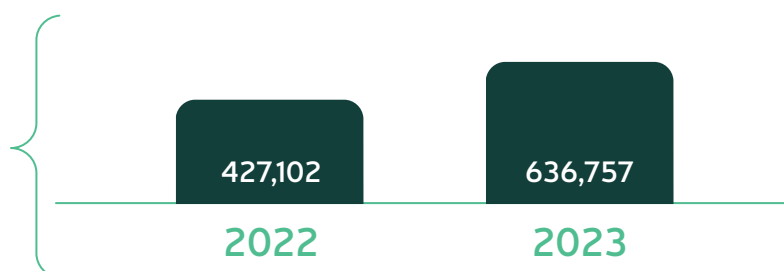
Total operating income was up by 40% YoY (BGN 230 million) to BGN 797.7 million.

### TOTAL OPERATING INCOME



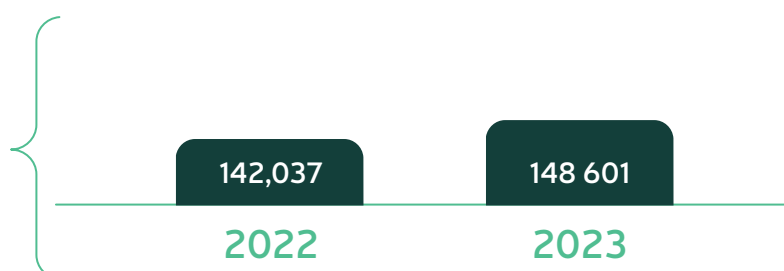
Net interest income increased by 50% (BGN 210 million) to BGN 637 million with the contribution of the lending portfolio by far having the biggest weight (BGN 227 million). Interest expenses more than quadrupled to BGN 102 million, but close to 60% of them are paid for the expensive wholesale funding, rather than the much cheaper local deposits

### NET INTEREST INCOME



Net fee and commission income was up by the more modest 5% (BGN 7 million) to BGN 148.6 million, but income from the transactional business, such as transfers and cash operations, grew with double digit rates.

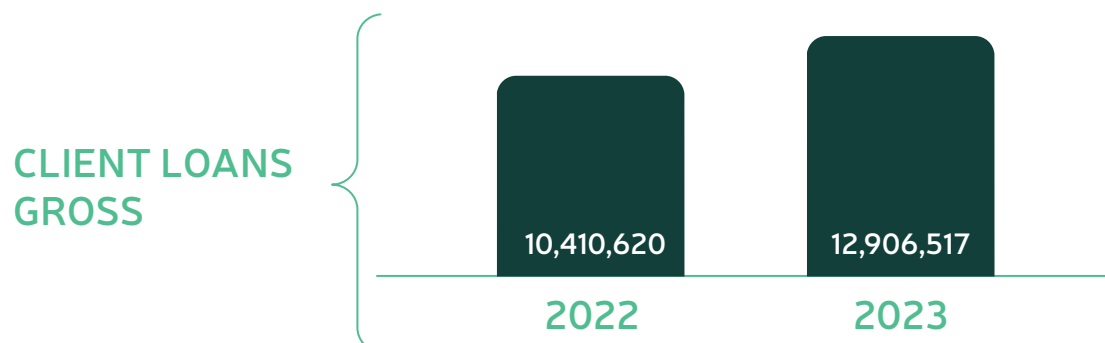
### NET FEES AND COMMISSIONS



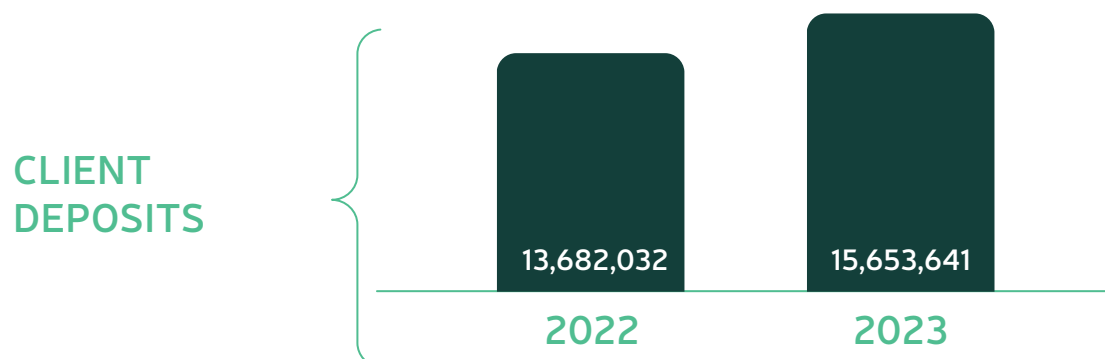
Gross loans increased by a little less than BGN 2.5 billion (24% YoY) to BGN 12.9 billion, of which approximately BGN 879 million came from the acquisition of BNP Paribas PF, the rest being organic growth. Market share gain last year was 1.2 pp and reached 13.3% - a new high. More than half of the new loans came from the consumer lending segment – the size of the portfolio surged by 74% (BGN 1.38 billion) to BGN 3.25 billion, where the BNP PF non-organic growth supported entirely this segment of business. The favorable interest rates and the strong real estate market helped propel the mortgage portfolio by close to 20% YoY (BGN 588 million) to BGN 3.67 billion. Growth in the SBB segment was more modest – loans to small businesses rose by BGN 112 million (12.3% YoY) to BGN 1.02 billion. Although the performance of the corporate segment seems the weakest compared with



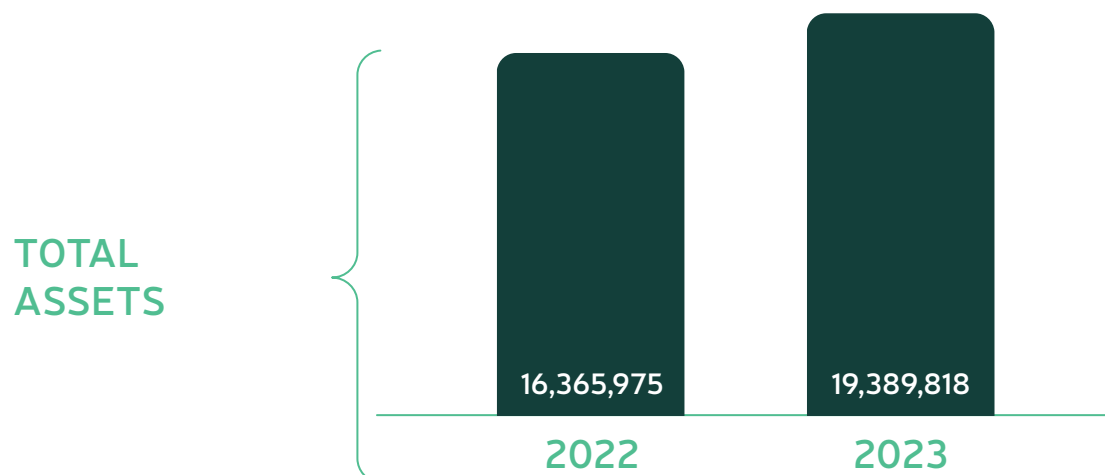
the others - 9.2% YoY with a nominal increase of BGN 419 million to BGN 4.97 billion, it is in fact 50% higher than previous year delta and slightly higher than the market, bringing along a small market share gain. Although most of the new lending was funded by the inflow of deposits, Eurobank Bulgaria had to utilize some of its liquid resources to cover the rest – thus the loans and advances to banks shrank by BGN 660 million to BGN 783 million.



Total deposits rose short of BGN 2 billion (14.4% YoY) to BGN 15.65 billion. This was much higher than the market growth (8.4% YoY), allowing Eurobank Bulgaria to improve its market share by 60 bps to 11.45% - the highest on record. Two-thirds of the increase came from retail customers whose deposits exceeded BGN 11.2 billion at the end of the year. Despite the difficult market conditions and the liquidity squeeze felt by the companies, Eurobank Bulgaria managed to attract more than BGN 640 million new deposits from corporate clients, bringing the total to BGN 4.45 billion. Because of the acquisition of BNP Paribas PF, the net loans to deposits ratio climbed by 6 pp to 80%. Other borrowed funds more than doubled to BGN 1.04 billion, because of 3 new medium term loans from Eurobank S.A. which were used to cover the binding MREL target entering into force from the beginning of 2024.

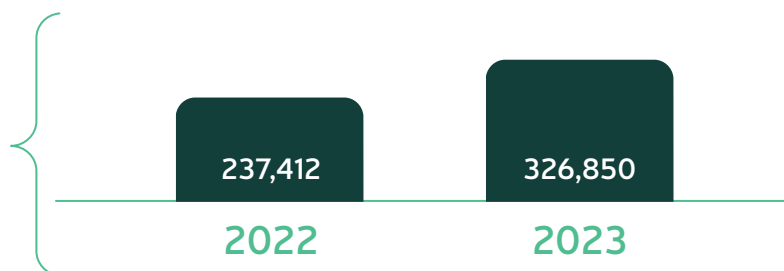


Loans and deposits growth contributed for the overall increase in Total Assets of 18% on yearly basis.



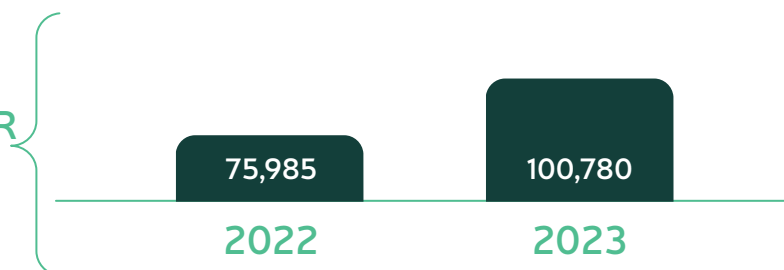
Total operating expenses increased by roughly a third (BGN 86 million) to BGN 327 million, predominantly because of the acquisition of BNP Paribas PF which affected Bank's cost base. Half of the new costs went for salaries which were also under pressure because of the wage inflation. On the positive side, the higher income more than compensated the increased expenses and the cost-income ratio improved by 1.1 pp to 40.97%.

### OPERATING EXPENSES

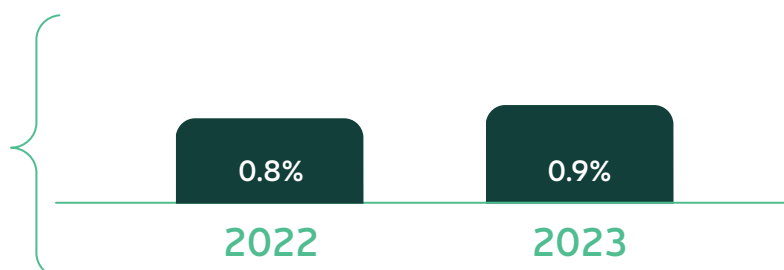


Provisions for impairment were up by 33% (BGN 25 million) to BGN 101 million, the number including also a one-off effect from the fair value of acquired BNP Paribas PF's portfolio. Even with this, the cost of risk was at the reasonable level of 0.9%. The nonperforming exposures ratio improved considerably – by 1.3 pp to 2.5%, well below the market level (4%). In nominal terms the volume of NPEs shrank by BGN 67 million to BGN 325 million with a stage 3 coverage ratio of 63%, while the coverage ratio was 113%.

### PROVISIONS FOR IMPAIRMENT

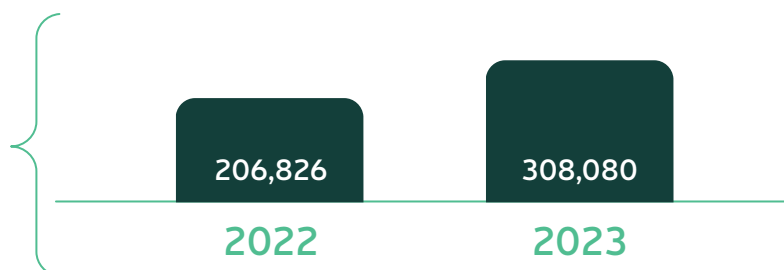


### PROVISIONS/LOANS

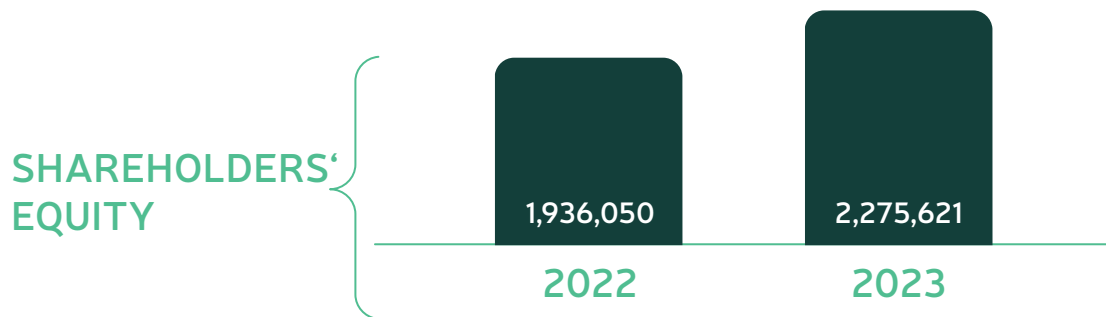


Eurobank Bulgaria net profit for the year 2023 is 308 million – a sizable annual increase of close to 50%. The return on equity was 14.6% or 3.3 pp better than last year's, while the return on assets was 1.74% (2022: 1.36%).

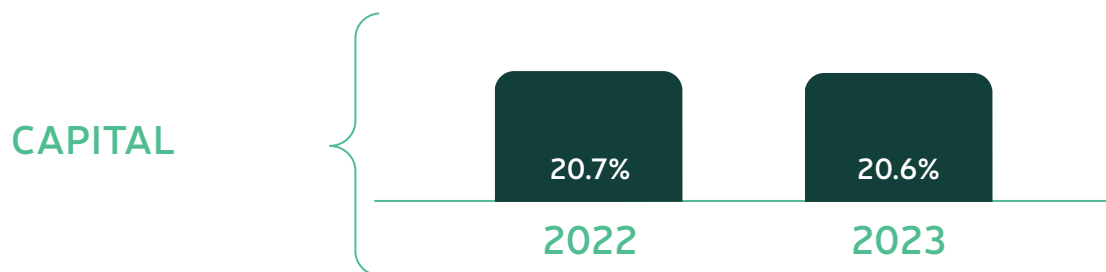
### NET PROFIT







At the end of the year the capital adequacy stood at 20.6%, not including the interim profit for the fourth quarter of 2023 ending on 31 December 2023 or about 0.1 pp below the end of 2022. With the additional medium term loans taken from the mother bank in 2023, Eurobank Bulgaria is also in full compliance with the binding MREL target as of 1 January 2024.



## EVENTS AFTER THE BALANCE SHEET DATE

There are no significant post balance sheet events with effect on the financial statements as of 31 December 2023.

# **BUSINESS OVERVIEW**

## **RETAIL BANKING SECTOR**

### **BRANCH NETWORK DIVISION**

In 2023 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 179 branches in 76 cities (58 locations in Sofia and 121 outside the capital) cover more than 75% of the population in the country. In 2023 the Bank continued with developing the new outlook for branches with innovative design with a look to the future and at the end of 2023 the branches with new outlook are more than 100.

Digitalization of the Branch Network in 2023 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, in the 45 branches where there are Teller Cash Recyclers (TCR) installed, the share of cash transactions through TCR reached 36%, which reflected in customer service time decrease for cash transactions and improved cross-selling.

In 2023 new Express Banking Digital Zones (EBDZ) are installed in branches in Sofia and another regions, reaching the total number of 161 EBDZ, 126 of which have 24/7 access. An opportunity was provided in Internet banking for customers to be able to print out, if necessary, electronically signed documents in the bank's branches, with the share of electronically signed documents reaching 79%.

In 2023, the number of branches using scanners for automatic verification of a customer's identity document, as well as the OCR of the document data in the core banking system has reached 70, thereby saving the time of employees for the manually performed so far checks.

Keeping up the global banking trends of digitization, in 2023 the implementation of dedicated video consultation zones for customers is successfully continued in the Branch network.

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 2023, Postbank deepened its focus on high customer satisfaction and quality of service, in order to build and develop long-term relationships with our customers based on partnership, trust and loyalty. We are constantly working to upgrade the level of consultation and service provided, for this purpose we continue the daily monitoring of our customers' feedback, as well as the monitoring of the quality of consultations and services provided by various specialized units and teams in the bank.

In order to increase customer satisfaction, in addition to the regular monitoring of customer satisfaction and NPS in 2023, the Bank is actively working to develop the professional skills and competencies of its experts.

High level of customer satisfaction (over 90%) and numerous positive reviews about the quality of service provided approve the existence of excellent relationships with clients and confirm the leading position of Postbank as a preferred credit institution among consumers.



## STRATEGIC DEVELOPMENT INDIVIDUAL BANKING DIVISION

### 1. HOUSEHOLD LENDING

2023 was a very successful year for Banks in the country, including in terms of households lending. As expected, in economic aspect, the year began with a tendency to decrease the rate of economic growth, caused by the continuing crises in international plan. The complicated geopolitical situation continued to leave its mark on the political environment in the country, which also led to some economic uncertainty. Nevertheless, the main political players with a predominantly Euro-Atlantic profile managed to find workable formula for joint governance, which calmed the situation in the country considerably. Months of hard work followed to reform the judicial system, get Bulgaria into Schengen and prepare to adopt the euro as a main currency. On two of the main priorities, our country has achieved considerable success, with the long-awaited constitutional reform being adopted and the country being admitted to Schengen, albeit only by air and sea at this stage. Regarding the euro adoption, a significant progress has been made, but a number of key milestones are still to come, therefore the chances for introducing the euro currency at the beginning of 2025 are not good. In purely economic terms, the statistics also look stable: Average annual unemployment is 4.3%, the budget deficit is 2.2%, which is well below the 3% limit, and the gross domestic product is 1.9%. The high inflation of an average of 9.6% for the year was fully compensated by the growth of wages of 13.6%, which is a prerequisite for an increase in the purchasing power of the population and consumption, and hence for increased revenues from indirect taxes.

Against this background, in 2023 the household lending market achieved record results, registering a significant growth of 16% or nearly 2.8 billion euros compared to the previous year 2022. For comparison, the growth in 2022 to 2021 was 2,3 billion euros with a growth of 15%. This positive trend of increased credit activity, which continues for another year, is again largely due to the country's stable macroeconomic indicators in combination with wage growth, high bank liquidity and, last but not least, still high inflation, which increased the costs of households, respectively the size of the requested loans. Postbank managed to benefit to a significant extent from these prerequisites and strengthen its market position, registering a 1 billion euro growth in the portfolio of loans for households, thanks to the strategy of offering a diverse range of products, innovative solutions and attractive campaigns, as well as of the successful acquisition of „BNP Paribas Personal Finance“ branch Bulgaria.

In terms of consumer loans, Postbank noted a 70% growth in the consumer loan portfolio at the end of the year compared to the previous year, reaching a balance of €1.8 billion in unsecured loans. This is also the largest portfolio growth, both in percentage terms and in absolute terms /€730 million/, compared to the banks on the Bulgarian market. Of course, most of this growth is a consequence of the acquisition of the BNP „Personal Finance“ portfolio in the amount of 491 million euros. But even without this acquisition, Postbank realized 239 million euros growth in balance sheets, which is more than the realized growth of 219 million euros in 2022 and is the third largest net growth among the banks in the country with a minimal difference in front of the first two banks / DSK - 248 million euros and TBI - 243 million euros/.

In terms of mortgage loans, the bank registered one of our most successful years, reporting a portfolio growth of 303 million euros compared to 2022. For comparison, in 2022 we noted a growth of EUR 263 million compared to 2021. In the conditions of increased competition and a dynamic market environment, Postbank managed to maintain its market position and distinguish itself from competitors with attractive product offers. This led to a growth of newly granted housing loans by 7% on an annual basis, exceeding the set budget targets.

In terms of interest rates on loans, the trend towards a gradual increase in interest rates continued, although this was more distinctly in relation of interest rates on consumer loans. All major banks on the market began to gradually update the interest rates on their offers for consumer loans, as the main prerequisite for this move was the rising price of the resource with which commercial banks are financed and the increase in the rate of mandatory minimum reserves, which the BNB took in an attempt to cool lending. Regarding the mortgage market, the increase in interest rates for mortgage loans in BGN was minimal - on average by 5 bp. For consumer loans in BGN, the average increase in interest rates in 2023 was 44 bp.

## 2. CONSUMER LENDING

In 2023, the consumer lending market in Bulgaria recorded a significant growth of almost 12% /967 million euros/ at the portfolio level and 9% in terms of volume of new business, compared to the previous year 2022. For comparison, the growth of the market in 2022 compared to 2021 was 13% /938 million euros/. Postbank managed to benefit to a significant extent from the stable macroeconomic environment and strengthened its market position by achieving a loan portfolio of EUR 1.8 billion, of which nearly EUR 0.5 billion is due to the acquisition of BNP "Personal Finance". As a result, the bank strengthened its second position on the market at the end of the year with a 19.2% market share according to the official statistics of the Bulgarian National Bank, significantly ahead of the direct competitor UBB, which has 17.6%.

2023 started with increased demand for consumer loans. Interest rates on loans were already following an upward trend, but despite this, banks continued to offer aggressive offers to the most high-profile clients with above-average incomes for the country, working in key sectors of the economy.

The main focus of Postbank in 2023 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 is carried out, the parameters of the loans from the bank's portfolio were adapted so as to achieve the necessary policy of flexibility in the price, in view of the high dynamics of the market, offering the best possible offer conditions for our customers in each a moment. Interest rates were gradually raised, both on the existing portfolio and on new business without causing an outflow of customers and loss of market positions. 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 the efforts to constantly improve the quality of service and the new technologies that are actively implemented in the field of digital banking, Postbank managed to attract and retain many good customers. The focus is the understanding that customers need diverse banking services in the entire possible banking palette, therefore the bank's aspiration is to offer everything for everyday banking, with which to achieve a high level of customer satisfaction and belonging to our brand.

Following market trends and the changing macroeconomic environment, the year started with a slight increase in interest rates. In parallel, our unique product concept and communication platform „WELCOME“ was relaunched, providing multiple conveniences and price advantages to our customers. The program has proven to be extremely successful and unique to 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 a solution for everyday banking - the „My Family“ package program, with no fee for a whole year and free use of over 10 banking products and services. Thanks to all this, sales and profitability for the Bank were significantly increased and distinctive products and quality service were provided to customers, resulting in a 6% growth in volumes for the first quarter of 2023 compared to the same period in 2022.

In the current highly competitive environment characterized by aggressive pricing behavior by our competitors, this product and marketing strategy has helped to move closer to achieving the ambitious commercial targets and provide a good foundation for the bank's business growth during the year. At the same time, „WELCOME“ program contributed to the fulfillment of one of the main strategic goals, namely attracting clients with salary transfer and building long-term relationships with the clients.

Efforts were also aimed at offering competitive and flexible lending solutions, including a refinancing offer with the aim of consolidating credit obligations, to respond to the increased interest from customers looking for solutions to optimize costs by reducing monthly loan payments. Over 45% of all loans granted during the year are loans for refinancing and debt consolidation.

In response to market demand for products giving more security, consumer loan with a fixed interest rate for the entire contract period was introduced. This is a product without an analogue until now in the current portfolio of Postbank, with which we guaranteed maximum security for loan applicants for the entire life of the loan.

Thanks to the targeted approach to attracting solvent customers, as well as those with stable incomes from the developing sectors, at the end of the summer months Postbank achieved another impressive, even record-breaking results, realizing a 10% growth in the volumes of newly granted consumer loans, compared to the same period of the previous year, exceeding the set budget goals by more than 20%.

At the beginning of the summer, Postbank took steps towards a gradual increase in interest rates on existing and new credit exposures. It was also witnessed a sharp increase in the main interest rates of the European and Bulgarian central banks, which additionally led to an increase in the price of the resource on which the Banks are financed. Additional pressure on the banks was exerted by the increase of the minimum mandatory reserves of the Banks to 12% and the increasing targets for the Minimum Requirement for own capital and acceptable liabilities. All this respectively led to an increase in the Banks costs and ultimately to pressure on the final interest rates on the household loans that the Banks grant.

At the end of the summer months and the beginning of the autumn season, a completely new communication campaign was implemented, uniting the financial solutions most sought after by our customers: „Action month“ in consumer lending. With a new marketing concept and strong communication messages, extremely attractive product positioning was offered: „Loan for Consolidation of Obligations“, „Back to school“, as well as consumer credit for repairs, holidays or a car.

Despite the challenges, strong competition and dynamic market environment, the growth trend continued, and incredible results were achieved, thanks to the efforts of all the bank's employees, as well as an adequate marketing and advertising strategy. Customers continued to search hard for funding for their plans and ideas, leading to significant growth in consumer lending this year. Despite the gradual increase in prices, Bulgaria has kept one of the lowest interest rates on household loans compared to the countries of the European Union, which had an impact and led to an increased demand for financial solutions by our customers.

As a result of its innovative products, high-tech solutions, far-sighted 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 to even greater ambitions in the future.

Expectations for the beginning of next year are that the trend of a gradual increase in consumer credit prices has slowed down in view of the calming down of inflationary processes, as well as the European Central Bank's signals of a possible move to lower the main interest rates in the middle of the year.

### 3. MORTGAGE LENDING

Postbank completed 2023 as one of its most successful years in the mortgage lending business. The bank distinguished itself from the competition and maintained its market position for another year, thanks to successful business initiatives, new financial solutions, and distinctive campaigns.

The mortgage lending market in Bulgaria was booming, recording a 20% annual growth, supported by rising salaries in the country, an improving economic environment, and affordable mortgage financing. High liquidity in the market and the positive economic environment maintained the level of interest rates on new house loans quite affordable, reaching levels as low as 2.58% as of year-end. This made the demand for new house loans high and intensified competition.

Postbank's mortgage portfolio reached BGN 3.65 billion by the end of 2023, up from BGN 3.09 billion a year earlier, signifying a 19% increase. In the face of intensified competition and a dynamic market environment, Postbank managed to sustain its market position and distinguish itself from its competitors with attractive product propositions. Customer trust was acquired through the bank's mission of providing modern financial solutions with added value while continually increasing service quality and efficiency. This led to an annual increase in newly granted house loans by 7%, exceeding the set budget goals for the year.

The year was also fruitful in terms of innovative and unique product concepts for mortgage loans that Postbank



introduced to the market.

The spring season came with the launch of the proven campaign „Spring Lending Days for Housing Loans,“ which distinguished the bank from competitors by providing attractive conditions to prospective customers.

During the summer, the innovative and successful Program “Welcome” was relaunched, offering a bundle of 10 banking products and services free of charge for the first year.

In the autumn, Postbank launched a unique house loan product offering with a fixed interest rate for the first 10 years in euros, providing necessary confidence and predictability to customers that the applied interest rate would not change during the fixed period, regardless of market dynamics.

In the same season, the bank also introduced to the market a completely new concept - program „Towards Home“. This new proposition combines two bank products with attractive features – a special deposit account and a housing loan with preferential terms – aiming to support customers through their home-buying journey. In October, the distinctive campaign „Sunny Days for Mortgage Loans“ was launched for the seventh consecutive year, standing out for its attractive conditions and catchy marketing communication.

Besides the wide range of product propositions introduced to the market in 2023, Postbank continued to focus efforts on elevating the quality of expert consultation in the process of attracting new-to-bank customers. The bank remains the only financial institution in Bulgaria to have successfully developed 33 specialized housing lending centers that offer high-quality professional consultation and support across all stages of the mortgage financing process. This sales channel's performance remains consistent, generating 58% share of the new mortgage business in 2023.

Additionally, a key strategic priority for the bank remains the digitalization and optimization of processes aiming to continuously improve the customer journey and experience. Providing an exceptional digital client experience and preserving the role of a trusted advisor are two of the bank's top priorities for building long-term, loyal customer relationships. In this regard, the unique Digital Mortgage Center of Postbank provides an opportunity for customers to apply and get pre-approval for housing loans online. Moreover, clients in small offices can benefit from specialized advice from mortgage lending experts in a digital environment using Video Consultation Zones at the Financial Centre.

When it comes to marketing and top-of-mind positioning, Postbank is one of the most popular and well-known banks for mortgage loans in Bulgaria. The advertising efforts and public relations measures launched in 2023 supported the generation of new mortgage business while also strengthening the bank's reputation as a client-focused and stable financial institution.

#### 4. CARD BUSINESS

In 2023, Postbank's Card business was at the forefront of innovation and adaptation to meet the growing needs and preferences of customers. The security of card data was of paramount importance, with advanced technologies implemented to protect customer data and prevent cyber misuse and fraud. The bank actively invested in the digitization of its services, offering convenient online platforms and mobile applications for account and card management, such as introducing news to the digital portfolio ONE Wallet by Postbank. Additionally, the bank offered various benefits and loyalty programs to attract and retain customers, including reward points through the „My Rewards“ loyalty program, special offers, and discounts.

During the last year, there was an even faster growth in payments with debit and credit cards issued by the bank. The number of transactions made with debit cards increased with 8 times compared to 2022, clearly confirming that customers prefer cashless payments, even for daily needs such as coffee or breakfast. This is due to the fact that consumers appreciate the convenience and ease of using safety cards payments. Certainly, the strategy of Postbank to encourage its customers to use actively and easily their cards, contributes to this trend. Proof of this are the numerous targeted initiatives implemented by the bank, such as discounts at specific merchants,

installment plans for purchases, and regular campaigns with attractive rewards.

The statistics shows nearly double growth of transactions with digitized bank cards in mobile wallets compared to 2022. Postbank also register an increasing interest in the mobile wallet ONE wallet by Postbank, where users, including non-bank customers, can easily and quickly register. In 2023, Postbank added new and attractive features to its innovative mobile application. The current version offers users the ability to receive free notifications on their mobile devices for bank account movements and card transaction made on POS terminals, ATM devices, or online. Through the mobile wallet customers can convert their latest transactions over 100 BGN made with credit cards into equal monthly installments for periods of 3, 6, 9, or 12 months. Since the implementation of this feature, over 4,700 clients have taken this convenient advantage.

Cashless transactions continued their upward trend, with the share of card purchases compared to cash withdrawals with debit cards issued by the bank increasing by 31%. The trend of customers preferring online purchases and card payments represents 40% of all card transactions in Posbank made in 2023.

The increasing of cashless payments is also a result of Postbank's regular campaigns aimed to incentivizing customers to use credit and debit cards with attractive rewards, as well as campaigns focusing on digital payments, convenience, and additional services provided to cardholders.

During the last year, Postbank increased its market share for credit cards to over 40%, thanks to its successful strategy of offering a rich and diverse range of products, innovative solutions, and attractive campaigns, as well as the successful acquisition of „BNP Paribas Personal Finance“ Bulgaria branch.

In 2023 to ensure maximum convenience for its customers, the financial institution installed an additional 40 new instant embossing machines for bank cards. The total number grows to 60, located in 19 cities in Bulgaria. This modern method of card issuing saved time of over 40,000 clients since its introduction in 2018. All these numbers prove that Postbank is a leader in this type of service.

The trend from the previous year regarding the categories of merchants where Postbank's credit cards are most frequently used remains consistent in 2023. This is nearly analogous to that of debit cards too. Purchases made in large supermarket chains and grocery stores constitute the most significant share of card transactions, accounting for 27% of the total purchase volume in 2023. Bank customers were particularly active in using their cards at places where they could enjoy and spend their spare time, such as restaurants, cafes, and bars, with the share of transactions in these establishments increasing to 18% on an annual basis compared to 16% in 2022. Fuel station transactions takes 8% of the total card purchase volume.

The use of credit cards is becoming increasingly popular among consumers, not only due to the convenience of having access to additional funds at any time but also because of the multitude of additional benefits they offer to their holders. With Postbank's credit cards, customers enjoy a long interest-free grace period, free travel insurance abroad, discounts at international merchants provided by Visa and Mastercard payment operators, various travel privileges for certain types of cards. Increase can be noticed in the number of customers participate in Postbank loyalty program „MyRewards“. In 2023 the clients with cards exchanging points for amounts up to 1,000 BGN per card are with over 30% more than in 2022. The total amount of rewards redeemed for 2023 is several million leva. The upward trend clearly demonstrates that consumers increasingly appreciate the benefits of Postbank cards as a preferred method of payment. Customers placing greater importance of advantages of the card products alongside quality service and additional amenities and beyond price considerations. This is clearly noticed by bank's data analyst which show an 18% increase in the overall turnover of credit card transactions.

In 2023, Postbank launched its special program „Priority by Postbank“ bundled with a high-class Mastercard Gold Debit card, offering numerous preferences and exclusive travel benefits. With this financial solution, the bank enhances its portfolio for individual clients, providing the opportunity to choose the best and most suitable product for each user, tailored to their specific needs and requirements.

During the past year, the bank continued the implementation of a large-scale project to modernize and optimize

the authorization system for processing card transactions. Upon completion, card operations will be conducted even faster and seamlessly.

In 2023 in the Postbank strategy had initiatives aimed at stimulating the use of bank cards, many of which focused on digital payment methods. The year kicked off with an attractive offer to issue new Mastercard credit cards with preferential terms. For example, two of the bank customers participating in one of the initiatives were granted the incredible opportunity to watch the semifinals. Other existing bank customer had the unforgettable chance to attend the final of the Champions League.

Another successful campaign was in spring which brought fantastic rewards to 60 Visa credit cardholders, including tablets and robot vacuum cleaners.

The campaign that has become mandatory due to the significant interest from customers was an offer targeted at all credit cardholders from the bank for Black Friday.

The joint promotional campaign between Post Bank and Visa was particularly noteworthy. It sparked interest among customers and the entire banking sector by giving two bank customers the chance to win two tourist packages for a Family Trip to Disneyland Lapland.

The next memorable campaign brought unforgettable memories to Mastercard cardholders who participated in the end of 2023 campaign, targeting the youngest segment of the bank – Project Youth. Winners of this campaign had the opportunity to meet their favorite performers from the global stage at the prestigious Brit Awards and witness the award ceremony live.

With its rich variety of campaigns, Postbank encourages its clients to actively use their cards, to remain loyal to the bank, and to provide them with unforgettable moments through adventures, travel, and rewards.

The activities and improvements implemented throughout the year led to a significant increase in turnover with credit cards (18%) and debit cards (20%), with the total value of income exceeded 4.9 million BGN.

## 5. DEPOSITS AND ACCOUNTS

During the last year, Postbank has successfully completed the acquisition of the “BNP Paribas Personal Finance branch” in Bulgaria. The deal is an another step towards expanding our deposit market share and a key event for the strategy of Eurobank Group, of which Postbank is a part, to expand its international activity by investing in significant regional markets and businesses. In the first months of 2024, the operational merger of the customers of the online platform “Deposits with future” was successfully completed, which allow them access to the rich portfolio of products and services of Postbank against the improved customers’ experience and quality of service.

If 2022 year was transitional between COVID-19 pandemic and a high inflation rate, 2023 was marked by income growth and continuation of the positive trend in attracting funds of individuals from all customers’ segments. For that reason, the deposit market reported a record growth of BGN 8.33 billion on an annual basis. Postbank achieved remarkable results with a net growth of BGN 1.2 billion, taking ~ 14% of the market growth and reaching a portfolio of over BGN 9.6 billion. As a result of its performance, Postbank took the leading 4-th position on the deposit market for individuals and increased the market share to 11.60%.

During 2023 the deposit market was activated although some banks still did not offer term deposit products. Following our strategy to constantly upgrade and enrich our product portfolio, providing to our customers high-added value products and satisfaction – Postbank launched a 36-month Deposit “Growth”, which is a perfect combination of attractive and increasing interest rates and maximum flexibility.

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. Only for the last year, the Bank offered three different structured deposits. They were linked to various market indexes



that contain the shares list of public foreign companies following to the best worldwide market examples and the undertaken market research. The launched in 2023 structured deposits provides a fixed interest payments and the opportunity for additional bonus interest based on the performance of index, which fully depends on market factors. The other benefit of investing in a structured deposit is that it has the security of a bank deposit.

Establishing its leading position among the highly competitive environment, Postbank introduced to the market a completely new concept - program „Towards Home“. This new proposition combines two bank products with attractive features – a special deposit account and a housing loan with preferential terms – aiming to support customers through their home-buying journey.

## 6. PACKAGE PROGRAMS FOR DAILY BANKING

The package programs for daily banking aim to provide an optimal combination of financial services, adapted to the individual customer's needs, which leads to achieving maximum customer satisfaction and at the same time optimizing the customer's expenses. Flexible value-added products continue to be the preferred option for everyday transactional banking by our customers. The high customers' appreciation is confirmed by the constantly growing number of package programs „My Banking“, „My Family“ and „Super Account @“, which in 2023 reported 9% growth on an annual basis.

A basic principle in successful banking is the building trust between the client and the bank. The trust that the client chooses us for the daily banking, keeping savings and the trust from the other participant - the bank when the customer receives financing to realize different purposes (buy a new home, travel abroad, educate children, etc.). In that regards, developing customer relationships is our main goal and priority. In response to our founding banking principle, in 2023 Postbank announced a new package program “Priority by Postbank”, which includes an optimal combination of financial services, adapted to the individual customer's needs. The package program is a complex banking solution, combining the possibility of using numerous banking services at only one preferential fee, including an option for profitability on the funds in the account. With our package “Priority by Postbank”, we show attention and commitment, fast solutions and a priority service line in our offices as well as through e-banking, which can save customers' valuable time. The customers receive special banking experience, because we are aware that the personal attention, security and individual solutions are essential for them, and Postbank as their trusted financial partner is there to support them on the way to their dreams.

## 7. BANCASSURANCE AND CROSS SALES

For a consecutive year, we witness an increase of results in the insurance business and manage to improve performance in all areas. We maintained the positive trend of exceeding the annual goals for income from the distribution of insurance products. For 2023 we achieve a 25% (EUR 2.8 million) growth in income, reaching EUR 13.8 million, of which EUR 1.6 million from individual (non-loan related) insurances. Adding EUR 7.4 million income from the insurance business of BNP „Personal Finance“, which Postbank acquired last year, we cumulatively generated over EUR 21 million income for 2023.

We provide a variety of insurance and investment-insurance products, that enable our clients to ensure protection and peace of mind for unforeseen situations, as well as saving for future goals. As a result of our long-term strategy, targeted efforts, and the high added value of the insurances we offer, our clients are acknowledging the need for insurance protection on their financial obligations. A proof is the achieved insurance sales on our main credit lines and the trend of their stable growth over time.

With the acquisition of BNP Paribas Personal Finance, Postbank expanded its insurance portfolio. Our customers can benefit from choosing insurance protection when purchasing goods on installments, supporting them in cases of theft, robbery, total or partial damage of the goods.

Following our strategy to provide innovative products and services, as well as to improve customer experience, we continue to develop the digital onboarding of new to bank customers with the opportunity of remote application and conclusion of our most desired insurance products. In few easy steps, from the comfort of their home or

office, free of charge, our customers can conclude insurance which would provide them protection in case of theft, loss of money, personal belongings, financial support in case of unemployment, long-term sick leave, as well as many other desired coverages. In addition, we continue to expand the range of products that can be signed digitally in person by using a special digital device called e-Sign Pad. The customers can review and sign the insurance documents using a digital pen - the process is secure, convenient, significantly faster and paper saving.

In the beginning of the year, we launched the first for the bank International Life Insurance with additional health coverage "Premium Insurance". The product is provided by our long-term partner "Bulstrad Life Vienna Insurance Group" in partnership with Daily Health Insurance Group (DHIG). The insurance is exclusively designed for the needs of our Premium customers who want to ensure a high-level insurance protection for themselves and their loved ones, in case of unforeseen events and need of medical assistance and treatment. The insurance provides coverage in case of loss of life due to illness or accident, and the additional health coverage gives the opportunity to choose place and method of treatment in the country and abroad (four territorial levels are available depending on the needs and preferences of the insured). Hospital care is provided worldwide in case of emergency, even outside the chosen territorial scope. The limit for health coverage is at the customer's choice - up to EUR 1 million or EUR 2 million per year for one person. There is an opportunity to buy individual policy, and a discount applies to family ones. An assistance company is supporting the customers with their treatment abroad. The insurance is available in Postbank's Premium Centers.

During the last year, two more emissions of the „Everest“ series matured - life insurance of „Bulstrad Life Vienna Insurance Group“, linked to a structured investment product. The profit was tied to the performance of the EURO STOXX 50 and STOXX Europe 600 Utilities indices, which reflects the development of some of the largest European companies. The product also provided coverage for the life of the insured person in case of accident for the entire term of the policy. Upon expiration, the clients receive the initially invested amount increased by a percentage of the positive change of the index recorded between the initial and final value dates.

The „Everest“ investment-insurance series of Bulstrad Life was successfully launched at the end of 2016. The first two emissions matured with an attractive yield, far exceeding that of standard deposits. With the maturity of the third emission in January 2023, the clients received the maximum agreed yield of 40.50%. The fourth Everest series matured in July 2023 with the highest yield of 58.88%. Postbank proved again its capability to provide insurance protection, combined with extremely attractive conditions for the customers' savings.

Acting as a pension assurance intermediary has provided our clients with a fast, secure, easy, and convenient way to choose or change their pension fund. With this opportunity, we responded to our clients' need for complex banking services and increased the range of products and services we offer. We generated EUR 1.3 million in revenue and once again exceeded the set goals.

As a result of its consistent activities, insurance products with high added value, development of technological solutions and diverse sales channels, Postbank has once again strengthened its position as a leader in bancassurance as well, offering high-quality protection to its customers, tailored to their individual needs. With our international „Premium Insurance“, we have provided premium customers with the highest-class protection, using health services in their preferred medical facilities all over the world. With the wide range of products, the bank has once again proven that it can offer extensive insurance protection for the various needs of all its customers.

## 8. CUSTOMER SERVICE CENTER

2023 was another successful and challenging year for Postbank, as it once again proved that it is the leader

of the banking market in Bulgaria by successfully completed the deal for the acquisition of the commercial enterprise and the activity of BNP Paribas Personal Finance, the Bulgarian branch of BNP Paribas Personal Finance S.A., France. The branch's activities are transferred to the Postbank family and it continues to work on the Bulgarian market under the brand PB Personal Finance by Postbank. This deal and the enviable financial result reported in 2023 as a profit in the Bulgarian banking sector are the main reasons for reporting a record growth in the number of customers served during the year by the „Customer Service Center“, which reached almost 550 thousand calls related to all products and services offered to customers in the retail sector.

In parallel with this, Postbank continued with the development of its digital service channels, so that the number of inquiries received by the bank's customers through the EVA - digital assistant created in 2022 reached almost 280 thousand.

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 real-time consultation. The chatbot algorithm uses natural speech patterns and is ready to respond to the customer even after entering 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](http://www.postbank.bg), e-Postbank, m-Postbank, Viber, Facebook messenger. The service is focused at 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. Artificial intelligence has a built-in neural network – a series of algorithms that mimic 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 18,000 questions, and its knowledge is constantly being supplemented, updated and expanded. Thanks to the overall work of the department's team, EVA - digital assistant was awarded with the Gold Award in the „New Service“ category at the annual awards of the Association of Advertisers in Bulgaria (BAAwards), at a special ceremony held on 30.11.2023.

During the year, our team also managed to implement a key project for the department - Gamification, the main goal of which was to improve employee engagement and satisfaction, increase productivity, encourage the enhancement of employees' competencies for a better customer experience and increase staff motivation to achieve higher goals.

The implementation and integration of the project was developed entirely with the team's internal resource, without the intervention of an external vendor and assistance from other units of the Bank, and only within the first three months after the launch, excellent results were reported on the main key performance indicators of the department's performance.

## DIGITAL BANKING

Our main focus in recent years has been increasing the popularity and usability of digital channels. To respond to changing customer preferences and following current trends, we have created new channels and functionalities to provide customers with convenience, unlimited access and freedom to manage their finances. We combined the creation of more alternatives to the services offered in the branch with guidance to customers in the form of videos, user guides, various marketing initiatives and informative messages to reveal to them the advantages and benefits of digital services and stimulate their use. As a result of all the initiatives and efforts, the key indicators for the usability of digital services show vast growth annually.

In 2023, we put focus on colleagues in the branch network on an increase in newly registered customers



of the Bank for the Internet banking service. The growth achieved is a 22% year-on-year increase over 2022, with the highest result being reached in the second quarter of 2023, when over 25,000 customer registrations for the service were made.

In 2023 we implemented some improvements and changes in digital services, which increased the possibilities and convenience of our customers:

- Individual customers now have access through e-Postbank to the documents signed electronically in the branches, which optimizes costs for the bank and gives additional accessibility to customers;
- We introduced payments by 10-digit code through mobile banking, which is a new type of payment operation for payments to various merchants using a code provided by them;
- We have improved the service for paying household bills by automatically updating the list of merchants, currently offering the possibility of payments to over 800 merchants;

Over the past year, we have seen a significant shift of customers to using the mobile banking channel. Customers with at least one login into digital channels grew by 14% year-on-year, and customers using only the mobile banking channel for their daily financial operations increased by 20%. On average, each of the users of the mobile application uses the service 17 times a month.

For 2023 our reports show a 21% growth in the number of users who use the Internet banking service to perform transactions, with the Mobile Banking channel having a greater advantage. The number of operations performed through this channel for 2023 increased by 64% compared to 2022, exceeding 3.8 million, and the amount of payments made reached BGN 2.1 billion, which is an increase of 106% compared to the previous year. Mobile banking is becoming an increasingly preferred and primary transaction channel for our individual customers.

Thanks to the digitally orientated of customers and the various initiatives we have taken, the share of payments initiated in a digital environment compared to those made in branches of the bank is increasing, with an average of 89% of all payments in 2023 initiated through a digital channel, compared to 87% for 2022. As of December '23, the share reached 91%.

From the first quarter of 2022 Bank's digital assistant EVA is available to our customers via internet and mobile banking. It is a convenient and modern way for customers to receive answers to their inquiries immediately, without the need to use other contact channels.

To meet the needs of customers for prompt service in a branch, in mid-2020 we introduced a new channel in the branch network - Digital Banking Express Zones, which are currently available in the majority of our branches. Digital zones offer customers cash and non-cash operations, covering 95% of the types of operations that can be performed in the branch. The main goal is to provide faster customer service and reduce the workload of colleagues in a branch network, providing another alternative to customers.

Since 2020, the locations where we have Digital Banking Express Zones have increased by 108, reaching 125 by the end of 2023. Our customers are already moving towards using this channel as well, noting a 59% increase in operations for 2023 compared to the previous year.

In 2021 we also presented our digital wallet - ONE wallet by Postbank to the customers. The digital wallet offers customers the opportunity to activate all the cards they have issued by Postbank for contactless payments via smartphone, make free transfers by mobile number to other users, manage their cards and other services. When the service was launched in 2021, the application was intended only for current customers of the bank, and from the end of 2022 it can also be used by new to the Bank customers who register through this channel. Each customer is automatically issued a free digital card, which can be topped

up by bank transfer or a card issued by another institution. We note a growth of 59% in the number of registered customers in 2023 compared to 2022, with their number being over 80 thousand by the end of the year. We have seen significant growth in payments made with digitized cards, with their number marking 129% increase (over 3.6 million for the year) for the past year compared to the previous year. The amount of transactions exceeds BGN 215.1 billion in 2023.

During the year, we expanded the functionalities of the mobile wallet by providing the possibility to differ transactions made with a credit card, option to send an invitation to register in the application and send notifications for account movements and card payments at POS/ATM and on the Internet, which we have consolidated the position of the service as the preferred method of financial operations. The number of submitted requests for rescheduling of transactions increased more than 5 times after the start of the service in September'23 – 130 request against 831 request in December'23. The number of successful differed transaction request through the wallet are 785.

At the end of 2022, we also created the option for remote registration for new to the Bank customers through the bank's corporate website - Digital Onboarding. Through forms on the site, customers can request to open a Digital program with a current account, debit card, internet banking and insurance, or apply for a consumer loan or credit card.

## MOMENTO CENTERS FOR EXPRESS BANKING

Our Momento Centers for express banking (cashless branches) stand as a testament to our commitment to leading the digital transformation in the banking industry. By prioritizing speed, efficiency, and customer-centricity, we are not just keeping pace with the digital age but are setting new standards for what banking can be.

Since their launch of the Momento Centers in 2017, we're proud of our remarkable progress. In 2023, we achieved notable growth: consumer loans increased by 19%, credit card issuance by 24%, and insurance products by 31% compared to 2022, underscoring our commitment to delivering exceptional value to our customers.

Momento Centers for Express banking combine 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 are 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

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

Looking ahead, our Momento Centers for express banking will continue to be focused on combining the best of both physical and digital services, in order to elevate the customer experience.

## MORTGAGE CENTERS / DIGITAL MORTGAGE CENTER:

In the past 2023, 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 20% growth in disbursements in 2023 compared to 2022, 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 maintains the share in the total new mortgage loans production by 55% in 2023.

As a modern financial institution, digital experience is highly important for Postbank. Based on changing customer behavior and their ever-evolving expectations, in 2023 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 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 could take 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, has proven to be an optimal solution, covering to the maximum extent the customers' needs for complex banking services. The proof of customers' appraisal is the several times increased number of new for the segment clients in 2023 by 30% compared to 2022.

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

## MOBILE NETWORK-2023

During the 2023, we upgraded the Mobile Bankers service with the possibility of video meetings. We have successfully developed and upgraded the existing main process and physical sales channel with new approaches and digital solutions of the bank. We have introduced a modern and secure way of communication



and personal consultations of clients from our mobile bankers.

Since its launch in 2016, the Mobile Banker Service has managed to prove itself as a sales channel, with important share in the Bank's results. The channel brings value to the bank, attracting mainly new customers, responding quickly and adequately to priority campaigns for the Bank, targeting and covering specific key segments. The Bank's Mobile Experts provide clients with free professional consultation tailored to their individual needs at a time and place convenient for them. In all that years the interest in the service has remained extremely high, which is mainly due to the established trust and professionalism of the Mobile Bankers. They receive a very high rating from customers, as we measure customer satisfaction every month, and over 95% of customers rate the expert who worked with them very highly and firmly say that they would recommend the Mobile Banker who actively served them to their acquaintances and colleagues.

Mobile Bankers Service is offered by Postbank in seven of the largest cities in the country - Sofia, Plovdiv, Varna, Burgas, Stara Zagora, Sliven and Pazardzhik. The benefits that the Mobile Bankers Service gives to its customers are also determined by the target group, namely professionals with busy daily lives who need the help of a qualified banking expert. The latest, most current trend that we can address is that more and more clients employed in the technology sector are interested in the service, which we associate with the latest innovations that we have added to the service.

## CORPORATE BANKING AND CAPITAL MARKETS SECTOR

The Corporate Banking and Capital Markets sector had an exceptional year in 2023, marking the most successful year since 2014. Despite the challenges faced by much of the Bulgarian business sector, including slowed economic growth, inflation, and geopolitical factors, the sector continued to achieve a series of impressive successes.

Postbank emerged as one of the leading banks in terms of corporate loan growth. The total volume of corporate loans exceeded €2.5 billion by the end of 2023, with new loans amounting to nearly €560 million during the year.

In the realm of transaction banking and factoring services, Postbank also achieved remarkable success. The market share of corporate deposits surpassed 11% for the first time.

The mutual funds distributed by the bank remain a preferred choice in personal financial planning. For the twelfth consecutive year, Postbank received awards for the best custodian on the Bulgarian market from the prestigious global media outlets Global Custodian and Global Investor Magazine.

### A. CORPORATE BANKING DIVISION

The Corporate Banking Division of Postbank provides loans to companies with sales revenues exceeding 4 million BGN. The division comprises the following five departments: „Large Corporate Clients,“ „Medium Corporate Clients,“ „Project Financing,“ „Greek and International Business,“ and the supporting department „European Programs and Sales Development.“

The division operates from the bank's Central Headquarters in Sofia and through a network of 10 corporate business centers across the country, ensuring optimal regional coverage and high-quality service for our clients.

In the past year, the Corporate Banking Division signed new loan agreements worth nearly €700 million with Bulgarian and international companies from various industries, supporting different investment programs and projects, including working capital financing for their operations.

The Corporate Banking Division not only maintained the volume and improved further the quality of its portfolio during a challenging year but also increased the unit's profit before and after provisions by an impressive 65%.

### Sustainable Financing

In 2023, particular emphasis was placed on financing sustainable business projects. Postbank's strategy is focused on sustainable financing by prioritizing support for activities with low or zero carbon footprints. This includes loans for the development of renewable energy sources and energy efficiency improvements.

The „Green Credit“ product, designed for corporate clients and introduced in 2022, was successfully improved and further marketed in 2023. This product offers a streamlined approval process with a competitive financing structure for photovoltaic power plants for both self-consumption and sale of electrical energy, as well as a wide range of solutions tailored to clients' specific needs, including the purchase of high-efficiency machinery, electric vehicles, and energy efficiency measures for production facilities.

### Financing through European Programs

Postbank successfully partners with the Bulgarian Development Bank EAD, the National Guarantee Fund, and the Fund Manager of Financial Instruments in Bulgaria. Through these partnerships, it offers its business clients a full range of eligible products under their guarantee instruments: standard working capital loans, trade finance in the form of bank guarantees and/or letters of credit, and investment loans.

A significant portion of new loans issued under guarantee instruments has been provided by the bank's longstanding international partners—the European Investment Fund and the European Bank for Reconstruction and Development.

In 2023, two agreements with international partners—EBRD and IFC—were also in progress. At the end of the year, a guarantee agreement with the European Investment Fund (EIF) under the InvestEU program was signed. The new instrument aims to support sustainable growth and enhance the competitiveness of small and medium-sized enterprises (SMEs) while catalyzing the green transformation of the Bulgarian economy. This will be achieved through easier access to financing and preferential conditions for our business clients. The agreement will be implemented in two areas: SME competitiveness and sustainability. The competitiveness component will support SMEs with €200 million in new financing to enhance their competitiveness, growth, employment, and productivity amidst economic uncertainty. The sustainability component will allocate another €200 million to finance SMEs' green, sustainable, and inclusive investments in energy efficiency and renewable energy.

We believe that, thanks to the new agreement, Postbank reaffirms its ESG strategic vision and demonstrates its commitment to its clients by providing them with opportunities to develop in a prosperous and sustainable economy.

## B. CORPORATE TRANSACTION BANKING DIVISION

The Corporate Transaction Banking Division of Postbank focuses on providing solutions and daily support to non-credit corporate clients. The bank's speed, modern approach, and innovative solutions tailored to each client's individual needs make it a preferred partner for transaction banking for over 7,000 companies domestically and internationally. During a period of slowed economic growth, political instability, and international uncertainty, the stable growth in revenue and customer base indicates increasing trust in the bank. The trend towards using digital channels continues to rise, with internet and mobile banking remaining the preferred tools for clients to perform transactions.

The division is composed of three units that cover all aspects of the transaction business for our corporate clients:

### Factoring Department

This department handles the entire factoring business process of the bank—from sales to transaction administration. The strong team continues to solidify its market leadership by providing innovative and more digital services. We are proud that our market share remains the largest at nearly 50% (according to FCI data)

### Deposits and Transactional Clients Department

This department offers consultations on deposit and transaction products with personalized service and tailored communication with clients through various channels.

### Digital Banking and Service Quality Department

This department focuses on digitization and the implementation of modern technological solutions that enhance the customer experience and meet the specific needs of clients.

## C. CAPITAL MARKETS DIVISION

In 2023, the Capital Markets Division team marked another successful year, reinforcing the bank's leading position in the Bulgarian financial market. The division exceeded its set goals—optimizing the use of free liquidity, effectively managing investments in securities, expanding the range of offered products, increasing the focus on alternative savings products such as structured deposits and mutual funds, and improving the quality of customer service.

### Asset and Liability Management Department

During the dynamic year of 2023, optimal liquidity utilization remained a focus. In the first half of the year, resources were secured to finalize the acquisition of BNP Paribas Personal Finance, Bulgaria branch. Concurrently, all regulatory and internal ratios were maintained significantly above required levels throughout the year. The bank was very active in the interbank money market and government debt markets, taking advantage of high market interest rates. In 2023, the bank continued to build successful collaborations with local and international financial institutions, effectively utilizing existing and attracting new guarantee instruments to support small and medium-sized businesses. The bank also finalized and was among the first to sign new guarantee instruments with the European Investment Fund under the InvestEU initiative. With the program's support, sustainable and green projects for small businesses and corporate clients will be supported over the next three years.

### Trading and Investment Banking Department

Postbank was again one of the most active participants in the securities market. By actively reinvesting amid high market interest rates, higher portfolio returns and solid interest income were achieved. The bank continued to develop and diversify its securities investments, effectively managing bond portfolio risks. Additionally, the department expanded its trading lines and contacts with leading international banks and brokers.

### Treasury Department

In 2023, Postbank maintained its leading position in offering currency trading operations for both individuals and legal entities, as well as providing a wide range of investment products and services. The volume of deposits attracted from institutional clients increased by nearly 26%, enhancing the market share in this segment. The department expanded its range of structured deposits, mainly targeting the



investment needs of individual clients. The „Investment Brokerage in Securities Transactions“ section contributed to the bank’s stable positioning as one of the active participants in the Bulgarian Stock Exchange (BSE) and one of the leading investment intermediary banks. Clients of this section have access to financial instruments on foreign stock markets in 26 countries across Europe, Australia, Asia, and North America.

### Custody Department

In 2023, the bank solidified its leadership as a depository bank for local mutual funds and remained the top institution offering a full range of custody services in line with international standards. For 16 years, Postbank has offered storage and administration services for all types of local and foreign securities and access to over 100 international markets. The bank is the sole representative for the local market of the largest European Central Depository, Clearstream Banking Luxembourg. Custodial assets grew by 68%, an increase of 27% compared to 2022, and revenues from this activity increased by 9.4%. The client base grew by 8.9% in 2023, driven by the acquisition of new institutional clients. For the eleventh consecutive year, Postbank received the „Best Custodian“ award from the prestigious global magazine Global Custodian Magazine.

### Private Banking and Mutual Funds Department

In 2023, Private Banking recorded over 10% annual growth in client assets and liabilities. The client base further expanded, thanks to the increasingly successful partnership in offering wealth management services between Eurobank Bulgaria AD and Eurobank Private Bank Luxembourg S.A. The trend of directing client funds towards principal-guaranteed products or securities issued by countries or companies with an investment credit rating continued. The year was positive regarding the performance of major classes of financial assets. The long-term strategy and the presence of a wide range of low and medium-risk mutual funds contributed to positive net sales and an 8% increase in net assets compared to the previous year. The strong positioning of the mutual funds distributed by the bank among institutional clients was reinforced, achieving an 80% increase in net assets on an annual basis. The combined product SaveInvest (deposit + investment in a mutual fund) and the regular investment plan continued to have strong client emphasis and expanded presence.

# GOVERNMENT STRUCTURE AND RISK MANAGEMENT

## SHARE CAPITAL STRUCTURE

As of 31 December 2023 the total authorized number of ordinary shares of Eurobank Bulgaria AD was 560,323,302 with a nominal value of BGN 1 per share. Eurobank S.A. owns 99.99% of Eurobank Bulgaria's AD shares, and 0.01% is held by minority shareholders.

## MANAGEMENT BOARD

As of 31 of December, 2023 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) – Chairperson of the Executive Board;

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

Hellenic Business Council in Bulgaria (non-profit legal entity) – Chairperson of the Board of Directors up to 19 December 2023 and Member of the Board of Director after;

Association Endeavor Bulgaria – Member of the Board of Director;

Association of the Canadian Commercial Chamber in Bulgaria – Member of the Management Board;

PB Personal Finance EAD – Member of the Board of Director;

- **Asen Yagodin**

Bulgarian Stock Exchange – Sofia AD, Bulgaria – Member of the Board of Director;

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;

- **Dimitar Shoumarov**

PB Personal Finance EAD – Member of the Board of Director;

#### **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 Commercial Act during 2023.

In 2023 the members of the Management and Supervisory boards received remuneration amounting to BGN 3,513 thousand.

### **SUPERVISORY BOARD**

As of 31 December 2023, the Supervisory Board consisted of the following members:

- Georgios Provopoulos – Chairperson 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;
- Raika Ontzova – Member of the Supervisory Board;
- Oliver Elingham – Member of the Supervisory Board (released as of 21.12.2023);
- Minko Guerdjikov – 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 (released as of June 2023).

- **John David Butts**

Lex RX Bulgaria EOOD, Bulgaria – Sole Owner;

Ubad - Toro OOD, Bulgaria – Partner;

Lexrx Capital OOD, Bulgaria – Partner and directing Manager.

- **Raika Ontzova**

VPS Lilia & Ontzovi SD – Partner and Chairperson.

### **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 (released as of November 2023);

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 – Vice Chairperson and 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, Member of the Executive Board;

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 (released as of November 2023);

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 (released as of July 2023);

NEU 03 Property Holdings Limited, Cyprus – Chairman and member of the Board of Directors (released as of July 2023);

ERB New Europe Funding III Limited, Cyprus – Chairman and member of the Board of Directors (released as of August 2023).

- **John David Butts**

Lexrx Capital OOD, Bulgaria – Managing Director.

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

In 2023, the Bank did not conclude contracts within the meaning of Art. 240 b para. 1 of the Commercial Law.

In 2023 the members of the Management and Supervisory boards have received remuneration amounting to BGN 3,513 thousand.

## **BANK STRUCTURE**

Eurobank Bulgaria AD has one subsidiary as at 31 December 2023 - PB Personal Finance E.A.D. The Bank employees are 4,213 people (2022:3,333).

## **OBJECTIVES FOR 2024**

Completing the successful acquisition of the business of the branch of BNP Paribas Personal Finance SA in Bulgaria (renamed and working under the brand name Postbank Personal Finance), Eurobank Bulgaria plans to return to its long-term strategy focused on three pillars - organic growth, digitalization and customer service aiming at sustainable growth and value creation for the shareholders.

The above will go hand-in-hand with the ongoing preparation for the euro adoption project, for which apart from the preparatory work in the previous two years, additional substantial financial and human resources will have to be committed to finalize it in 2024. Despite the substantial costs involved, the adoption of the euro as a national currency of Bulgaria is expected to bring benefits for the Bank such as higher capital adequacy, reduced minimum reserve requirements and better access to funding.

In 2024 the market is expected to balance the growth of loans and deposits and the strategy of the Bank will be to take its fair share from both markets. The demand for new loans by the households is projected to be similar to the previous year's which would require vigilant credit assessment and asset quality protection. Responsible and sustainable financing will be of growing importance for the Bank, where the its ambitious goals for reducing the impact on the environment have to be promoted to its clients. In order to facilitate this transition and provide more opportunities for improving the competitiveness of the small and medium-sized companies, Eurobank Bulgaria plans to sign new guarantee agreements with international financial institutions.

Strict cost and revenue control will be exercised in order to ensure that profitability will be kept at the same level and that Eurobank Bulgaria will be able to cover the capital and MREL requirements through internal capital generation. Implementing the digital strategy will continue with appropriate prioritization of projects to balance between short-term regulatory driven targets, such as the euro adoption and the long-term strategic goals. Investments in digital channels, self-service zones and end-to-end digital processes will be key to free the front office staff from mundane tasks and devote more time for client consultation and advisory. Given the limited options for competing on price, keeping the existing clientele engaged and winning new clients could only be possible by providing fast, reliable and impeccable service for which Eurobank Bulgaria is renowned for.



## 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: 2024.03.29 14:48:35 +02'00'

**Petia Dimitrova**

Chairperson of the Management  
Board and Chief Executive Officer

27 March 2024  
Sofia, Bulgaria

**Dimitar Borisov Shoumarov**

Digitally signed by Dimitar Borisov  
Shoumarov  
Date: 2024.03.29 14:11:36 +02'00'

**Dimitar Shoumarov**

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

## CORPORATE GOVERNANCE STATEMENT 2023

### 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 Statute and all adopted internal rules and manuals are in 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 behaviour.

The 2023 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 the 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 31.12.2023 is 8 (eight) members, after the decision of the General Meeting of Shareholders, Mr. Minko Guerdjikov was appointed, as a new independent non-executive Supervisory Board member, 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. Respectively, Mr. Elingham was released as a SB member as of 21.12.2023.

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, 2023 the members of the Supervisory Board are:

- Georgios Provopoulos - Chairperson of the Supervisory Board;
- Stavros Ioannou - Member of the Supervisory Board;
- Michalakakis 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;
- Raika Ontzova – Member of the Supervisory Board;
- Oliver Ellingham – Member of the Supervisory Board (released 21.12.2023);
- Minko Guerdjikov – Member of the Supervisory Board.

The Chairperson 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 2023 the RC held 4 (four) regular meetings and 5 (five) 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 be comprised of at least three members. As of December 2023, the Audit Committee consisted of three 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. Additionally, as of 31.12.2023, two new members were appointed in the Audit Committee, through the GMS. Their mandates started on 14.02.2024, since the meeting was convened on that date.

The Audit Committee members' term of office is until 30th of 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 2023 the Audit Committee held 4 (four) regular and 5 (five) 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 nine (9) years in total. All of the members are non-executive directors and the majority of them are independent.

In 2023 the Remuneration Committee consisted of three members. During 2023 the Remuneration Committee held 5 (five) meetings.

### 3.2.4. Nomination and Corporate Governance Committee

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

In 2023 the Nomination and Corporate Governance Committee consisted of three members. During 2023 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 2023 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 2023, 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 up 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 to assess and approve credit lines above € 10 m and/or term exceeding 10 years to borrowers with credit rating ICR and NCR 1 - 6 and respectively MRA 1 - 7.5, i.e., exceeding the limit of the CCC.

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 approval of all credit exposures with amounts between €6m and €10m and/or term between 7 and 10 years.

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 assess and approve proposals related to corporate borrowers with credit rating equal and above MRA 7.6/ICR 7/NCR 7 and delinquent retail borrowers with exposures above € 3 m.

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 assess and approve proposals related to corporate borrowers with credit rating equal and above MRA 7.6/ICR 7/NCR 7 and delinquent retail borrowers with exposures between € 1m and € 3 m.

The Committee consists of senior management personnel from Eurobank Bulgaria AD (including the Chief Executive Officer) and senior management from the Credit sector function of 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 loan products, as well as changes in basic credit criteria, both in Retail and Corporate.

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 ORC’s remit covers all business activities and subsidiaries of the Group in Bulgaria. 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 REC is subordinated and reports directly to the ExCo.

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, Social and Governance Management Committees (ESGMC)

The ESGMC is a management committee established by the CEO. Its purpose is to provide strategic direction on ESG initiatives, review the ESG Strategy prior to approval, oversee the progress of the ESG goals and performance targets and the proper implementation of ESG related policies and procedures. The Committee consists of senior management personnel including the Chief Executive Officer, and other key management functions.

### 3.3.12. Special Handling Monitoring Committee

The Special Handling Monitoring Committee (SHMC) is established as a committee that monitors problematic Corporate and NPL 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.

### 3.3.13. Data Governance Committee

The Data Governance Committee (“DGC”) of the Bank is a Management Committee. The DGC is a steering and operational decision-making body for the Bank regarding Data Governance and BCBS 239 compliance management. It oversees rules, regulations, processes and roles that are established in order to manage operational issues related to Data Governance and BCBS 239 principles.

Committee members are appointed by the Executive Committee and include the CEO and other key positions.

### 3.3.14. IT Decision Board

The IT Decision Board („ITDB”) was established to assist in overseeing the implementation of the IT project portfolio and the management of critical/large IT services and projects at the local level.

The CFO is the chairperson of ITBDDDB and the members are the heads or senior management representatives.

### 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 the 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 2023

In discharging its responsibilities for 2023 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;
- Review and participation of significant revamp and approval of Internal Corporate Governance Manual (IGCM);
- Other decisions as per Bank's Statutes'.



### b) Capital Adequacy:

- review of the 2023 Internal Capital and Liquidity Adequacy Assessment Process (ICAAP and ILAAP) – Pillar 2 Report. Capital Adequacy report review at each SB meeting; Review of MREL requirements and approval of MREL instruments issuance.

### c) Business monitoring and strategy:

- approval of the 2022 Annual Financial Statements;
- review of business developments and strategic projects including integration of the acquired business of BNP PF, Euro adoption, IT digitalization and security;
- review of 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 2022 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 to function effectively.

The Nomination and Corporate Governance 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 the 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 of 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 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, 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 in view of the best practices in the area;
- 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 international 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 permanent function, independent of the Bank's business activities, so that conflicts of interest are avoided. The Mandate of Compliance Division is reviewed at least annually.

In order to safeguard its independence, the Head of Compliance Division reports to the Audit Committee, to the Group Compliance 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.

The main objective of Compliance Division is to ensure that the Bank has established an adequate system of internal controls that allows it to operate in accordance with the ethical set of values contained in its "Code of Conduct and Ethics" and in compliance with applicable laws, regulations and internal policies as well as international best practices. In brief, for the regulatory topics within its scope of responsibilities, Compliance Division is mandated to:

- Raise compliance awareness throughout the Bank;
- Provide advice to the Management and Supervisory 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;
- Review new activities and advise on potential compliance risks;
- Ensure that staff is adequately trained and frequently updated about compliance issues by designing training programs and co-operating with HR for their implementation;
- 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;
- Coordinate compliance risk management actions performed by other business units;
- 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;
- Monitor and test whether staff effectively apply the internal processes and procedures aimed at achieving regulatory compliance and report to the relevant Business Units any potential breaches in order for the latter to proceed with the required improvements;
- Monitor staff adherence to internal policies and the Code of Conduct and Ethics and identify potential breaches or fraudulent activity;
- 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;



- Ensure coordination and cooperation with Group Compliance in line with 'Subsidiaries Compliance Supervision and Cooperation Governance' Group Guideline.

The scope of activities of Compliance Division covers the following core regulatory topics:

- a) Financial Crime including laws and regulations on Anti Money Laundering (AML) and Countering the Financing of Terrorism (CFT), and legislation aimed at combatting tax evasion such as FATCA & CRS (tax compliance). The scope includes the provision of timely and accurate responses to requests arising from regulatory and judicial authorities for the lifting of banking secrecy or freezing of assets and co-operation with them.
- b) Market Conduct related regulation regarding the provision of investment products and services to clients including laws and regulations on Market Manipulation, Insider Dealing, Unlawful disclosure of inside information and other financial crimes.
- c) Internal Conduct rules including Conflict of Interest regulatory provisions, internal codes of conduct, anti-bribery and anti-corruption legislation and Antitrust and Competition laws and regulations.
- d) Consumer Conduct laws and regulations.
- e) Any other topic for which there is a law/regulation assigning a responsibility to the Compliance function, including, inter alia, the high-level monitoring of the alignment of the Bank's activities with legal and regulatory requirements concerning personal data protection and corporate governance.

The scope of activities can be expanded with the approval of the Audit Committee.

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

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 interest 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 Article of Association (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 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 (with financial instruments, currency, etc.), 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.

# APPENDIX









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# Independent Auditors' Report

## To the shareholders of Eurobank Bulgaria AD

### Report on the Audit of the Separate Financial Statements

#### Opinion

We have audited the separate financial statements of Eurobank Bulgaria AD (the Bank) as set out on pages 60 to 190, which comprise the separate statement of financial position as at 31 December 2023 and the separate income statement, separate statement of comprehensive income, separate statement of changes in shareholder's equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including material accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Bank as at 31 December 2023, and of its unconsolidated financial performance and its unconsolidated 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 Separate 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 separate 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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 matters:

### Impairment of loans and advances to customers

As at 31 December 2023, the separate financial statements include:

- Gross loans and advances to customers of BGN 12,906,517 thousand (31 December 2022: BGN 10,410,620 thousand) and ECL allowance of BGN 366,275 thousand (31 December 2022 ECL allowance: BGN 347,187 thousand), as presented in note 18 to the separate financial statements.
- Impairment charge for credit losses recognized in the separate income statement of BGN 100,780 thousand (2022: BGN 75,985 thousand), as presented in note 12 to the separate financial statements.

Also refer to the following notes to the separate 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 separate 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,</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"> <li>• 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;</li> <li>• 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;</li> </ul>

among other things, the probability of borrower's default ("PD"), the assessment of the amount 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 economical volatility caused by the ongoing post-pandemic normalisation of global trade, heightened geopolitical tensions and weak economic activity in the euro area, 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.

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.

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 separate financial statements, which required our increased attention in the audit and as such was determined to be a key audit matter.

- Testing the design, implementation and operating effectiveness of selected key 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;
- 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 2023;

For ECLs estimated on a collective basis:

- 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 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 2023 based on the Bank's ECL model for a sample of the Bank's portfolios;

For ECLs estimated on an individual basis:

- 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> <p>Examining whether the Bank's ECL-related disclosures in the separate financial statements appropriately address the relevant quantitative and qualitative requirements of the applicable financial reporting framework.</p>
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#### Acquisition of BNP Paribas Personal Finance S.A. Bulgaria Branch

As at 31 December 2023, the separate financial statements include Goodwill of BGN 82,126 thousand (31 December 2022: nil), as presented in note 38 to the separate financial statements.

Also refer to the following notes to the separate financial statements:

- 2.2.1 Shares in subsidiary undertakings
- 38 Acquisition of BNP Paribas Personal Finance S.A. Bulgaria Branch by Eurobank Bulgaria AD

Key audit matter	How this key audit matter was addressed in our audit
<p>As disclosed in Note 38, in December 2022, the Bank announced that it concluded an agreement with BNP Paribas Personal Finance SA for the acquisition of its business in Bulgaria.</p> <p>On 31 May 2023, the acquisition was concluded, following the receipt of the relevant regulatory approvals.</p> <p>The acquisition was accounted for as a business combination using the purchase method of accounting. In accordance with the terms of the agreement, the funding arrangements of the Bulgarian branch were excluded from the liabilities assumed. The final consideration for the acquisition amounted to BGN 766,179 thousand which has been settled in cash.</p> <p>As a result of the acquisition the Bank recognised goodwill at the amount of BGN 82,126 thousand.</p> <p>The accounting of this acquisition is complex due to the significant judgements and estimates that are required to determine the values of the consideration transferred and the identification and measurement of the fair value of the assets acquired and liabilities assumed.</p> <p>Due to the size and complexity of the above transaction, we considered this to be a key audit matter.</p>	<p>Our audit procedures performed, where applicable with the assistance of our valuation specialists, included among others:</p> <ul style="list-style-type: none"> <li>• Challenging the valuations prepared by the Bank and the methodology used to identify the assets acquired and liabilities assumed, in particular: <ul style="list-style-type: none"> <li>• assessing the competence, capabilities and objectivity of the external expert appointed by the Management Board for determination of the fair value of the loan portfolio acquired;</li> <li>• critically reviewing the methodologies applied and key assumptions used by the external expert in valuing the loan portfolio, which included: <ul style="list-style-type: none"> <li>• benchmarking of the discount rates used by the external expert to the interest rate statistics for new consumer loans published by the Bulgarian National Bank ("BNB");</li> <li>• evaluating the appropriateness of adjustments applied to the discount rates in the form of a premium to be applied to the market rate due to the riskiness of the acquired portfolio;</li> </ul> </li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>evaluating the reasonableness of expected credit loss adjustments applied for stage 1, stage 2 and stage 3 loans.</li> <li>challenging the Bank's determination of the fair value of the remaining assets and liabilities having regard to the completeness of assets and liabilities identified and the reasonableness of underlying assumptions used in the valuation;</li> <li>testing on a sample basis the existence of acquired assets and liabilities assumed, including obtaining evidence of legal title to land and buildings;</li> <li>checking the mathematical accuracy of the calculation performed in determination of the fair value of the assets and liabilities and recalculation of the resulting goodwill.</li> </ul>
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### Information Other than the Separate Financial Statements and Auditors' Report Thereon

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

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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 separate annual activity report, the corporate governance statement and the non-financial declaration, 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 separate annual activity report for the financial year for which the separate financial statements have been prepared is consistent with those separate financial statements.

- The separate 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 separate 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 declaration referring to the financial year for which the separate 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 Separate Financial Statements**

Management is responsible for the preparation of separate financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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 Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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 separate 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 separate 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 EOOD were appointed as statutory auditors of the separate financial statements of the Bank for the year ended 31 December 2023 by the general meeting of shareholders held on 3 April 2023 for a period of one year. The audit engagement was accepted by signing the Joint Audit Engagement Letter on 10 November 2023.



- The audit of the separate financial statements of the Bank for the year ended 31 December 2023 represents sixth total uninterrupted statutory audit engagement for that entity carried out by KPMG Audit OOD and sixth total uninterrupted statutory audit engagement for that entity carried out by Baker Tilly Klitou and Partners EOOD.
- 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.

Sofia, 29 March 2024

**For KPMG Audit OOD:**

Registered under No 045 in the Register of registered auditors

SEVDALINA  
NIKOLAEV  
A DIMOVA

Digitally signed by  
SEVDALINA  
NIKOLAEVA  
DIMOVA  
Date: 2024.03.29  
15:53:22 +02'00'

Sevdalina Dimova

*Authorised representative and registered auditor, responsible for the audit*

**For Baker Tilly Klitou and Partners EOOD:**

Registered under No 129 in the Register of registered auditors

Galina Dimitrova  
Lokmadjieva-  
Nedkova

Digitally signed by  
Galina Dimitrova  
Lokmadjieva-Nedkova  
Date: 2024.03.29  
17:16:58 +02'00'

Galina Lokmadjieva

*Authorised representative and registered auditor, responsible for the audit*

45/A Bulgaria Boulevard  
Sofia 1404, Bulgaria

5 Stara Planina Str. 5<sup>th</sup> floor  
Sofia 1000, Bulgaria

# SEPARATE ANNUAL ACTIVITY REPORT

**The management presents the separate  
annual Activity report as of 31 December 2023.**

## 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 the European Central Bank (ECB) as part of the close cooperation process between the ECB and the BNB.

## BUSINESS OVERVIEW

### Macroeconomic Environment

Although the growth of the world economy decelerated in 2023, it was better than expected due to the stronger performance of the economies of the United States and several developing countries. The factors that hampered the growth in 2023 were the same as in the previous year – the conflict in Ukraine, the tightening of the monetary policy triggered by the still higher rising inflation and the weak world trade. Being far from the European conflict and reaping the benefits from the falling energy prices and easing supply-side restrictions, the emerging markets and developing economies managed to maintain the momentum and repeat the growth rate from the previous year. On the other hand, most of the advanced economies saw a harder landing, in some cases even going into technical depression.

The prospects for 2024 are mildly optimistic. Global growth is expected to be 3.1% in 2024 – same as in 2023; rising slightly in 2025 to 3.2%. The above is based on the assumptions that once again, the developing countries will be the drivers of growth, while the advanced economies will be struggling with high interest rates and the withdrawal of fiscal support. Any change in the last two assumptions will result in a stronger growth than expected. Faster disinflation will allow the central banks to speed up the loosening of the monetary policy and will improve business sentiment, easing the pressure for government intervention.

The main downside risks are higher geopolitical risk from intensified conflict in the Middle East and the Red Sea, persistent inflation and tighter fiscal policy. The latter prospect is highly worrying as the indebtedness of the countries continues to rise and in an environment of elevated interest rates it might necessitate tax increases and deep spending cuts which the private consumption will not be able to compensate. In addition, a persistent high inflation will increase the pressure for wage increases, especially in the advanced economies with the risk of a renewed wage-price spiral, which was avoided thus far. Last but not least, escalation of the conflicts in the Middle East and the Red Sea could have a negative impact on the world trade and the prices of oil which will

cause a spillover effect on the inflation and might trigger the previous two scenarios.

Although the EU economies have largely avoided recession, the economic activity has lost momentum, trying to adjust to the changed environment. Various factors contributed to the decline – consumption was hit by the decline of the real wages and the phasing out of the fiscal support, the investment lagged behind as companies limited borrowing because of the high interest rates, while the contribution of the external sector was only positive because of falling import. Overall, the EU economy is expected to grow by just 0.6% in 2023 (the same rate valid for the eurozone countries), before mildly rebounding to 1.3% in 2024 and 1.7% in 2025. The eurozone's prospects are slightly worse for the next two years – 1.2% and 1.6% respectively.

The decisive actions of the central banks helped tame the inflation which was in a constant and higher than expected decline throughout last year. The Federal Reserve raised its policy rate from 4.25-4.5% at the end of 2022 to 5.25-5.5% by end of July 2023, but has not touched it since. ECB actions were slightly behind and more conservative as usual, but still the rates on the deposit facility were increased by 2 percentage points to 4% in 2023. In parallel, ECB has stopped reinvesting the principal payments from maturing securities under the Asset purchase programme (APP), while the same is expected to happen for the Pandemic emergency purchase programme (PEPP) from the middle of 2024, which will reduce the portfolio at a rate of €7.5bn per month on average. With inflation falling towards the target levels, speculations are that the two central banks will start easing the monetary policy in the second half of 2025.

In 2023 Bulgaria's economy has decelerated towards the projected level of 1.8%. In the fourth quarter of the year, GDP growth was 1.6%, compared to 1.8%, 2.0% and 2.4% in the previous three. Consumption grew by 3.1% YoY following a downward trend. Growth of the gross capital formation (4.2% YoY) was positive for a third consecutive quarter, but the country still falls behind the level of local investments needed to increase productivity as the population ages and the wages are rising with double digit rates. The contribution of the external sector was positive, however, due to faster drop of imports, compared to exports.

In nominal terms Bulgaria's foreign trade was hit by the falling prices of energy resources and commodities as well as by the restrictions on imports from Russia. The value of exports was BGN 86.6 billion, or 6.8% lower than a year ago. The value of imports was BGN 96.9 billion, 10.2% below the level in 2022. The exports to non-EU members experienced a modest decrease of 2.9% YoY as the drop of the export of energy products and arms was partially compensated by the higher exports of foods and machinery. In contrast, the imports from non-EU members dropped by close to 20%, most of it because of the lower prices of energy resources and the restrictions on the imports from Russia and Ukraine, in case of the latter mostly grains. The exports and imports to EU countries were also lower on an annual basis – by 8.9% and 2.5% respectively. The biggest trading partner of the country was Germany with a share of more than 12% of the foreign trade in 2023, followed by Romania (8.4% YoY) and Turkey (7.3% YoY).

In 2023 the foreign direct investment continued to grow, reaching €3.37bn (28% increase YoY) – the highest level in history in nominal terms. Little more than €3bn, or close to 90% of the investments, were reinvested profit as many foreign owned companies enjoyed a boom fueled by inflation and falling energy prices. Equity investments decreased by about 20% to €530m as there were fewer deals and green-field investments last year. The flow of the debt instruments was negative (-€172m) as rising interest rates made it cheaper for the companies to finance themselves locally rather than from abroad. The biggest net inflow of investments came from Switzerland (€821m), Austria (€377m) and Belgium (€336m), while the biggest net outflows were to Israel (€27m) and Ireland (€22m).

Inflation has been in constant decline over the last year. Measured through the consumer price index it fell to 4.7% at the end of December 2023, compared to 16.9% a year earlier and a peak of 18.7% in September 2022. Only few goods and services had lower prices compared to last December – mostly oils, energy resources and electronics, while the index was below zero in none of the main categories. Despite the preferential VAT rates enjoyed by the Hospitality sector, its prices rose at highest rate – 9.5% YoY, followed by Education (8.2%) and Health (8.1%). The average Harmonized Index of Consumer Prices which is the benchmark for the country convergence report has also been falling during the year, but at a level of 8.6% in December it is still well above the threshold,

jeopardizing the adoption of the euro as the national currency of Bulgaria in the beginning of 2025.

The slowdown of the economy was felt in the labor market. The unemployment rate rose by half a percentage point to 4.3%, according to the data by the National Statistical Institute. The number of unemployed was 127 thousand – some 14 thousand more than a year ago. The employment ratio in the age group 15-64 years fell to 70.5% - 1.2 pp lower than in 2022. The workforce shrank by about 50 thousand people last year, in line with the general decline of the population.

The number of long-term unemployed (unemployed for more than 2 years) increased slightly – by 1.4 thousand people to 39.4 thousand. More worryingly, the youth unemployment (age 15-24) jumped significantly – from 9.1% in 2022 to 14.1% in 2023, suggesting that for the people with basic and lower education it is increasingly harder to find work in the current environment. The Northwestern region has the highest unemployment rate (8.2%), followed by the Northcentral (5.2%). The lowest unemployment rate is recorded in the South Central region (around Plovdiv) – 2.5%, being also one of the two regions where the unemployment level is decreasing. The Southwestern region (which includes Sofia) is moving in the opposite direction and although it has the second lowest unemployment rate in the country (3.6%), it is 0.6 pp. higher than in 2022.

The rising unemployment and the economic slowdown didn't seem to have a profound effect on the wages. The average salary in the country rose by 12% YoY to BGN 2,173 at the end of December – or more than twice the inflation rate for the same period which makes Bulgaria one of the few countries in EU with real wage growth in 2023. A more detailed analysis, however, shows that the salaries in the lowest paid sectors which were booming last year such as construction and hospitality are rising by more than 20% YoY, while the salaries of the agricultural workers have barely moved. IT continues to be the best paying sector with an average salary of BGN 5,043 (8% YoY), well ahead of the second (Electricity and gas) where the average salary is BGN 3,455 (6% YoY).

The public sector was paying an average salary of BGN 2,344 (10% YoY). Although the salaries in the private sector rose faster – by 12% YoY to BGN 2,115, the public sector is still paying some 10% more than the private one.

One of the main priorities of the new Government which took office in the beginning of June was Bulgaria to become a member of the Eurozone in the beginning of 2025, thus emphasizing on a strict fiscal discipline in order to comply with the Maastricht criteria. The budget for 2023 which was finally adopted at the end of July targeted a deficit below 3%. The preliminary data by the Ministry of Finance showed that the budget finished with a deficit of 3.1% on a cash basis (BGN 5.62 billion). On an accrual basis, according to the European System of National and Regional Accounts 2010 (ESA 2010) methodology, the deficit is expected to be 2.2%, or well below the threshold.

Budget revenues were BGN 67 billion, BGN 2.3 billion higher than in 2022 and at 96.5% of the projected level. Although projected revenues were not met mostly due to the delayed second tranche from the Recovery and Resilience Facility, none of the major tax and nontax items was above the target either. The tax revenues were BGN 52.3 billion which is 12% higher than in 2022, but around BGN 850 million below the budgeted revenues. The expenditures rose by 10% (BGN 6.4 billion) to BGN 70.8 billion. In contrast to previous years, the capital expenditures are above the projected level as more money has been paid for EU projects and because of the advance payment on a cash basis for the investment program for municipal projects. On an annual basis, the capital expenditures rose by 63% (BGN 3.5 billion) to BGN 9.1 billion – a record amount. The interest expenses jumped by 27% YoY to BGN 831 million and will keep growing because of the newly issued debt and the projected deficits for the next years. The revenues of the social security funds (mainly pensions and health insurance) were BGN 15.6 billion (12% higher than in 2022), while the expenditures were close to BGN 30 billion which represents more than 20% increase on an annual basis. In the last few years, the growth of the social security expenditures has outpaced the increase of the revenues (pensions will rise by another 11% from July 2024) and this trend will be difficult to sustain in the long run.

The state debt expanded by BGN 4.3 billion in 2023 to BGN 41.4 billion or 21.5% of GDP. Since the nominal increase of the GDP was higher, the ratio improved vs. 2022 (22.1%). In the beginning of 2023, Bulgaria issued €1.5 billion in 10-year bonds to cover maturing debt, while in November 2023 another €2.3 billion bonds (with



maturities of 7.5 and 12.5 years) were issued for financing the projected budget deficit. No local debt was issued in 2023.

In 2023 the rating agency FITCH did two 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 one review confirming the rating at BBB but improving the outlook to positive. The third big rating agency, Moody's did its first review since 2020, keeping the rating and the outlook unchanged at Baa1 / stable.

## Banking system

The Bulgarian banking system had another successful year. While in many other countries the tightening of the monetary policy resulted in higher borrowing costs and reduced demand for loans, Bulgaria's banking system remained largely insulated from these trends and continued to break records. Bulgarian banks were able to gain higher income from their operations linked to the international markets such as deposits in other banks, securities and index-based loans, while at the same time keeping the retail rates largely intact which resulted in unimpeded demand and solid portfolio quality. The net profit of the Banks surged by close to two-thirds to a new high of BGN 3.4 billion. The return on equity improved substantially – from 12.3% in 2022 to 18.3% a year later, while the return on assets was 2.1% (2022: 1.4%).

In 2023 lending was growing with almost the same pace as in the previous year – 13.2% and 13.5% respectively. In nominal terms, total loans increased by BGN 11.3 billion to BGN 97.4 billion, where growth was almost equally balanced between companies and households – loans to companies rose by BGN 5.8 billion (11.1% YoY) to BGN 57.9 billion, while loans to households were up by BGN 5.5 billion (16.3% YoY) to BGN 39.5 billion. However, a significant part of the new lending to companies (BGN 2.1 billion or 36% of the new loans) was to other financial institutions and most of it was probably used for lending to households. In contrast to the previous year, a larger part of the new loans to nonfinancial companies are for long-term lending rather than overdrafts which suggests that the businesses have overcome the liquidity strain in 2022, caused by the high electricity prices and the rising inflation. The demand for consumer loans remained almost unchanged compared to the previous year, and they rose by BGN 1.9 billion (11.8% YoY) to BGN 18 billion. Simultaneously, the improving standard of living, the stable interest rates and the active real estate market shot up the demand for mortgage loans to new heights – BGN 3.66 billion net increase in 2023 to BGN 22 billion or almost 20% growth on an annual basis.

The interest rates on new loans in local currency to nonfinancial companies followed closely the international trends and moved in parallel with the EURIBOR, rising from 3.12% at the end of December 2022 to 4.55% a year later – levels not seen since 2016. This was, however, not observed in the retail segment – rates on new consumer loans in leva were 9.6% at the end of December 2023, compared to 9.7% in 2022, while the mortgage rates oscillated throughout the year at a level of around 2.6%.

Growth of deposits decelerated sharply in 2023 from 15.4% to 8.4% p.a. and for the first time in almost 15 years the increase of the deposits could not cover the disbursed new loans. Total deposits expanded by BGN 10.6 billion to BGN 136.8 billion, or BGN 740 million lower than the respective increase of the lending portfolio. After the abundant 2022, in the current year the companies experienced a liquidity squeeze as new deposits fell almost five times from BGN 10.6 billion (26% YoY) to BGN 2.2 billion (4.3% YoY). Although some key factors for the drop were the lower electricity, oil and natural gas prices, the delayed budget payments and the lower international trade, the higher rates that the large corporate customers could get on their deposits abroad certainly played a part. Households, on the other hand, deposited a new record amount in the Banks – BGN 8.3 billion (a third more than in 2022), bringing the total to BGN 82.6 billion, yearly growth is explained by the higher income enjoyed by Households and the lack of alternatives for depositing abroad. Drawing on the ample liquidity buffers built up in the last few years, the Banks were not in an immediate need to attract new liquidity which subdued the upward movement of the interest rates on deposits. Higher rates were offered for terms deposits and longer maturities both to large corporates and households, but the overall impact is still small – cost of funds has increased by less than 15 bps throughout the year.

Interest income swelled by 62% YoY (BGN 2.2 billion) to BGN 5.9 billion. More than half of the net increase (BGN

1.18 billion) came from the lending portfolio, predominantly from the loans to companies, while the income from the household loans was growing in parallel with the increase of the volumes. Income from deposits with banks more than quintupled in 2023 to BGN 1 billion, while the interest income from securities rose by BGN 216 million to BGN 482 million. Interest expenses jumped 2.5 times to just over BGN 1 billion, but this came predominantly from the increased costs for wholesale funding – banks building up MREL funding, rather than deposits from clients. The latter rose by about BGN 160 million (282% YoY) to BGN 218 million representing just 21% of the interest expenses of the Banks. Net fee and commission income rose modestly by 3% (BGN 45 million) as banks had to compensate the safekeeping fees they charged on large deposits in the first half of 2022. Total income for the year was BGN 6.9 billion, or 31% higher than in 2022.

Expenses for the year were BGN 2.7 billion, largely kept under control and in line with the inflation rate. Staff expenses were BGN 1.26 billion, growing by 14.8% YoY (BGN 163 million) similar to the wage rate increase in the financial economic segment.

As the portfolio quality improved, the Banks had a lower impairment charge on loans and securities – it was down by 30% to BGN 413 million. The nonperforming exposures ratio improved by 121 bps to 3.96%. The volume of the nonperforming loans fell by more than BGN 590 million to BGN 3.85 billion, mostly due to loans overdue more than 180 days (BGN 439 million), written off or sold. At the end of the year the coverage ratio stood at 81% (2022: 77.6%).

Throughout the year the Banks have been building up their capital buffers preparing for the binding MREL requirements which entered into force on 1 January 2024. Total CAD ratio stood at 21.65% as of the end of December or close to 80 b.p percentage point above the level a year ago. The CET 1 ratio was 20.07% as of the same date.

## Major Changes in The Regulatory Environment

On 26 April 2023 the Governing Council of BNB adopted a decision on the implementation of Guidelines EBA/GL/2023/04 on policies and controls for the effective management of money laundering and terrorist financing (ML/TF) risks when providing access to financial services, effective from 3 November 2023. The Guidelines set out the policies, procedures and control mechanisms that credit and financial institutions should apply to effectively reduce and manage the ML/TF risks in accordance with Article 8(3) of Directive (EU) 2015/ 849, including measures regarding the provision of payment accounts with basic features in accordance with Article 16 of Directive 2014/92/EU. The Guidelines introduce a requirement for credit and financial institutions to put in place risk-sensitive policies and procedures to ensure that their approach to the application of customer due diligence measures does not unduly deprive customers of legitimate access to financial services.

On 26 April 2023 the Governing Council of BNB amended Ordinance No. 21 on Minimum Required Reserves Maintained with the Bulgarian National Bank by Banks. The amendments include increase of the percentage of the minimum required reserves on the funds attracted by banks from non-residents from 5 to 10 percent as of 1 June 2023 and increase of the percentage of the minimum required reserves on the funds attracted by banks from residents and from non-residents from 10 to 12 percent as of 1 July 2023.

The European Parliament and the Council of the EU adopted on 18 October 2023 Directive (EU) 2023/2225 on credit agreements for consumers, repealing Directive 2008/48/EC (Consumer Credit Directive) from 20 November 2026. The Directive lays down a common framework for harmonization of certain aspects of the laws, regulations and administrative provisions of the Member States concerning credit agreements for consumers. Certain articles shall apply to all open-end credit agreements existing on 20 November 2026. Member States shall adopt and publish, by 20 November 2025, the laws, regulations and administrative provisions necessary to comply with this Directive.

On 30 December 2023 changes in Corporate Income Tax Act were published in the State Gazette implementing the EU Global Minimum Tax Directive applicable in Bulgaria as of 1 January 2024. According to it the minimum effective tax rate of 15% will apply to Bulgarian companies and permanent establishments, part of multinational

or purely domestic groups, with a consolidated turnover above EUR 750 million for 2 out of the last 4 years. Respectively Bulgarian companies, falling in the scope defined above, will pay directly to the Bulgarian budget a top-up tax to reach 15% effective tax rate - if their (aggregate) effective tax rate was below 15% – applicable as of 1 January 2024.

Regulation (EU) 2022/2554 on the digital operational resilience of the financial sector (“DORA”) was published at the end of December 2022. The Regulation entered into force on 16 January 2023 as its provisions shall apply from 17 January 2025. The Regulation aims at strengthening the IT security of financial entities such as banks, insurance companies and investment firms and assuring that the financial sector in Europe is able to stay resilient in the event of a severe operational disruption.

State Budget Act of the Republic of Bulgaria for 2023 introduced amendments in The Payment Services and Payment Systems Act. The PSPSA provides an addition in relation to basic operations accounts. It is envisaged that when in an account for basic operations under Art. 118 of the Law on Payment of Disabilities shall be carried out operations on the order of the holder, including cash withdrawals, no fees shall be paid for them when they are at the expense of funds received from salaries, pensions, social security and social assistance benefits, scholarships for pupils, students and PhD students. This provision does not apply to withdrawals through ATM and POS terminals of banks other than the servicing bank. The Basic Operations Account is serviced free of charge when the above funds and the interest on these funds are received and stored. The changes came into force on 01 September 2023.

The new amendments in the Measure against Money Laundering Act (“MAMLA”) aim to increase the compliance of the national legislation against money laundering and terrorist financing with the requirements of the International Standards on Combating Money Laundering, the Financing of Terrorism and Financial Action Task Force (FATF) Recommendations. In Art. 4 of the Act new categories of obliged entities are included in order to achieve a higher level of compliance with the requirements of FATF Recommendations 10 and 15, namely: the persons who by profession provide services for the transfer, exchange, storage and management of virtual assets, and services related to the public offering of virtual assets, the persons who by profession provide access to deposit cassettes in public vaults, as well as the representatives of licensed postal operators providing postal money transfers. The amendments entered into force from 6 October 2023, with the exception of certain provisions regarding the notification obligations of the obliged entities which will enter into force 12 months after the promulgation.

## EUROBANK BULGARIA PERFORMANCE AND KEY INDICATORS

The year 2023 was by far the best in Eurobank Bulgaria’s history. Gaining from the strong market performance and leveraging on the successful acquisition of the business of the Bulgarian branch of BNP Paribas Personal Finance S.A. (BNP Paribas PF) in the middle of the year, Eurobank Bulgaria improved its results by every measure. Net profit for the year reached a new record of BGN 308 million – a sizable annual increase of close to 50%. The return on equity was 14.6% or 3.3 pp better than last year’s, while the return on assets was 1.74% (2022: 1.36%).

Gross loans increased by a little less than BGN 2.5 billion (24% YoY) to BGN 12.9 billion, of which approximately BGN 879 million came from the acquisition of BNP Paribas PF, the rest being organic growth. Market share gain last year was 1.2 pp and reached 13.3% - a new high. More than half of the new loans came from the consumer lending segment – the size of the portfolio surged by 74% (BGN 1.38 billion) to BGN 3.25 billion, where the BNP PF non-organic growth supported entirely this segment of business. The favorable interest rates and the strong real estate market helped propel the mortgage portfolio by close to 20% YoY ( BGN 588 million) to BGN 3.67 billion. Growth in the SBB segment was more modest – loans to small businesses rose by BGN 112 million (12.3% YoY) to BGN 1.02 billion. Although the performance of the corporate segment seems the weakest compared with the others - 9.2% YoY with a nominal increase of BGN 419 million to BGN 4.97 billion, it is in fact 50% higher than previous year delta and slightly higher than the market, bringing along a small market share gain. Although most of the new lending was funded by the inflow of deposits, Eurobank Bulgaria had to utilize some of its liquid

resources to cover the rest – thus the loans and advances to banks shrank by BGN 660 million to BGN 783 million.

Total deposits rose short of BGN 2 billion (14.4% YoY) to BGN 15.65 billion. This was much higher than the market growth (8.4% YoY), allowing Eurobank Bulgaria to improve its market share by 60 bps to 11.45% - the highest on record. Two-thirds of the increase came from retail customers whose deposits exceeded BGN 11.2 billion at the end of the year. Despite the difficult market conditions and the liquidity squeeze felt by the companies, Eurobank Bulgaria managed to attract more than BGN 640 million new deposits from corporate clients, bringing the total to BGN 4.45 billion. Because of the acquisition of BNP Paribas PF, the net loans to deposits ratio climbed by 6 pp to 80%. Other borrowed funds more than doubled to BGN 1.04 billion, because of 3 new medium term loans from Eurobank S.A. which were used to cover the binding MREL target entering into force from the beginning of 2024.

Total operating income was up by 40% YoY (BGN 230 million) to BGN 797.7 million. Net interest income increased by 50% (BGN 210 million) to BGN 637 million with the contribution of the lending portfolio by far having the biggest weight (BGN 227 million). Interest expenses more than quadrupled to BGN 102 million, but close to 60% of them are paid for the expensive wholesale funding, rather than the much cheaper local deposits. Net fee and commission income was up by the more modest 5% (BGN 7 million) to BGN 148.6 million, but income from the transactional business, such as transfers and cash operations, grew with double digit rates.

Total operating expenses increased by roughly a third (BGN 86 million) to BGN 327 million, predominantly because of the acquisition of BNP Paribas PF which affected Bank's cost base. Half of the new costs went for salaries which were also under pressure because of the wage inflation. On the positive side, the higher income more than compensated the increased expenses and the cost-income ratio improved by 1.1 pp to 40.97%.

Provisions for impairment were up by 33% (BGN 25 million) to BGN 101 million, the number including also a one-off effect from the fair value of acquired BNP Paribas PF's portfolio. Even with this, the cost of risk was at the reasonable level of 0.9%. The nonperforming exposures ratio improved considerably – by 1.3 pp to 2.5%, well below the market level (4%). In nominal terms the volume of NPEs shrank by BGN 67 million to BGN 325 million with a stage 3 coverage ratio of 63%, while the coverage ratio was 113%.

In March 2023, Eurobank Bulgaria obtained a permission from the competent authority to include €110m loan taken from Eurobank S.A. at the end of 2022 in its own funds, easing the pressure on the capital adequacy from the acquisition of BNP Paribas PF. The interim profits were capitalized throughout the year which was enough to cover the expansion of the risk weighted assets. At the end of the year the capital adequacy stood at 20.6%, not including the interim profit for the fourth quarter of 2023 ending on 31 December 2023 or about 0.1 pp below the end of 2022. With the additional medium term loans taken from the mother bank in 2023, Eurobank Bulgaria is also in full compliance with the binding MREL target as of 1 January 2024.

### Events after the balance sheet date

There are no significant post balance sheet events with effect on the financial statements as of 31 December 2023.

## 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 (with financial instruments, currency, etc.), 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 a trend setter 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.

2023 has been another special and important year for Postbank, filled with numerous achievements 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.

In June 2023, Postbank officially concluded the acquisition deal of the trading enterprise and operations of the Bulgarian branch of BNP Paribas Personal Finance S.A, France. Effective as of June 1, 2023, the branch's operations transitioned to the Postbank family and continue to operate in the Bulgarian market under the brand PB Personal Finance, part of Postbank, maintaining its business model.

In November 2023, Postbank introduced its new brand „PB Personal Finance“ with its first-of-its-kind conference „Retail Reload – powered by AI.“ The special event, organized in partnership with Mastercard Bulgaria, brought together over 250 representatives from leading companies who, along with internationally renowned lecturers, discussed the latest trends and innovations in the field of artificial intelligence in retail business. Driven by the desire to share expertise and global practices, the companies united in their mission to introduce the Bulgarian retail ecosystem to innovative ways in which artificial intelligence is changing the consumer experience and helping with more effective business management.

Grigor Dimitrov was chosen as the ambassador for the new brand „PB Personal Finance“ of Postbank (PB Personal finance by Postbank). The world-renowned tennis player is the star of the brand's first communication campaign, carrying the strong message „Finance for Champions.“ This partnership is a logical step in line with Postbank's mission to be an innovative bank for dynamic people seeking modern concepts, digital and financial products, providing them with an excellent experience. Customers have easy access to personalized banking solutions with high added value, and the latest innovative concept „One Stop Shop for your Beyond Banking ideas“ provides users with financing at the next level.

In 2023, the top management of Eurobank chose Sofia to host its most significant meeting of the year. Between March 27 and 29, the Board of Directors of the Eurobank Group gathered for the first time in the Bulgarian capital. Its selection as the host city is an exceptional recognition from the leadership of the financial group for the successes and dynamic development of Postbank, as one of the leaders in the Bulgarian market. During their first official visit to the country, the senior management of Eurobank held meetings with the President of the Republic of Bulgaria, Rumen Radev, and other high-level officials, as well as with corporate clients and employees of Postbank. The discussions involved the Chairman of the Board of Directors of Eurobank Group, George Zantias, the Group CEO, Fokion Karavias, the Group Deputy CEO, Stavros Ioannou, the General Manager of International Operations and Private Banking of the group, Michalis Louis, and the CEO and Chairman of the Management Board of Postbank, Petia Dimitrova..

In February 2023, Mrs. Petia Dimitrova, CEO and Chairman of the Management Board of Postbank, was elected Chairperson of the Board of Directors of the Hellenic Business Council in Bulgaria. This high recognition comes after Mrs. Dimitrova served as Vice Chairperson of the Board of Directors of the Hellenic Business Council in Bulgaria for the past few years. It is one of the most important business organizations in the country, comprising leading Bulgarian companies, as well as representatives of Greek and Cypriot businesses in our country. Mrs. Dimitrova's chairmanship is not only recognition of the uncompromising standards she imposes in her work but also a great honor for Postbank as a trusted and reliable business partner.

Mrs. Petia Dimitrova was also elected Chairperson of the Supervisory Board of the Association of Banks in Bulgaria in April. The election took place after a meeting of the Supervisory Board of the Association of Banks in Bulgaria and is a recognition of Mrs. Petia Dimitrova's active role as a member of the governing body of the organization and leader of one of the leading banks in the Bulgarian market.

During the annual „Bank of the Year“ awards organized by the „Bank of the Year“ Association, Postbank won



the award for successful digital transformation, and for another year, triumphed with one of the most important distinctions therein. The award was received after an assessment by a professional jury and was presented to Mrs. Petia Dimitrova, CEO and Chairman of the Management Board of Postbank.

At a ceremonial ceremony in December 2023, the newspaper „BANKER“ presented its traditional „Banker of the Year“ awards for the 30th time. These prizes are awarded to those managers of financial institutions who have achieved remarkable success during the year. Mr. Dimitar Shumarov, Executive Director, Chief Financial Officer, and member of the Management Board of Postbank, was honored with the „Banker of the Year“ award. He received it for achieving high resilience in the current complex macroeconomic environment.

Ms. Petia Dimitrova, CEO and Chairperson of the Management Board of Postbank, and Chairperson of the Association of Banks in Bulgaria, as well as the Hellenic Business Council in Bulgaria, participated in a working meeting with the Minister of Finance, Asen Vassilev. The meeting was attended by representatives of major investors in the metallurgy and metal processing sector, the Banking sector, the cement industry, the construction sector, petroleum product trading, and other sectors, as well as the Ambassadors of the Republic of Greece, Marios Liberopoulos, and the Republic of Cyprus, Haralambos Kafkaridis. In her welcome remarks to the guests, she focused the ensuing lively discussion on topics such as the tax system in Bulgaria, the country's acceptance in the eurozone and Schengen, and projects under the National Recovery and Resilience Plan.

Postbank supported the establishment of the Canadian Chamber of Commerce in Bulgaria, „CanCham“. „CanCham“ officially announced its establishment at a ceremony at the National Archaeological Museum in Sofia. The financial institution was represented at the event by Petia Dimitrova, CEO and Chairperson of the Management Board of Postbank, and Chairperson of the Association of Banks in Bulgaria. Ms. Dimitrova also serves as Vice President of „CanCham.“ The establishment of the chamber aims to strengthen economic ties and reaffirm the common vision for promoting bilateral trade, investment, and cooperation between the two countries. By establishing itself, „CanCham“ will contribute to expanding trade and economic relations between Bulgaria and Canada – one of the leading countries in the G-7 and the world's 10th largest economy.

As a leading employer who values its success through the satisfaction of its employees, Postbank has always sought to develop the skills of its team members and provide an environment for unleashing their potential. Thanks to its active policy in this direction, the financial institution was recognized as a „Top Employer“ for 2023 in Bulgaria with a certificate from the international independent Top Employers Institute. Founded over 30 years ago, the Institute has certified over 2,000 companies from more than 120 countries to date. The Bank receives this recognition after a detailed monitoring of the processes in the company over the past year. The award is for its innovative vision and high standards in implementing globally recognized human resources management practices, care for people, working conditions, employee personal and professional development programs, and more. Postbank is also the first company in the Eurobank group to receive the „Top Employer“ recognition.

For another year, Postbank is among the major winners in the prestigious awards for best employer in Bulgaria – the Career Show Awards, receiving a total of four gold and one bronze awards in some of the most attractive and contested categories of this year's competition. The financial institution received the gold award for „Best Employer“ in the „Banking“ and „Finance“ sectors. The recognitions are for the successful implementation of innovative and creative solutions and successful employer practices for talent attraction, training, management, and development. The company was also honored in the overall and most contested category „Best Employer for 2023“ for its comprehensive employer brand strategy. Postbank won an award in the category „Use of Technology in HR,“ where its innovative approach to digital and VR gamification of the employer brand and automation of HR processes was recognized again.

Postbank won two international awards in this year's edition of the prestigious Employer Brand Stars Awards 2023 competition. The awards in the highly competitive categories „Use of Digital“ and „Candidate Experience“ are recognition of the institution's commitment to implementing innovative strategies and successful employer practices. As the only winner from Bulgaria, Postbank's achievements demonstrate its modern approach to human resource management and are further evidence of its innovative vision for

managing its employer brand.

For another year, Postbank is one of the unequivocal winners in the b2b Media Employer Branding Awards competition. The financial institution was awarded a total of two gold and one silver awards in some of the most attractive categories. The Bank won first place in the Creative Thinking category, receiving recognition for its innovative internal project „Together We Are the Face of Postbank.“ Postbank also dominated with the gold award in the Excellence in Teamwork category. The financial institution was also honored in the Employer Branding Innovation category, where its innovative approach to VR gamification of the employer brand was recognized with a silver medal.

Postbank launched the first sign language academy for banking employees in Bulgaria, „Beyond Sound.“ With it, financial experts from the institution's branch network will be able to provide their services in an even more accessible way and easily serve clients who use this method of communication. The entire training program will be conducted with the assistance and support of Stray Sheep – a company aiming to popularize sign language in Bulgaria, and in collaboration with the Andy and Ay Academy for Deaf Children, as a result of which bank employees will be fully prepared to offer a comprehensive experience to clients with entirely non-verbal communication. With this initiative, Postbank once again confirms its position as a responsible company and its commitment to being as helpful as possible to its clients by providing easy, fast, modern, and convenient banking services.

Postbank was also awarded the Distinctive Sign for Significant Achievements in the Field of Gender Equality. The financial institution was the only bank awarded the high prize in the 2023 edition of the competition, organized by the Ministry of Labor and Social Policy (MLSP). The awards were presented by Deputy Prime Minister and Minister of MLSP L. Lazarov and Deputy Minister N. Klisurska.

Postbank received high recognition after being awarded a long-term deposit rating of Baa3 by the international rating agency Moody's (Moody's Investors Service). The outlook for the long-term deposit rating is positive. At the same time, the rating agency – one of the three largest in the world, awarded Postbank a Baa2 long-term Counterparty Risk Ratings (CRR) rating. The stable capitalization, strong recurring profitability, and growing deposit base of Postbank were fully deservedly assessed and reflected in Moody's report. The stable capitalization, strong recurring profitability and growing deposit base of Postbank were deservedly assessed and reflected in Moody's report.

Postbank received the gold award in the „Innovative Bank“ category at the annual „Company of the Year“ awards. This is another recognition for the financial institution, which has been among the market leaders for 32 years and successfully implements some of the most modern and innovative solutions for the benefit of its clients.

Postbank was the big winner of the first edition of the unique innovative awards, Leaders of Influence Awards 2023, organized by b2b Media. In addition to the most significant prize, Postbank also won gold awards in some of the most contested categories: „Strategy, Leadership, and Success,“ „Leadership Award,“ and „Green Influencer.“ In the „Green Influencer“ category, Postbank was the only awarded participant, fully corresponding with its key message – to be a bank for green ideas. The green start towards a sustainable future is realized with every small step, effort, and achievement made by businesses and society in their mission for more environmentally friendly behavior.

Postbank was honored with two awards during the eighth edition of the BAAwards 2023 for outstanding achievements in marketing communications by the Bulgarian Association of Advertisers (BAA). The financial institution won gold in the „New Service“ category for the campaign „EVA – Financial Digital Assistant.“ The socially significant campaign „Universe of Opportunities“ by Postbank was assessed by the jury with a silver award in the „Corporate Social Responsibility“ category.

Postbank won two awards at the twenty-third edition of the PR Prize 2023 for outstanding achievements in public relations in Bulgaria. At the ceremony held at the Peroto Literary Club, the innovative campaign „The Digital Face of Postbank“ triumphed with second place in the „Internal Communications Project“ category.

The recognition is for building a collective digital image of all over 3000 employees of the Bank in a unique and emotionally engaging way. The innovative, large-scale, and entirely digital project for corporate social responsibility „Universe of Opportunities“ was awarded for the second consecutive year, grabbing the honorary third place in the „Digital Communications“ category.

The extensive digital platform „Universe of Opportunities“ brought another award to Postbank, which won the „Innovative Corporate Social Responsibility Project“ category at the annual Charity and Corporate Social Responsibility Awards „Golden Heart“. The recognition is part of a series of significant awards that the Bank receives for its multi-layered CSR policy, within which it implements various projects for the benefit of society.

Postbank was awarded three prizes at the ninth edition of the b2b Media Annual Awards 2023. The awards were won in competition with many strong projects. The first gold award the Bank received was in the „Community Branding Campaign“ category for the project „The Digital Face of Postbank“ – an innovative campaign that built a collective image combining the characteristics of the Bank’s employees. The competition’s jury awarded the second gold award to the Bank in the „Innovative Campaign in Social Media“ category for the digital platform „Universe of Opportunities.“ In the „Green Initiative“ category, the financial institution was awarded second place for its project „Green Classroom,“ which grew into a successful and sustainable green initiative, implemented in partnership with Mastercard Bulgaria and the Directorate of Vitosha Nature Park.

Postbank received the „Business Honors Cause“ award for its active contribution to environmental conservation and the green transformation of business and society. The awards are presented for the second consecutive year by the newspaper „24 Hours“ and distinguish companies that are actively engaged in the field of social entrepreneurship. Angel Mateev, Executive Director of the Retail Banking Sector at Postbank, accepted the award, which was presented to him by the Minister of Environment and Water, Julian Popov.

In the 13th edition of the b2b Media Annual Awards for „The Greenest Companies in Bulgaria,“ Postbank won a gold award in the „Green Project“ category for its project „Green Classroom.“ Once again, Postbank was honored with the first-place prize by the competition’s jury in one of the most contested categories – „Green Educational Initiative,“ and in the „Leader in Green Initiatives“ category, the Bank won the third prize, which resonates with its role as a Bank for Green Ideas, where sustainable business development is at the core of its long-term strategic vision.

Postbank won one of the prestigious awards at the ESG Awards competition organized by PwC, held for the second consecutive year, which aims to recognize sustainable business practices and ESG strategies. The award in the „Responsible Management Strategy and Internal Training“ category was presented to Dimitar Shumarov, Executive Director and Chief Financial Officer of Postbank, who expressed his gratitude and stated that this award is an exceptionally important recognition for the efforts of all employees who work with tremendous enthusiasm and dedication, and the results prove it. He emphasized that he admires the opportunity for sharing ideas, as sharing our achievements helps us move in unity towards a common cause, such as ESG.

Throughout the year, the Bank’s employees participated in various business forums and conferences, including the international forum The World Ahead 2023, organized by The Economist in Sofia, the „Banks and Business“ conference by Capital, the multi-platform project „Inflation – Equations and Solutions,“ organized by Bulgaria on Air TV, the forum „Strategy for Political and Economic Development of Bulgaria,“ organized by the Hellenic Business Council in Bulgaria, the conference „Financial Innovation Forum,“ organized by the Bank of the Year Association, the Investor Finance Forum, the international conference „Prospects and New Opportunities for Pension Markets in Central and Eastern Europe,“ organized by the European Confederation PensionsEurope (CEEC Forum) and the Bulgarian Association of Supplementary Pension Security Companies (BASSPSC), the 4th RICS International Conference „Investments, ESG, and Market Valuations,“ the specialized annual financial conference „The Noise of Money,“ organized by the financial portal profit.bg, Residential Forum 2023, the prestigious „Banking Today“ forum organized by the financial portal investor.bg, the leading financial forum for digital finance, fintech, and banking innovations #NEXT DIFI 2023, the traditional conference of the construction-investment industry in Bulgaria – „FORUM REAL,“ the educational program of the Finance Academy, and others.

Postbank successfully integrates ESG criteria into its portfolio. The successful integration of the ESG strategy into the financial sector was the topic of discussion at the 14th annual Credit Risk Conference organized by ICAP Bulgaria.

For the financial institution, environmental, social, and governance factors are among the leading values, alongside the understanding that our debt to nature is a key element of our care for the well-being of all stakeholders and our society as a whole.

Environmental protection and the fight against climate change are fundamental to Postbank's corporate values. As a responsible financial institution and a leading factor in innovation and shaping the development trends of the sector in the country, the Bank acknowledges the importance of the environmental and climate aspects of its activities in the process of making key management decisions. Among the latest large-scale projects that Postbank undertakes in this direction is the construction of a photovoltaic power plant for its own needs on the roof of its head office building, with a total installed capacity of 388 kWp. It is expected that the annual production of green energy will reach 432,000 kWh, with the electricity generated by the plant covering at least 30% of the building's electricity consumption for a day with intense sunlight. The implementation of the large-scale photovoltaic project offers several advantages, allowing the company to further reduce its carbon footprint and simultaneously motivate employees to be more responsible. The idea for the project was developed in harmony with Postbank's ESG strategic vision, which outlines the basic principles on which its corporate philosophy for development is based, both in the immediate future and in the long term.

The financial institution was the main partner in 2023 of a series of business discussions in Sofia, Plovdiv, Stara Zagora, Varna, Ruse, Burgas, Veliko Tarnovo, and others, part of the project „Annual Awards of Imoti.net,“ which has been held for the eighth consecutive year and encourages best practices in the sector. At meetings with representatives of the real estate business, the bank's experts discussed trends in the development of the sector and, as a leader in lending, presented their analysis of the market, the profile of consumers, and the current conditions for housing loans from Postbank in the challenging year.

## NEW PRODUCTS

In 2023, Postbank introduced more innovative products and services, focusing on providing support to its customers by developing and implementing modern and high-tech financial solutions that they can use remotely through convenient communication channels, providing them considerable added value. Companies need to be faster in implementing solutions that create conveniences for customers in order to remain successful in the continuous digitalization of the financial sector.

In 2023, Postbank introduced its newest program „Priority by Postbank“ with the special participation of actor Kalin Vrachanski as its ambassador. The financial solution provides a combination of comprehensive banking services for convenient and secure daily banking, digital and savings products, as well as additional preferential conditions related to the Bank's credit offerings. The leading role of Kalin Vrachanski, one of the most beloved and popular Bulgarian actors, in the campaign of the new program once again testifies to its exclusivity and places exceptional focus on the customer and Postbank's commitment to providing impeccable user experience. Customers who prefer not to wait and use the „Priority by Postbank“ program can benefit from innovative services created for them - the Digital Sales and Service Center and the Priority Desk - priority service in over 45 of the Bank's branches. Postbank's Digital Center is an opportunity for customers to contact the Bank from anywhere. A team of experts will take care of the desired services quickly and conveniently. Customers can request a video call or contact by phone, with the option to remotely sign the necessary documents instantly. By using the „Priority by Postbank“ program, Priority customers save time with each visit to the Bank by choosing service at the Priority Desk.

Postbank and Bulstrad Life Vienna Insurance Group presented their newest joint product, the International Life Insurance with additional health coverage „Premium Insurance,“ during a special event in Sofia and in the company



of leading business media. The new „Premium Insurance“ was developed specifically for Premium clients of Postbank seeking high-quality medical care, providing financial support, comprehensive health services, and full service in the country and abroad with a limit of up to 2,000,000 EUR. The special event took place at the recently opened innovative Premium Banking Center „San Stefano Plaza“ of Postbank, which is a continuation of the long-term strategy of the financial institution for the complete renovation of its branch network and with exceptional attitude towards customers from the Premium segment. The specialized centers provide comfort and confidentiality, combined with uncompromising service standards for their high-class clients in luxurious surroundings and spaces with modern high-tech design.

Postbank partnered with „Bon-Bon Music“ in a special campaign dedicated to the youth program „Project YOUth.“ The talents from the music group at different ages participate in the program, discussing the advantages of the project in an interesting and exciting way. The soundtrack of the campaign is created by „Bon-Bon Music“. The young people from the group are not only the main actors in the videos but also the artists who, through the universal language of music, reach the target youth audience, to which the project's message is directed. Postbank developed the modern program to encourage the development of useful financial habits and culture in managing their own budget, as well as to help children acquire key skills that build more independence. With „Project YOUth,“ Postbank focuses on building a stable relationship with its youngest users, inspiring them, and offering them a service tailored to their needs and age, with which they can discover a universe of new financial opportunities.

During the largest pop culture festival in our country, Aniventure Comic Con 2023, which took place on July 8 and 9 at Inter Expo Center in Sofia, Postbank, together with Visa, created a special interactive corner where they welcomed participants and stimulated their creativity with various entertainment, surprises, and prizes. In order to encourage and allow visitors to show their potential and competitive spirit, the two companies offered participants a fun program with numerous activities on the spot. The culmination during the exhibition at the Postbank and Visa booth was the organized raffle with the grand prize PlayStation 5, which attracted the interest of visitors, and over 500 people registered to participate. Each of the areas in the dedicated space was inspired by Postbank's special Youth program „Project YOUth,“ and the design of each installation in the modern corner was painted with the help of teachers from the National Academy of Arts.

Postbank launches a new comprehensive program through which customers can save for a new home and avail themselves of housing loans under preferential conditions. „Towards Home“ is a value-added financial solution designed to assist in the journey towards owning a dream home by combining two banking products. Under the program, customers can open a deposit account with special conditions to save their own contribution towards purchasing a home, as well as apply for a housing loan with promotional terms.

Postbank introduced to the Bulgarian market a housing loan with a fixed interest rate for the first 10 years in euros. With its new financial offering, the institution reaffirms its customer-centric approach and provides consumers planning to purchase property with long-term security and predictability for the future. The loan can be up to 350,000 euros, with a maximum term of up to 35 years, and can be used for purchase, renovation, construction, or finishing activities for a home, as well as for refinancing other obligations. The talents from the music group at different ages participate in the program, discussing the advantages of the project in an interesting and exciting way. The product offers an optimal solution to a specific expectation of the consumers to be able to plan their expenses long-term. Its creation is driven by the growing interest and inquiries from the bank's clients for a loan with a fixed interest rate and is in line with the Bank's long-term strategy to provide value-added financial solutions that meet the needs of consumers and the market environment.

Utilizing the functionalities of one of the world's most popular communication platforms, Postbank is the first financial institution in Bulgaria to develop its own career chatbot on Viber to provide an excellent experience for its new candidates. SKY by Postbank allows users to profile themselves according to their interests and desires, helping them engage with the company through various games, raffles, as well as for personal communication when expressing interest. Postbank's career chatbot SKY will assist users in choosing a position, send them information about new internship and job opportunities, challenge and guide them to discover what matters most to them and more about Postbank as an employer. The creation of the innovative

chatbot for young talents coincides with the presentation of the new edition of the Bank's annual internship program. In 2023, the financial institution, for which innovation is a tradition, once again gives young people the opportunity to apply for internships with an Instagram CV in the special channel PostbankSuperstarter on the popular social network.

The Bank continues to offer its customers a fully remote process for issuing credit and debit cards, allowing customers not only to apply for their cards online but also to receive them at their desired address, with the entire procedure taking place without visiting a bank office. In 2023, in over 10 cities across the country, including Sofia, Plovdiv, Varna, Burgas, Ruse, Blagoevgrad, Pleven, Pazardzhik, Gabrovo, and in a total of over 45 locations (financial centers) of Postbank, machines for instant card issuance are operational. Nearly 40,000 clients have benefited from the speed of this modern banking service, and Postbank's goal is to provide even greater coverage and make it accessible to more clients across the country. Thanks to the convenience and increasingly widespread network of locations where the service is available, there has been more than a twofold increase in the number of instantly issued cards in 2022 compared to the previous year, undoubtedly proving their role in consumers' daily lives, along with the time saved and access to a range of other benefits that card products offer to their users.

Postbank reports increasing interest in its innovative program „Project YOUth,“ designed for the youngest clients of the institution. Over the past year, their number has increased by 33.5%, which is a clear indication of growing interest and engagement among young people in banking products and financial solutions. Nearly 64% of the Bank's entire youth portfolio utilizes digital services such as Internet banking and/or the modern mobile wallet ONE wallet by Postbank, with among the most active clients, the use of digital services for daily banking exceeding 77%. The latest data from a study by Predicta, commissioned by Postbank, clearly show that the younger generation increasingly relies on remote services and digital banking solutions in their daily rhythm of life, making personal budget management even more secure, easy, and convenient. The data analysis also observes that the largest growth in active users is in the age group of 18-26 years, with over 70%. Increased interest in using online banking among young people is reported in June 2023 compared to the same period a year ago.

In 2023, Postbank added new and attractive features to its innovative mobile application. The current version offers users the opportunity to receive free notifications on their mobile device, informing them of movements in their accounts, as well as with each card transaction made at a POS terminal, ATM device, or online. They also have the option to stagger transactions made with credit cards in the last 30 days, worth over 100 leva, into equal monthly installments for a period of 3, 6, 9, or 12 months directly through the mobile wallet. Every client can invite a friend to the application, allowing them to discover the exceptional features of Postbank's modern solution together.

Postbank's new digital service allows users to become bank clients and apply for a product completely remotely without the need to visit an office. With just a few clicks, they can apply for a consumer loan and take advantage of the Bank's new Digital program. The online consumer loan comes with preferential conditions - desired financing up to 10,000 leva for a period of up to 72 months. As clients of the Bank, users also receive free access to Internet banking (e-postbank) and mobile banking (m-postbank) by Postbank, as well as the opportunity to take advantage of the benefits of the Digital package program with a payment account and debit card for comprehensive banking services, and to conclude „Payment Protection“ insurance on the loan.

Postbank also offers a fully digital registration and application process for Mastercard Standard, Mastercard World, or Mastercard Premium credit cards from any location and at any time, without the need to visit a bank office. With the new credit card, the user has the option to stagger already made payments with it into a different number of equal monthly installments, optimizing their monthly budget. As clients of the Bank, users have the opportunity for free registration for Internet banking e-Postbank and mobile banking m-Postbank, as well as access to the innovative digital wallet ONE Wallet by Postbank for quick payments with just a phone.

The „Green Loan“ proposal for corporate clients by Postbank provides financing of up to 90% of the project costs for the construction of a photovoltaic plant for self-consumption, with an installed capacity of up to 2 mWh, with

a maximum financing amount of 2 million euros, and a long repayment period - up to 12 years after the facility is put into operation, in addition to a grace period of up to 18 months, necessary to complete the project. When applying for financing for a solar panel, candidates have the opportunity to take advantage of the attractive conditions offered by Postbank, as green financing is among the main priorities of the credit institution. Postbank finances solar projects under the specified parameters and in cases of selling electricity on the open market.

Postbank offers an attractive proposition for turnover or investment loans with a fixed interest rate for the first three years to every owner managing a business with an annual turnover of up to 4,000,000 leva. The credit can be in Bulgarian leva or euros, with a minimum repayment term of 5 years and a maximum term of up to 10 years, as well as the option for equal monthly installments, enabling them to forecast, optimize, and allocate their company's budget.

Postbank's „Professional Property Manager“ product package provides the necessary tools - a current account in Bulgarian leva, a business debit card (Mastercard Business or Visa Business), and internet banking for anyone whose work is related to this field of activity. The professional property manager account at Postbank has no opening fee or minimum balance requirement, and the client can benefit from a lower monthly service fee by activating all products from the package.

For those wishing to take advantage of various opportunities, manage common income and expenses for shared building spaces quickly and efficiently, Postbank provides a comprehensive financial solution for homeowners who are part of the Homeowners' Association under the Property Management Act. The „Property Ownership“ product package combines three of the most desired elements - an account for the „Current Expenses“ fund, an account for the „Repair and Renewal“ fund, and a special account for the „Renovation Program,“ aimed at easing the owners' obligations by offering them a comprehensive service for their expectations. The Bank is among the first in the country to offer products aimed at this type of activity to facilitate the process of organizing internal procedures and applying for external financing.

Postbank continues to expand its portfolio of deposit products. Structured deposits, as one of the most current and attractive savings products, combine the security of a bank deposit with the possibility of profitability tied to the performance of a certain market index, while ensuring the preservation of the initial invested capital. It is a tool guaranteed under the conditions and in accordance with the Deposit Guarantee Act and has the potential to earn a better interest rate at maturity compared to standard time deposits. The newest savings product with which Postbank complements its portfolio of deposit solutions is the structured deposit „Index EURO 50,“ which responds to consumers' exceptional interest. It is a structured deposit for 5 years in euros, where the return consists of two components - a basic fixed annual interest rate and the possibility of additional interest at deposit maturity, which in turn is based on the performance of a stock index. The product has guaranteed principal at maturity and a basic fixed annual interest rate of 3.00% on the deposited amount, payable annually in advance during each year of the deposit term after the expiration of the first (initial) period and can be withdrawn at any time.

Postbank continues to offer targeted consumer loans for business education worldwide, unmatched in the Bulgarian market. It can finance fees for various programs such as Master of Business Administration, Executive Master of Business Administration, Advanced Management, etc. The product is designed to meet the growing interest in financing education that opens the path to career growth and development, registered by the Bank in recent years.

Postbank clients can also benefit from the conveniences of the Online Housing Credit Center, which introduces a new model for quick and convenient customer service. The new digital solution in the housing financing process is an extension of the services offered by the Bank in its specialized Housing Credit Centers. This way, the Bank enhances the service for online housing loan applications to fully meet consumer expectations for remote consulting and communication with the Bank during the loan approval process, transitioning the process into a digital environment.

## SUSTAINABLE DEVELOPMENT

In 2023, the Bank implemented a number of socially significant projects in the areas of entrepreneurship, education, environmental conservation, sports, and corporate philanthropy. Postbank is an active member and supports initiatives of KRIB, American Chamber of Commerce in Bulgaria (AmCham), Bulgarian Industrial Capital Association (BICA), British Bulgarian Business Association (BBBA), Association of Banks in Bulgaria in Bulgaria, „Borika“ AD, Endeavor Bulgaria Association, Bulgarian Business Leaders Forum, Bulgarian Donor Forum, Atanas Burov Foundation, Bulgarian Network of the UN Global Compact, Bulgarian Association of Advertisers, and Bulgarian Fintech Association.

In 2023, the financial institution, traditionally a leading partner for businesses in the country, supported for the fifth consecutive year the unique growth program Dare to Scale - the first of its kind in Bulgaria, aimed at businesses with the potential for more extensive expansion of their activities. In the project of the Bulgarian office of the global Endeavor network, due to the significant interest this year, 6 companies were awarded during the closing Demo Day event. The selected entrepreneurs went through training and interactive sessions led by successful practitioners and leaders from the Endeavor network, with experts from Postbank also participating as mentors. The Dare to Scale growth program will continue in the coming years to encourage the growth of even more new local businesses. By participating in the Dare to Scale growth program, Postbank actively contributes to the development of both promising scale-up companies and the business environment in Bulgaria. This is another expression of its desire to encourage bold ideas, support innovation, and competitiveness of firms and the economy.

For the ninth consecutive year, Postbank was the main partner of the Small Business of the Year competition - „The Big Small“, organized by „24 Chasa“ newspaper. Every year, small and innovative Bulgarian companies present their ideas, which they have successfully developed into a product or service in the market. The first prize in the „Innovative Company“ category was awarded by Filip Popov, Head of Small Business Banking Management at Postbank, and the winners were determined to be Infinity Toy Box.

For the fifteenth consecutive year, the most prestigious annual awards in the insurance and pension insurance sector in Bulgaria were presented. The organizers of the event are the University of Insurance and Finance (VUZF), the Association of Bulgarian Insurers (ABI), the Bulgarian Association of Supplementary Pension Insurance Companies (BADPO), the Bulgarian Association of Insurance Brokers (BAIB), and the „Prof. Dr. Veleslav Gavriyski“ Foundation. The prize in one of the leading categories, „Insurance Broker of the Year - Life Insurance“, was awarded to „I N G Insurance Brokers“ Ltd. The award was presented by Dimitar Shumarov, Executive Director and Chief Financial Officer of Postbank. In his speech, he pointed out that 2022 was significant and successful for the insurance and pension insurance sector. Dimitar Shumarov congratulated the organizers and emphasized that as a leading financial institution, Postbank develops a number of fruitful collaborations with established life insurance and pension companies.

Quality education and the direct connection between schools, universities, and businesses are a top priority in Postbank's corporate social responsibility. That is why the financial institution participates in numerous initiatives focused on the young people development.. Postbank continues to develop its joint project with SoftUni in support of Bulgarian education, which started back in 2018. It includes various activities to prepare young people for the professions of the future and their realization in Bulgaria. Through strategic partnership, the two organizations aim to encourage students to develop their potential as IT and digital leaders, prepared for the dynamically changing environment and the new trends in banking. During the SoftUniada 2023 competition, 15-year-old high school student from Pleven, Mario Petkov, managed to win first place and Postbank's award in the „Competitive Programming - Junior“ category. In the contested two-day competition, held entirely online, a total of 238 participants in six categories measured their knowledge and skills, with 183 of them participating in solving algorithmic problems in the two age groups of the most competitive category, „Competitive Programming“.

IT specialists from Postbank once again participated in the career online seminar IT Journey, presenting attractive opportunities for work and career development in the company to young students from the Software



University. The Bank provides attractive opportunities for internships and professional development for young IT specialists and is a preferred top employer for young software specialists who are at the beginning of their professional journey.

Young bankers from Postbank NEXT rightfully claimed first place among tenth graders in the student competition held as part of the 24th School Fair on the project „Integrated Practical Training.“ The contested competition at Inter Expo Center involved 23 educational-commercial banks and a total of 63 educational enterprises of students from the National Trade-Banking High School and the Private Vocational High School of Banking, Trade, and Finance. This year, the school fair is dedicated to the 110th anniversary of the National Trade-Banking High School. The team of the educational commercial bank Postbank NEXT presented a rich portfolio of banking products and services, including its own website, managing to impress visitors and the competition jury. Once again this year, highly qualified experts from Postbank served as mentors to the students - part of the financial institution's extensive initiative to support the education of students from the National Trade-Banking High School and the Private Vocational High School of Banking, Trade, and Finance.

For the second consecutive year, training of students from the 10th, 11th, and 12th grades of the National Trade-Banking High School and the Private Vocational High School of Banking, Trade, and Finance was conducted by leading experts from Postbank. Thanks to a program specially designed for the needs of high school students, top experts from the financial institution introduce young people who have chosen the financial sector for their professional realization to the practical application of innovations, modern solutions, and the dynamic development of the Banking world. The sustainable strategic partnership between Postbank and the two leading vocational high schools aims to support the improvement of quality education and the establishment of a close connection between education and business - a key process for preparing well-informed business personnel. The series of lectures prepared by the Postbank team are tailored to the material covered by each graduating class. The topics cover the latest trends and processes in the financial sector, including a variety of content: from the structure and organization of a commercial bank and the methodology for developing business strategies and setting goals to the transformation facilitated by virtual reality and modern banking and the rapid development of digital channels.

Experts from Postbank conducted an open lesson on the topic „Let's Talk About Personal Finance“ for students from the second and fourth grades of the 131st Elementary School „Kliment Timiryazev“ in Sofia. Over 120 children and their teachers participated in the event, organized as part of the international initiative „European Money Week 2023“ with the main goal of introducing students to the basics of personal finance and helping to increase their financial literacy from an early age. Through an interactive format and engaging practical tasks, the lecturers from the financial institution familiarized the young participants with the origin and history of money and their role as a medium of exchange for goods and services, their development over the centuries, and their use today. The focus of the training was on personal and family budgets, and the children learned basic concepts such as „income“ and „expenses,“ the importance of „savings“ and why they are important, how to organize a budget easily, and how to manage personal finances. „European Money Week 2023“ is an initiative of the European Banking Federation, held annually in several European countries. Its goal is to introduce children, primarily through various educational campaigns aimed at students, to what money is, how banks work, and - generally - to increase their financial literacy and encourage responsible attitudes toward personal finances and saving.

Postbank is a general partner of the Mentor the Young initiative for another season. 10 mentors from the financial institution participated in Season 5 of the program and shared their experience. Postbank believes in the power of mentoring and the exchange of experience between experts and young people because it is fundamental to the development of every professional.

Postbank and Sofia University cooperate in training future financial experts in the Master's program of the Faculty of Economics, „Finance and Banking.“ Modern disciplines such as „Bank Management“ and „Investment Banking“ are part of the mandatory curriculum for 2023-2024, and the training in them is led by experts from the Bank.

In November and December 2023, Postbank participated for the eighth consecutive year in the socially responsible initiative „I am Proud of My Parents' Work,” organized by the Bulgarian Network of the UN Global Compact. Students visited the central building of the financial institution to learn more details about the professions and work of their parents through specially developed educational programs.

For the eighth consecutive year, Postbank, as a member of the Association of Banks in Bulgaria (ABB), actively participates in the European campaign aimed at combating money laundering schemes and the recruitment of „financial mules.”

With the support of Postbank, „Bon-Bon Music” presented the play „The Magic Crown” during the „Apollonia” holidays in Sozopol on August 29 and at the „Stage of the Ages” in the old capital city of Veliko Tarnovo on September 12. Postbank's support and partnership with „Bon-Bon Music” continue the investments in sustainable development and socially responsible policies of the leading financial institution. The Postbank team firmly believes that the long-term sustainability of business is closely linked to the overall well-being and development of society and the care for children and their talents. From the position of a leading financial institution, Postbank actively supports projects in some of the main spheres of public life such as education, culture, sports, and environmental care.

In June 2023, Postbank was once again the main partner of the charity relay race Postbank Business Run, organized annually by the running club „Runner.” A total of 363 teams from 133 companies from various business sectors participated, held in the territory of Business Park Sofia. The initiative brought together 1,452 participants, and for another year, 56 children aged 4 to 16 participated in the Kids Run competition, conducted by certified coaches according to the IAAF - Kid's Athletics program. In the established CEO Dash competition among executive directors, 12 managers from different companies took part. The largest team-building event in Bulgaria this year supported three causes. The funds raised, exceeding BGN 10,000, will support a project of the „For Our Children” Foundation, the project „Swimming Skills - a program for socialization of children in disadvantaged situations” of the „CONCORDIA Bulgaria” Foundation, and the renovation of the new building, covering the current expenses of the „Pavement 2020” Community Center, which aims to create an environment and community for students, volunteers, and anyone in need of personal development.

Postbank is the only bank in Bulgaria that has its own „Green Board” and Environmental Office unit in its organizational structure, working to protect the environment both in terms of limiting the Bank's resources and its financing activities. Additionally, board members organize various outdoor initiatives, involving other employees as well.

Postbank participated in the large-scale initiative „The New Forest of Sofia - 2” in 2023. The team of the financial institution planted over 2,000 seedlings on Earth Day - April 22. Over 100 volunteers dedicated their time, labor, and efforts to reforesting new forest areas in the outskirts of Sofia, in the lands of the village of Negovan. Postbank has been involved for the second consecutive year in the project, as part of its overall internal environmental conservation program „Green Together with Postbank” and in line with the company's longstanding sustainable policy. Under the motto „Lend a Hand to the New Forest of Sofia,” the institution's team planted over 1,000 trees in the designated area last year. The plan for the spring edition of the campaign in 2023 is to plant new 32 acres with a total of 20,000 broadleaf seedlings of oak tree species.

In August 2023, Postbank and Mastercard beautified the area above the Dragalevtzi Monastery, located in the territory of the Vitosha Nature Park, as a result of which the existing Alley for Access for People in Disadvantaged Situations, sports and recreation areas were renovated, and the youngest visitors to the mountain now enjoy a completely new children's facility. The event is a continuation of the project „Green Outdoor Stories” and for the third year is realized with the support of experts from the Directorate of the Vitosha Nature Park. With the socially responsible initiative carrying the message „Rediscovering the Mountain Together with Children,” the companies aim to make the mountain a natural, accessible, and even more inspiring place for adventures for both young and old.

This year, the project was also associated with another important cause - supporting beekeepers in our country

and preserving bees. Over 130 volunteers participated in the initiative, took part in the final field activities, and became beekeepers for a day by assembling, painting, and decorating 10 beehives, which were later provided to beekeepers from the „Real Honey“ network.

The volunteers from both companies, along with their children and representatives of the Directorate of Vitosha Nature Park, participated in all final field activities. They engaged in painting and renovating the existing Alley for Access for People in Disadvantaged Situations, on which educational boards with a special section made with Braille alphabet and interesting information about the centuries-old trees, some of which can be seen in the area, were installed. A board with information about the Dragalevtsi Monastery „Assumption of the Holy Mother of God“, located in close proximity to the site, was also placed on the Alley. Employees actively participated in the refurbishment of sports facilities and recreational areas on the site, lacquered and refreshed all „Vitosha-style“ gazebos and tables, installed numerous boards with games and mazes for the youngest, including useful information about honey-producing plants and bees.

„The New ESG Reality and How the World is Moving Towards a Greener Future“ was the theme with which the first banking podcast „Finance in Focus“ returned to the airwaves, realized by Postbank in partnership with Bloomberg TV. The fourth season of the podcast started with an interesting conversation about the challenges faced by all participants in the green transition, as well as an analysis of Postbank's strategic approach in this direction.

Employees of Postbank are regular donors to the National Center for Transfusion Hematology and participate in blood donation campaigns organized and held at the Central Office.

In 2023, Postbank supported the podcast „Property - Bought or Rented“, part of the project „Annual Awards of Imoti.net“, which is broadcast with the assistance of the financial institution.

The financial institution supported the fifth edition of the festival „Unbeaten Path“, held in Gotse Delchev. The home of the event is once again the Rhodope village of Kovachevitsa, which welcomed hundreds of guests from the country and abroad. This year, the festival ended at the Episcopal Basilica in Plovdiv.

The 18th World Meeting of Bulgarian Media was opened in June in Kazanlak, in the Rose Valley and the Valley of the Thracian Kings, during the Rose Festival, which has been celebrated in the city for 120 years. The theme of the meeting is „Freedom and Media“, and traditionally the event is organized by the Bulgarian Telegraph Agency (BTA). Postbank is a partner of the prestigious forum.

Throughout the year, the Bank continued its longstanding support and work with groups in disadvantaged social situations and stimulating their active role in society. Support was provided to children in disadvantaged situations in Kazanlak, elderly people in Ruse, the national campaign „Easter for Everyone“ - „Give a holiday to grandma and grandpa“, as well as many other smaller initiatives throughout the year.

Postbank traditionally participated in the festive decoration of Sofia. Following its established values, the financial institution believes that the overall well-being and development of society depend on the efforts to improve the environment of each of us. Therefore, along with its other socially oriented projects, for several years it has also taken care of the festive splendor of the capital during the Christmas-New Year holidays.

## AWARDS

- For the third consecutive year, Postbank won two prestigious international awards from the World Finance Digital Banking Awards 2022 competition by the authoritative magazine World Finance. The prizes are in the categories of „Best Consumer Digital Banks, Bulgaria“ and „Best Mobile Banking Apps, Bulgaria“ for users in Bulgaria.
- Postbank was awarded as a „Top Employer“ for 2023 with a certificate from the international independent Top Employers Institute.

- Postbank triumphed with three awards in the Employer Branding Awards 2023 competition organized by b2b Media. The Bank won two gold awards in the categories of „Creative Thinking“ and „Excellence in Teamwork“. For its innovative approach in establishing the employer brand, the Bank received silver in the „Employer Branding Innovation“ category.
- Postbank was honored with the Distinctive Sign for significant achievements in the field of gender equality in the competition organized by the Ministry of Labor and Social Policy in Bulgaria.
- Postbank won bronze in the category of „Leader in Green Initiatives“ at the „Greenest Companies in Bulgaria“ competition, receiving recognition from the jury for the financial institution's overall contribution to sustainable business development and building green awareness.
- The project „Green Classroom“ by Postbank won first place in the „Green Educational Initiative“ category in b2b Media's competition „Greenest Companies in Bulgaria“.
- Postbank won the gold prize in the „Green Project“ category at the „Greenest Companies in Bulgaria“ awards organized by b2b Media. The prize distinguishes the initiative „Green Classroom,“ implemented by the Bank in collaboration with Mastercard and Vitosha Nature Park.
- Postbank won second place in the „Internal Communications Project“ category with its campaign for building the „Digital Face of Postbank“ in the PR Prize 2023 competition.
- The extensive Corporate Social Responsibility project „Universe of Opportunities“ was honored for the second consecutive year in the PR Prize 2023 competition, grabbing the prestigious third place in the „Digital Communications“ category.
- Postbank won two silver awards in the prestigious international competition Employer Brand Stars Awards. The financial institution triumphed in the categories of Use of Digital and Candidate Experience.
- For its innovative products and services, Postbank was awarded the „Innovative Bank“ prize at the annual „Company of the Year“ awards.
- The extensive digital platform „Universe of Opportunities“ brought another prize for Postbank, which won the award in the category „Innovative CSR Project“ at the annual awards for charity and corporate social responsibility „Golden Heart.“
- Postbank won the award for successful digital transformation at the annual „Bank of the Year“ awards organized by the Association „Bank of the Year.“
- Postbank received the „Business Honorary Cause“ award for its active contribution to environmental conservation and green business transformation. The awards are presented for the second consecutive year by the newspaper „24 Chasa“ and distinguish companies that are actively engaged in the field of social entrepreneurship.
- Postbank won second place in the „Green Initiative“ category with its project „Green Classroom“ at the Annual Awards of b2b Media 2023.
- The innovative platform „Universe of Opportunities“ by Postbank won first place at the Annual Awards of b2b Media 2023 in the category „Innovative Campaign in Social Media.“
- Postbank won the gold award in the category „Community Branding Campaign“ for the project „Digital Face of Postbank“ at the Annual Awards of b2b Media 2023.
- Postbank received well-deserved recognition from the Career Show Awards in the contested category of „Best Employer for 2023“ for its overall employer brand strategy.
- Postbank is among the big winners in the prestigious awards for Best Employer in Bulgaria - Career Show Awards, with a total of four gold awards in the categories of „Best Employer“ in the sectors of „Banking“ and „Finance“, „Use of Technology in HR“ and „Management and Teams“.



- Postbank won one of the prestigious awards in the ESG Awards competition in the category of „Responsible Management and Internal Training Strategy“.
- Postbank won a silver award in the category „Corporate Social Responsibility“ for the campaign „Universe of Opportunities“ from the eighth awards of the Bulgarian Association of Advertisers BAAwards 2023.
- Postbank won the gold award in the category „New Service“ for the campaign „EVA - Financial Digital Assistant“ from the eighth awards of the Bulgarian Association of Advertisers BAAwards 2023.
- Postbank won the gold award in the category „Green Influencer“ from the first edition of the Leaders of Influence Awards 2023 competition organized by b2b Media.
- Postbank won the gold award in the category „Leadership Award“ from the first edition of the Leaders of Influence Awards 2023 competition organized by b2b Media.
- Postbank won the gold award in the category „Strategy, Leadership and Success“ from the first edition of the Leaders of Influence Awards 2023 competition organized by b2b Media.
- Postbank won the major award Influencer of the Year from the first edition of the Leaders of Influence Awards 2023 competition organized by b2b Media.

# SEPARATE FINANCIAL STATEMENTS

## Separate income statement

		Year ended 31 December	
	Notes	2023	2022
Interest income calculated using the effective interest method		725,052	438,012
Other interest income		13,751	11,313
Interest expense and similar charges		(102,046)	(22,223)
<b>Net interest income</b>	<b>6</b>	<b>636,757</b>	<b>427,102</b>
Fee and commission income		194,797	181,913
Fee and commission expense		(46,196)	(39,876)
<b>Net fee and commission income</b>	<b>7</b>	<b>148,601</b>	<b>142,037</b>
Net trading income	9	1,642	(862)
Gains less (losses) from trading securities	17	869	(2,090)
Gains less (losses) from investment securities	19b	4,624	(2,919)
Other operating income, net	8	4,695	4,219
<b>Revenue</b>		<b>797,188</b>	<b>567,487</b>
Dividend income		496	601
Negative own assets revaluation		(2,913)	(430)
Repossessed assets impairment		(3,519)	(1,271)
Other operating expenses	10	(326,850)	(240,822)
Deposit Insurance Fund expense		(20,753)	(19,530)
Impairment charge for credit losses	12	(100,780)	(75,985)
<b>Profit before income tax</b>		<b>342,869</b>	<b>230,050</b>
Income tax expense	13	(34,789)	(23,224)
<b>Profit for the year</b>		<b>308,080</b>	<b>206,826</b>

The separate financial statements were authorized by the management on 27 March 2024.

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Authorized representative

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Authorized representative

## Separate statement of comprehensive income

		Year ended 31 December	
	Notes	2023	2022
Profit for the year		308,080	206,826
<i>Items that are or may be reclassified subsequently to profit and loss:</i>	14	30,976	(61,550)
Debt securities at FVOCI			
-net changes in Fair Value, net of tax		33,745	(88,279)
-reclassified to profit or loss, net of tax		(2,769)	26,729
<i>Items that will not be reclassified to profit or loss:</i>		516	3,736
Change in FV of property, plant and equipment, net of tax		(600)	3,234
Remeasurements of retirement benefit obligations, net of tax		1,116	502
<b>Other comprehensive income for the year</b>	14	<b>31,492</b>	<b>(57,814)</b>
<b>Total comprehensive income for the year</b>		<b>339,572</b>	<b>149,012</b>

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## Separate statement of financial position

	Notes	As at 31 December	
		2023	2022
<b>ASSETS</b>			
Cash and balances with the Central Bank	15	2,365,538	1,571,141
Loans and advances to banks	16	783,234	1,443,596
Trading assets	17	37,272	35,228
<i>of which pledged</i>	17	5,323	14,537
Derivative financial instruments	25	18,655	52,615
Loans and advances to customers	18	12,540,242	10,063,433
Investment securities	19a	3,028,859	2,747,713
<i>of which pledged</i>	19	344,982	593,986
Shares in subsidiary undertakings	37	1,000	-
Deferred tax assets	28	4,734	7,053
Property, plant and equipment, including right of use assets	21	309,951	278,184
Investment property	20	441	488
Intangible assets and goodwill	22	164,641	80,572
Other assets	23	135,251	85,952
<b>Total assets</b>		<b>19,389,818</b>	<b>16,365,975</b>
<b>LIABILITIES</b>			
Deposits from banks	24	140,905	23,904
Derivative financial instruments	25	22,687	36,873
Due to customers	26	15,653,641	13,682,032
Other borrowed funds	27	1,036,249	475,598
Current income tax payable		6,596	476
Provisions for other liabilities and charges	29	32,418	12,237
Retirement benefit obligations	30	4,026	3,389
Other liabilities	31	217,675	195,416
<b>Total liabilities</b>		<b>17,114,197</b>	<b>14,429,925</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		560,323	560,323
Statutory reserves		282,521	282,521
Retained earnings and other reserves		1,432,777	1,093,206
<b>Total shareholders' equity</b>	32	<b>2,275,621</b>	<b>1,936,050</b>
<b>Total shareholders' equity and liabilities</b>		<b>19,389,818</b>	<b>16,365,975</b>

The separate financial statements were authorized by the management on 27 March 2024.

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## Separate 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 2022	560,323	6,137	5,737	282,521	932,320	1,787,038
Profit for the year					206,826	206,826
<b>Other comprehensive income</b>						
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
<b>Total comprehensive income for 2022</b>		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
Balance at 01 January 2023	560,323	9,371	(55,813)	282,521	1,139,648	1,936,050
Profit for the year					308,080	308,080
<b>Other comprehensive income</b>						
Change in fair value reserve on financial assets at FVOCI			30,976			30,976
Revaluation of property, plant and equipment	-	(600)		-	-	(600)
Remeasurements of retirement benefit obligations, net of tax	-	-	-	-	1,115	1,115
<b>Total comprehensive income for 2023</b>	-	(600)	30,976	-	309,195	339,571
Balance at 31 December 2023	560,323	8,771	(24,837)	282,521	1,448,843	2,275,621

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## Separate statement of cash flows

Year ended 31 December  
2023 2022

### CASH FLOWS FROM OPERATING ACTIVITIES

Interest received	735,338	487,491
Interest paid	(59,984)	(17,768)
Dividends received	496	601
Fees and commission received	195,580	183,612
Fees and commission paid	(39,798)	(37,234)
Amounts paid to and on behalf of employees	(163,979)	(127,245)
Net trading and other income received	(86)	(1,472)
Other operating expenses paid	(138,684)	(108,881)
Tax paid	(29,816)	(14,400)
<b>Cash from operating activities before changes in operating assets and liabilities</b>	<b>499,067</b>	<b>364,704</b>

### CHANGES IN OPERATING ASSETS AND LIABILITIES

Net (increase) in reserve with the Central Bank	(301,937)	(67,283)
Net decrease in loans and advances to banks	(17,094)	97,812
Net decrease in trading securities	(2,044)	3,141
Net (increase) in loans and advances to customers	(1,671,232)	(1,347,476)
Net (increase)/ decrease in other assets	(24,301)	(42,257)
Net (decrease)/increase in derivatives instruments	(13,117)	13,766
Net (decrease)/ increase in due to other banks	117,001	14,369
Net increase in amounts due to customers	1,737,912	1,364,510
Net increase/ (decrease) in other liabilities	10,878	(17,976)
<b>Net cash flows from operating activities</b>	<b>335,133</b>	<b>383,310</b>

### CASH FLOWS FROM INVESTING ACTIVITIES

Payment for acquisition of BNP Pariba, net of cash acquired (Note 38)	(761,148)	
Purchase of shares in subsidiaries	(1,000)	
Purchase of property, plant and equipment and intangible assets (Notes 21,22)	(56,719)	(59,095)
Purchase of investment securities	(787,015)	(1,362,941)
Proceeds on disposal of property and equipment	7	282
Proceeds from sale of investment securities	535,009	1,146,284
<b>Net cash flow/(used in) from investing activities</b>	<b>(1,070,866)</b>	<b>(275,470)</b>

Year ended 31 December  
**2023** **2022**

## CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES

Long-term financing received	557,412	312,933
Long-term debt repaid	(5,654)	(5,654)
Payment of lease liability	(17,842)	(15,518)
<b>Net cash used in financing activities</b>	<b>533,916</b>	<b>291,761</b>
Effect of exchange rate changes on cash and cash equivalents	592	1,094
<b>Net change in cash and cash equivalents</b>	<b>(201,225)</b>	<b>400,695</b>
Cash and cash equivalents at beginning of year	2,381,110	1,980,415
<b>Cash and cash equivalents at end of year (Note 33)</b>	<b>2,179,885</b>	<b>2,381,110</b>

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# **INDEPENDENT UNEP FI PRB**

**UNITED NATIONS ENVIRONMENT PROGRAMME - FINANCE INITIATIVE  
PRINCIPLES FOR RESPONSIBLE BANKING  
THIRD PROGRESS REPORT**

# Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

## Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

### Response

Eurobank Bulgaria AD (the Bank) is a universal bank incorporated and operating in Bulgaria, with headquarters in Sofia. The Bank operates under the brand name Postbank under a full banking licence issued by the Bulgarian National Bank. The Bank is a subsidiary of Eurobank Group, Greece. The principal regulators are Bulgarian National Bank and the Financial Supervision Commission. Since 1 October 2020, Postbank is directly supervised by the European Central Bank (ECB).

Postbank provides banking services to about one million retail and corporate customers in Bulgaria. As of 31/12/2023 Postbank had 229 network locations, 12 business centres and 4,213 employees. Total assets were 19,390 million levs<sup>1</sup>, gross loans to customers were 12,906 million, and client deposits were 15,653 million. Postbank's revenue in 2023 was 797 million levs and total shareholders' equity amounted to 2,276 million levs.

### Links and references

Separate Annual Activity Report 2023 – Business Description

Separate Financial Statements 2023 – Notes to the Separate Financial Statements: 1. General Information

[www.postbank.bg](http://www.postbank.bg)

## Strategy alignment

**Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?**

☒ Yes

☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

**Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?**

<sup>1</sup> The Bank prepares its financial statements in the official currency of Bulgaria - the Bulgarian lev (BGN), which is pegged to the euro (EUR) under a currency board arrangement. The exchange rate is fixed at: 1 euro = 1.95583 lev and 1 lev = 0.511292 euro.



- ☒ UN Guiding Principles on Business and Human Rights
- ☐ International Labour Organization fundamental conventions
- ☒ UN Global Compact
- ☐ UN Declaration on the Rights of Indigenous Peoples
- ☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: *Regulation (EU) 2020/852 (EU Taxonomy Regulation)*
- ☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----
- ☐ None of the above

### Response

Postbank supports sustainable development and regards the transition to a sustainable and climate resilient economy as an opportunity. Our commitment to sustainability is expressed through our Sustainability Policy Statement:

‘We at Postbank believe that environmentally and socially responsible actions are an essential part of sustainable business growth. As a financial services institution, are aware of the environmental and social impacts of our own operations and we strive for efficiency in our use of natural resources, reduction of waste, pollution prevention, climate change mitigation and protection of biodiversity, in a workplace where human and labour rights, as well as health and safety are treated as matters of highest priority. We also recognise the indirect impacts stemming from our lending and investment activities. We have committed to regularly assess the environmental and social impact of our activities, establish appropriate objectives and targets, continuously enhance our mechanisms for control and improvement of our performance, and comply with all applicable local national and international environmental laws and regulations. We also believe that our business and financial activities can contribute to the promotion of sustainable development and economic growth. To this end, we maintain a responsible attitude towards our environment and society, and we encourage our clients, suppliers, shareholders, and other stakeholders to join us in the adoption of advanced sustainability practices.’

In addition, we have publicly disclosed on our website our ESG Strategic Vision which underlines the emphasis that we place on environmental protection, climate change mitigation, positive contribution to our society and the application of good governance practices. It also describes our commitment to strengthen our leading position in sustainable finance in Bulgaria by developing further our ESG policies and translating them into specific actions to support our clients and stakeholders.

Postbank has been an active member of the UN Global Compact Bulgaria Network for many years and regularly participates in its various initiatives for the benefit of society and the protection of the environment. We support and uphold the Ten Principles of the Global Compact.

### Links and references

Non-Financial Declaration 2023  
[ESG\\_protection \(postbank.bg\)](https://postbank.bg/ESG_protection)

## Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

### 2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly<sup>2</sup> and fulfil the following requirements/elements (a-d)<sup>3</sup>:

- a) Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

#### Response

We have performed an impact analysis to identify the main positive and negative impacts associated with our portfolio by using the Portfolio Impact Analysis Tool for Banks ("Portfolio Impact Tool" or "Tool") developed by UNEP FI. The Tool covers the four requirements for undertaking impact analysis - scope, scale of exposure, context & relevance, and scale & intensity/salience.

The Portfolio Impact Analysis Tool is an iterative input-output workflow designed to help banks determine their most significant impact areas in three steps:

#### 1) Context analysis

This is to ensure that the scope of the analysis reflects the core business lines and geographies in which the Bank operates, as well as areas where the bank is systemically important. The context identification phase also includes an analysis of the main challenges and priorities related to sustainable development in the main countries and regions in which the bank operates.

#### 2) Impact identification

Portfolio data is input in the Tool to visualize the bank's portfolio composition by sectors & industries for business banking portfolios and by products & services for consumer banking portfolios. The Tool produces 'impact profiles' per business line and country, drawing from built-in resources (a sector/impact map and a country needs assessment framework).

#### 3) Performance assessment

#### Links and references

<sup>2</sup> That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

<sup>3</sup> Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

Based on a review of the generated impact profiles, the Tool enables the assessment of the bank's current performance through quantitative and qualitative indicators in relation to significant social and environmental impacts resulting from the bank's activities and provision of products and services.

The scope of our impact analysis focused on Postbank's core business areas, i.e. the retail and corporate banking portfolios in the Bank's country of operation - Bulgaria. The products included in the assessment were loans and advances to business clients as well as consumer banking products, such as current and savings accounts, certificates of deposit, mortgage and consumer loans, including overdrafts and credit cards. The impact analysis was based on portfolio data as of the last fiscal year (31/12/2023).

The Bank's trading and investment securities portfolios were not included in the impact assessment.

**b) Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

i) by sectors & industries<sup>4</sup> for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or

ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

### Response

As at 2023 fiscal year end, the Bank reported total gross loans and advances to customers of BGN 12,906 million or 67% of total assets on the balance sheet. The composition of our loan portfolio was as follows:

Loans and Advances to Customers	Amount (BGN, million)	
	2023	2022
Consumer lending (incl. credit cards)	3,246	1,869
Mortgage lending	3,671	3,083
Small business lending	1,020	908
Corporate lending	4,969	4,550

Customer deposits amounted to BGN 15,653 million, of which 72% were deposits of retail customers as presented in the table below:

Due to Customers	Amount (BGN, million)	
	2023	2022
Deposits of retail customers (small business and households)	11,206	9,874
Deposits of large corporate clients	3,567	3,053
Deposits of medium corporate clients	880	754

### Links and references

Separate Financial Statements 2023 –  
Separate Statement of Financial Position;  
Separate Income Statement;

<sup>4</sup> 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

The revenue of the Bank was 797 million levs, 80% of which was interest income as shown in the table below:

Income	Amount (BGN, million)	
	2023	2022
Net interest income	637	427
Net fee and commission income	149	142
Other income	11	-2

For the purposes of our impact analysis we considered the distribution of our portfolio across the following business segments as defined by the UNEP FI Impact Analysis Tool:

#### 1) Consumer Banking

We used the NACE industry classification of our products and services and the balance sheet amount of our customers' current accounts, savings accounts and certificates of deposits to determine the share of each product category of the total consumer banking portfolio. Outstanding amount was the indicator we used for the credit products (consumer loans and overdraft, mortgage loans, credit cards, vehicle and educational loans). Mortgage loans were 53% our total consumer credit portfolio, while consumer loans and overdraft, including credit cards were 47%.

#### 2) Institutional (Business) Banking

Our institutional banking analysis covered the following loan portfolios with a total amount of 5,989 million levs:

- Small business lending
- Medium and large corporates lending

We used the EU's statistical classification of economic activities NACE Revision 2 to analyse our exposure (in percentage terms) to the different sectors and industries in which our business clients operate. 95% of our total commercial loan portfolio was in the following ten high-level NACE categories:

- C - Manufacturing
- G – Wholesale and retail trade; Repair of motor vehicle and motorcycles
- L – Real estate activities
- I – Accommodation and food service activities
- F – Construction
- H – Transportation and storage
- A – Agriculture, forestry and fishing
- D – Electricity, gas, steam and air conditioning supply
- K – Financial and insurance activities
- M – Professional, scientific and technical activities

In order to identify the social, environmental and economic impacts that are associated with the sectors our bank finances, we relied on the Sector-Impact Map embedded in the Portfolio Impact Tool, which maps the associations for each of the sectors and industry activities and highlights sectors that are 'key' to the different impact areas.



Since the Institutional Banking Identification Tool allows users to select up to 50 sectors/activities, in line with UNEP FI's guidance we prioritised the sectors that we included in the Tool on the basis of the following considerations:

- 1) The size of our business in the different sectors
- 2) The systemic importance of the different sectors
- 3) The sectors of the Bank's biggest clients

We ranked the sectors at the most granular level in terms of their share of the total portfolio. Then we filtered the sectors defined by UNEP FI as 'key sectors' in terms of achieving and/or undermining the different impact areas and topics. We focused on the key negative as well as the key positive & negative ones. The 50 sectors that we selected for assessment covered 75% of our total small, medium and large corporate lending portfolio.

As part of the analysis we identified that we have significant exposures to the manufacturing, real estate and hotels sectors. According to UNEP FI's Sector-Impact Map, the above industries are associated with potentially negative impact on the natural environment, including climate stability, circularity and biodiversity. At the same time, they are also associated with potentially positive impacts on housing, healthcare and education, as well as on employment and wages in our country of operation. Real estate and hotel activities are also positively linked to flourishing MSMEs.

**c) Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?<sup>5</sup> Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

*This step aims to put your bank's portfolio impacts into the context of society's needs.*

### Response

We utilized the UNEP FI Impact Analysis Tool to understand the environmental, social and economic context of the country in which we operate. We mapped the needs at the country level since we operate only in Bulgaria. Drawing on the conclusions of the official statistical data sets, research and policies compiled by UNEP FI, we were able to identify the challenges and priorities related to the impact areas most relevant to Bulgaria. These impact areas, their specific topics and relevant Sustainable Development Goals with a high level of need in Bulgaria are presented in the table below:

Impact Area	Impact Topics	Relevant SDGs for Impact Areas
Availability, accessibility, affordability, quality of resources & services	<ul style="list-style-type: none"> <li>• Water</li> <li>• Housing</li> </ul>	6, 9, 11, 16

### Links and references

<sup>5</sup> Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

	<ul style="list-style-type: none"> <li>Healthcare and sanitation</li> <li>Mobility</li> <li>Information</li> </ul>	
Infrastructure	Infrastructure	9
Socio-economic convergence	Socio-economic convergence	10, 17
Integrity & security of person	Modern slavery	8, 16
Circularity	<ul style="list-style-type: none"> <li>Resource intensity</li> <li>Waste</li> </ul>	11, 12

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)<sup>6</sup>? Please disclose.

### Response

The Bank-specific impact analysis revealed that our products and services are associated with the following potential positive and/or negative impacts per business activity in the need and priority areas relevant for Bulgaria:

	Consumer banking portfolio	Corporate and business banking portfolio
<b>Positive impact</b>	Housing Mobility Socio-economic convergence	Housing Healthcare & sanitation Mobility Information Infrastructure
<b>Negative impact</b>	Resource intensity	Water Resource intensity Waste Modern slavery

Based on the results of the impact analysis, we prioritised the areas where we consider that our products and services could drive the largest potential positive and/or negative impact in line with our country's needs and priorities. The impact areas that we plan to address through appropriate strategies and actions are:

1. Availability, accessibility, affordability, quality of resources & services (housing)
2. Circularity (resource intensity and waste)
3. Climate stability

Our selection of impact areas is based on UNEP FI's guidance regarding prioritisation whereby we focused on:

- Impact areas that correspond to the main priorities in our geography (i.e. Bulgaria);
- Impact areas associated with large parts of the Bank's portfolio;

### Links and references

<sup>6</sup> To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

<ul style="list-style-type: none"> <li>• Impact areas associated with products and sectors where the bank has significant market share (i.e. consumer and mortgage loans);</li> <li>• Impact areas which, if addressed will enable other impact areas to be addressed (leveraging interlinkages with other impact areas).</li> </ul> <p>The PRB require that banks prioritise at least two impact areas or topics for target-setting. However, banks are not precluded from addressing the others, in particular as regards addressing negative impacts. Climate stability is not reported as a country priority for Bulgaria in the Context part of Impact Analysis Tool. However, we decided to add climate stability as our third priority area based on the following considerations:</p> <ul style="list-style-type: none"> <li>• The criticality of climate change mitigation and adaption, in line with the Paris Agreement and the EU's legally binding targets on GHG emissions reduction by 2030 and achievement of net zero emissions by 2050.</li> <li>• A significant part of our portfolio is associated with this area in the Sector-Impact Map of the Tool.</li> </ul>	
<p><b>d) For these (min. two prioritized impact areas): <u>Performance measurement:</u></b> Has your bank identified which sectors &amp; industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.</p> <p>In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&amp;inclusion as your most significant impact areas, please also refer to the applicable indicators in the <a href="#">Annex</a>.</p> <p>If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.</p> <p><i>The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.</i></p>	
<p><b>Response</b></p> <p>Utilising the UNEP FI Impact Analysis Tool we identified the sectors that play a key role in causing or addressing negative impacts in the prioritised areas. The results of the analysis indicate that the key sectors in which our corporate and small business clients operate and which potentially contribute to the identified impact areas include real estate, hotels, certain manufacturing industries and production of electricity.</p> <p>We plan to align the performance assessment in the context of the PRB with our reporting under the requirements of Regulation (EU) 2020/852 (EU Taxonomy Regulation). The Taxonomy establishes a common classification system that provides criteria for determining whether an economic activity qualifies as environmentally sustainable. Compliance</p>	<p><b>Links and references</b></p> <p>Non-Financial Declaration 2023</p>

with the Taxonomy is mandatory for all undertakings in European Union member states that fall within its scope.

The EU Taxonomy Regulation is a key component of the European Commission's action plan to redirect capital flows towards economic activities most needed for the transition, in line with the objectives of the European Green Deal, the Paris Agreement and the SDGs. The Taxonomy establishes six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

In 2023, the Bank was within the scope of the reporting requirements of the Taxonomy Regulation and disclosed its green asset ratio (GAR) in accordance with the applicable delegated acts and requirements. A detailed description of the methodology for data collection, assessment of exposures and reporting is included in the Bank's non-financial declaration in the annual report.

At present, our performance assessment is limited due to insufficient and incomplete data, as the Bank relies on the information provided by its customers. We have initiated actions for compiling the data that will allow us to perform a complete performance assessment in the coming years. We are committed to enhance and refine our capabilities for the quantification of performance against significant impact areas. Therefore, we will improve the collection of climate-related and environmental risk data by integrating additional information requirements in the credit process as well as cooperating with third party data providers as needed.

We recognize that financed GHG emissions are a key element for development and implementation of our financed impact strategy. GHG emissions are needed as input for the definition of a suitable sectoral approach and a comprehensive action plan for addressing the impacts associated with the Bank's loan portfolios. Therefore, we plan within the next 12 months to develop our capabilities to collect sufficient data to be able to estimate and monitor the GHG emissions of our customers and counterparties in accordance with the PCAF methodology.

### Self-assessment summary:

**Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?<sup>7</sup>**

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No

<sup>7</sup> You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.



Performance measurement: ☐ Yes ☐ In progress ☒ No

**Which most significant impact areas have you identified for your bank, as a result of the impact analysis?**

*Climate change mitigation, climate change adaptation, **resource efficiency & circular economy**, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: **availability, accessibility, affordability, quality of resources & services***

**How recent is the data used for and disclosed in the impact analysis?**

- ☒ Up to 6 months prior to publication  
☐ Up to 12 months prior to publication  
☐ Up to 18 months prior to publication  
☐ Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.:  
*(optional)*

## 2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets<sup>8</sup> have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

**a) Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with<sup>9</sup> have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

*You can build upon the context items under 2.1.*

### Response

As mentioned above, we aim to align our portfolio and maximize our contribution to the achievement of the objectives of the United Nations Sustainable Development Goals, the Paris Agreement, the EU's action plan on financing sustainable growth and the EU strategy for climate neutrality by 2050 ('the Green Deal'). All these frameworks are interlinked as the EU policies, initiatives and actions related to ensuring a sustainable future are fully aligned with the UN's Sustainable

### Links and references

<sup>8</sup> Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

<sup>9</sup> Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

Development Goals (SDGs) and cover the three dimensions of sustainability: economic, social and environmental. Furthermore, the EU objective of achieving a climate neutrality by 2050 is also in line with the Paris Agreement.

**b) Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

*You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.*

*A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.*

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	...	
	...	
	...	

Impact area	Indicator code	Response
Financial health & inclusion	...	
	...	
	...	

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

### **Response**

As stated in section 2.1, point d) above, we are committed to continuously enhancing and refining our capabilities for the quantification of performance against significant impact areas. This will also allow us to select appropriate KPIs and determine our baseline for those indicators as a basis for assessing our alignment with the frameworks we chose to align with (i.e. the Paris Agreement, the EU Green Deal, including the Sustainable Finance Action Plan and the United Nations Sustainable Development Goals). We plan to utilize the KPIs recommended by UNEP FI. Currently, the Bank is in the process of collecting the necessary data for adequate performance measurement and monitoring. We are also progressing with the development of appropriate strategies and enhancement of internal policies and actions for ensuring target achievement in the impact areas that we have prioritised. A summary of our progress with respect to the measurement of relevant KPIs and establishment of baseline levels with respect to climate stability is included in the table below:

### **Links and references**

Impact area	Indicator code	Response	
Climate change mitigation	A.1.1 – Climate strategy	In progress	
	A.1.2 – Paris alignment target	Yes - net zero by 2050. Baseline and climate scenarios pending.	
	A.1.3 – Policy and process for client relationships	In progress	
	A.1.5 – Business opportunities and financial products	Yes. Please refer to sections 3.2 and 6.2 below.	
	A.3.1 – Financial volume of green assets	The Bank is reporting a Green Asset Ratio under the EU Taxonomy. Please refer to section 6.2 below.	
<b>c) SMART targets</b> (incl. key performance indicators (KPIs) <sup>10</sup> ): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.			
<b>Response</b> <p>We will use the results of the impact analysis performed in the context of UNEP FI PRB as input for developing our financed impact strategy. The strategy will include specific targets that reflect the overarching importance of climate change mitigation and adaption in line with the EU's legally binding targets on GHG emissions reduction and achievement of net zero emissions by 2050. It will also be fully aligned with the financed impact strategy of the Eurobank Group. The Group financed impact strategy is structured around three main pillars:</p> <ol style="list-style-type: none"> <li>1. Sustainable Financing Portfolio and sectoral targets with regards to financing the green transition of the Bank's clients</li> <li>2. Portfolio alignment Alignment of portfolio with transition pathways for corporate clients in order to achieve specific targets in line with climate transition pathways (1.5°C / 2°C).</li> </ol>		<b>Links and references</b> <p>Non-financial declaration 2023</p> <p>Eurobank Group Annual Report 2022 Business &amp; Sustainability  <a href="http://www.eurobank.gr">www.eurobank.gr</a></p>	

<sup>10</sup> Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

<p>3. Net Zero strategy</p> <p>Sectoral decarbonisation targets covering the Bank's lending portfolios with phased target setting up to 2050.</p> <p>In view of the interlinkages of the various impact areas and topics defined by UNEP FI, our financed impact strategy will contain targets for sustainable finance, portfolio transition and decarbonization that will help us to address the most significant impact areas identified in the context of the PRB.</p> <p>We have the following capacity building and engagement targets for 2024:</p> <ol style="list-style-type: none"> <li>1) In order to leverage the experience and know-how of international financial institutions that are leaders in the advancement of sustainable economic development (such as the European Bank for Reconstruction and Development, the European Investment Bank, the World Bank Group, etc.), we aim to enter into partnership agreements with two such institutions by YE 2024 in support of the green transition of our clients.</li> <li>2) Considering the relatively low maturity level of the Bulgarian market, we plan to launch a client engagement campaign. As part of the campaign, we will deploy suitable tools for internal and external capacity building. This will include an awareness raising initiative for clients in order to increase customer engagement and facilitate data collection. Our goal is to influence our clients to develop their own transition plans that the Bank can support with appropriate sustainable financing solutions.</li> </ol>	
<p><b>d) <u>Action plan:</u></b> which actions including milestones have you defined to meet the set targets? Please describe.</p> <p>Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.</p>	
<p><b>Response</b></p> <p>We will actively support the green transition of our clients with an ambition to increase sustainable financing going forward. We will set sustainable financing targets in relation to annual disbursement of loans oriented towards activities that promote clean energy, resource efficiency, circular economy and pollution prevention. Making progress along the pillars that will form our financed impact strategy will also require raising our clients' awareness and engagement to adapt their business models towards addressing the relevant climate, environmental and social challenges.</p> <p>We have already developed our operational impact strategy which includes commitments and targets related to increasing customers' awareness and engagement with environmental, social and governance matters.</p> <p>In line with our published ESG Strategic Vision, we have committed to further expand our ESG policies and translate them into actions to</p>	<p><b>Links and references</b></p>



support our clients and stakeholders. To this end, we are plan to implement new or enhance our existing policies, processes and undertake further actions to:

- Offer suitable sustainable finance products to our customers.
- Act responsibly by closely monitoring ESG risks in our activities.
- Add value to society by contributing to various social initiatives.

### Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... <b>(Availability, accessibility, affordability, quality of resources &amp; services)</b>	... second area of most significant impact: ... <b>(Circularity)</b>	<i>(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... <b>(Climate stability)</b></i>
Alignment	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No

## 2.3 Target implementation and monitoring (Key Step 2)

**For each target separately:**

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

**Or, in case of changes to implementation plans (relevant for 2<sup>nd</sup> and subsequent reports only):** describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

<p><i>Response</i></p> <p>In 2023, Postbank adopted its Sustainable Finance Framework (SFF), which outlines the methodology for classifying the sustainable lending solutions, offered by the Bank to its clients. The framework is fully aligned with the SFF of Eurobank Group. It is based on internationally recognized industry guidelines and principles issued by the International Capital Markets Association and the Loan Markets Association, as well as the EU Taxonomy regulation.</p> <p>The SFF specifies the activities defined as “eligible” to access sustainable financing, along with their respective eligibility criteria and/or the chosen sustainability performance targets and key performance indicators per industry. Credit facilities are classified based on purpose as dedicated-purpose loans, general-purpose loans and recovery and resilience facility loans. In line with the SFF, we develop and offer sustainable finance solutions to both retail and corporate customers.</p> <p>Postbank is an active partner of EU and local governmental programs and initiatives that promote sustainable finance. We recently entered into a guarantee agreement with the European Investment Fund (EIF) under the InvestEU programme. The new instrument aims to support sustainable growth and promote the competitiveness of small and medium-sized enterprises, as well as to contribute to the green transformation of the Bulgarian economy. The program will enable us to provide easy access to preferential financing to our business clients, supporting their liquidity needs and projects. About half of the available funding of up to 403 million euro under the programme (up to 200 million euro) is targeted specifically to sustainability projects of small and medium enterprises in support of their transition to a green economy, by investing in green, sustainable and inclusive products and business practices in the areas of energy efficiency and renewable energy.</p> <p>Within the next 12 months, will continue to look for further opportunities to facilitate the green transition of our clients. We view our participation in funding and guarantee programs sponsored by the EU or other international organizations as key enabler of sustainable development. Therefore, we plan to sign new guarantee agreements with international financial institutions that will provide more opportunities for improving the competitiveness of the small and medium-sized companies and easy access to attractive credit facilities to our retail and corporate clients.</p>	<p><i>Links and references</i></p> <p>Non-financial declaration 2023  <a href="http://www.postbank.bg">www.postbank.bg</a></p>
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## Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

### 3.1 Client engagement

*Does your bank have a policy or engagement process with clients and customers<sup>11</sup> in place to encourage sustainable practices?*

☐ Yes      ☒ In progress      ☐ No

*Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?*

☐ Yes      ☒ In progress      ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities<sup>12</sup>). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

*This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).*

#### Response

We try to lead by example and use every opportunity to encourage our customers to adopt sustainable practices. We regularly participate in industry seminars and conferences, as well as meetings with businesses where we are able to exchange ideas, share examples of good practice, present new opportunities and offer advice and support to our existing and potential clients on their green transition.

Through our participation and support of various 'green' activities and initiatives benefitting our community we seek to cultivate among our staff, our clients and the public at large, a responsible attitude to everything that surrounds us. We are also able to engage in direct two-way communication and open dialogue which helps us identify the needs and priorities of our stakeholders and society where we can focus our efforts.

#### Links and references

### 3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

<sup>11</sup> A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

<sup>12</sup> Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

## *Response*

Over the last couple of years, we have introduced many innovative products and services, focusing on improving the ease of access to financial products and providing additional benefits to our clients as well as opportunities to invest in more sustainable solutions and business practices. Some of these include:

### Green Home Loan

The green home loans help our customers to reduce their environmental footprint while seeing their dream of a new home come true. Funds can be used the purchase of energy-efficient residential property Class A or higher, as well as for improving the energy-efficiency of the property, for example by installing photovoltaic panels for renewable energy production, solar panels for production of hot water or investment in smart home energy systems that reduce energy consumption. The preferential interest rate on the Green Loan enable our clients to contribute to a more sustainable future and save on interest expense at the same time.

### Green Business Loan

With the green loans for corporate clients Postbank provides attractive conditions for financing of up to 90% of the costs for the construction of a photovoltaic plant, with a grace period of up to 18 months and long repayment period - up to 12 years after the facility is put into operation. The installation of solar plants helps to optimise the long-term electricity costs of small, medium and large enterprises.

With the green loans for small businesses, clients can finance the purchase of electric or hybrid electric vehicles, equipment for generation of green energy from biomass, solar panels or other renewables, or the acquisition of energy saving equipment. All of these are small steps that when added to the small steps of many small companies can result in significant benefits for the business and the environment at the same time.

### Eco Auto Loan

The Bank offers preferential conditions, lower interest rate and other discounts to customers who want to purchase an electric or plug-in hybrid electric vehicle.

### Fixed Interest Mortgage Loan

Postbank introduced to the Bulgarian market a housing loan with a fixed interest rate for the first 10 years. This new financial offering provides long-term security and predictability for consumers in the Bulgarian market, where variable interest rate mortgages are prevalent.

### Fixed Interest Business Loan

Postbank offers SME customers an attractive solution for working capital or investment loans with a fixed interest rate for the first three years. The loan provides predictability and security to entrepreneurs, allowing them to focus on developing their business instead of worrying about increasing loan installments.

### "Project YOUth"

## *Links and references*

Separate Annual  
Activity Report 2023 –  
New Products  
[www.postbank.bg](http://www.postbank.bg)



This is a modern program tailored to the needs of older children and teenagers, which encourages these young people to develop good financial habits and skills to manage their own budget, build independence and discover new financial opportunities.

#### "Towards Home"

Postbank launched a new value-adding financial solution designed to assist consumers on their journey to owning a dream home by combining two banking products. Under the program, customers can open a deposit account with special conditions to save their own contribution towards purchasing a home, as well as apply for a housing loan with preferential conditions.

#### Student Loans

We offer targeted state guaranteed student loans that cover the tuition fees of students or provide financial support for children born or adopted by students enrolled in a university. Student loans are offered under preferential conditions, such as fixed interest, grace period, long repayment period and no collateral requirements. There are no application, maintenance or early repayment fees.

#### Business Education Loans

Postbank offers targeted consumer loans for business education worldwide, which are unmatched on the Bulgarian market. Borrowers can finance the tuition fees for various programs such as Master of Business Administration, Executive Master of Business Administration, Advanced Management, etc. The product is designed to meet the growing interest in financing education that opens the door to individuals' career growth and prosperity.

#### Digital solutions

Postbank offers a wide arrangement of digital solutions that allow us to provide innovative services that meet the needs of our customers and to optimize our physical footprint at the same time.

The Bank offers a fully remote process for issuing credit and debit cards, whereby customers can apply for their cards online and receive them at a chosen address without visiting a bank office.

Our digital service allows users to become bank clients and apply for a product completely remotely without visiting our office. With just a few clicks, new clients can apply for a consumer loan and take advantage of the Bank's new Digital Program.

We plan to continue adding more value to our products and services, while decreasing our environmental footprint and contribute to the preservation of the natural environment.

# Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

## 4.1 Stakeholder identification and consultation

*Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups<sup>13</sup>) you have identified as relevant in relation to the impact analysis and target setting process?*

☐ Yes      ☒ In progress      ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

### Response

We use every opportunity to engage with our various stakeholders in order to increase our positive impacts on the environment and support the achievement of our society's goals.

Our stakeholder groups include our shareholders, the Bank's Supervisory Board and the Management Board, our employees, customers, the business community that we are part of, the civil society in which we operate, the government and regulators, our suppliers and partners.

We try to operate in a way that meets the needs, expectations and requirements of all of our internal and external stakeholders without compromising the interests of one group over another.

#### Civil society

We take care to identify the priorities of the local communities and support programs and initiatives that address those needs. In the last couple of years Postbank implemented a number of socially significant projects in the areas of entrepreneurship, education, environmental protection, sports and corporate sponsorship alone or in collaboration with other non-governmental, educational and industry organizations.

#### Customers

We strive to meet the needs and expectations of our customers with whom we interact on a daily basis through our:

- ✓ Extensive retail branch network

### Links and references

Separate Annual Activity Report 2023 – Important Events During the Financial Year; Sustainable Development  
Non-Financial Declaration 2023

<sup>13</sup> Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

- ✓ Client relations unit
- ✓ 24/7 customer telephone line
- ✓ Postbank's website and social media accounts
- ✓ Internet and mobile banking applications
- ✓ Digital wallet application
- ✓ Specialized home financing centres
- ✓ Online home financing centre
- ✓ Video banking consultation zones
- ✓ Express banking digital zones
- ✓ Small business banking centres
- ✓ Corporate banking centres
- ✓ Consumer credit centers Memento
- ✓ PB Personal Finance centers
- ✓ Premium banking centres
- ✓ Priority desks in select branch offices
- ✓ EVA – digital assistant

#### Employees

Postbank is the fourth largest bank in Bulgaria and one of the largest employers in the country. We deeply value our employees and believe that taking care of our employees is essential for the achievement of our strategic goals. We work systematically on innovative initiatives aiming to improve employee experience, offer a wide range of activities to optimize the work environment, continuing professional development and training, engaging our employees in corporate social responsibility activities with high added value for society. We promote transparency and open dialogue and provide various channels of internal communication, including periodic employee engagement and satisfaction surveys.

#### Business community

Postbank is a member of the Sustainable Finance Working Group at the Association of Banks in Bulgaria as well as the ESG Committee at the Confederation of Employers and Industrialists in Bulgaria.

The bank is also an active member of:

- ✓ The Confederation of Employers and Industrialists in Bulgaria
- ✓ The American Chamber of Commerce in Bulgaria
- ✓ The Hellenic Business Council in Bulgaria
- ✓ The Association of Banks in Bulgaria
- ✓ Borica AD
- ✓ Endeavour Bulgaria Association
- ✓ Bulgarian Business Leaders Forum
- ✓ Bulgarian Donors' Forum
- ✓ Atanas Burov Foundation
- ✓ Bulgarian Association of Advertisers
- ✓ Bulgarian Fintech Association

## Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

## 5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☐ Yes ☒ In progress ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

### Response

The organization structure of the Bank is designed to ensure that risks, impacts and opportunities related to our operations are appropriately managed and controlled. We recently updated our sustainability governance structure by establishing fully dedicated roles and responsibilities in relation to environmental, social and governance as well as climate-related and ESG risks. This structure is aimed to address both regulatory requirements and our voluntary commitments.

In November 2023 we established an ESG Management Committee (“ESGMC”) chaired by the Chief Executive Officer and reporting to the Bank’s Management Board. The ESGMC comprises members of the top management of Postbank. Its purpose is to:

- provide strategic direction on ESG initiatives;
- review the Bank’s ESG strategy;
- integrate the elements of the ESG strategy into Postbank’s business model & operations;
- measure and analyze the progress of the ESG goals and performance targets; and
- ensure the proper implementation of ESG related policies and procedures, in accordance with supervisory requirements and voluntary commitments.

The ESGMC will meet four times a year and ad hoc when necessary. It will escalate material risks and issues related to its responsibilities to the Bank’s Executive Committee, the Management Board or any other governance body, as deemed necessary.

We have an ESG Department reporting to the CEO. Its main responsibility is to promote the ESG principles and culture across the Bank. The ESG Department is also responsible for monitoring the Bank’s operational impact and for the coordination of the ESG strategy implementation. The ESG Department Head acts as Secretary of the ESGMC.

### Links and references

Corporate Governance Statement 2023  
Non-Financial Declaration 2023



We have also established a special Climate and ESG Risks Department within Risk Division, whose overall responsibility is to identify, measure, monitor, control and integrate climate related and ESG risks into the Bank's risk management policies and procedures, so that we are able to manage the relevant risks and comply with supervisory requirements. The unit reports to the Chief Risk Officer and is independent of the business units.

## 5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

### Response

We believe that the successful implementation of the principles for responsible banking relies on the daily efforts of our employees, therefore the promotion of a culture of responsible banking among staff is our top priority. We place great emphasis on increasing internal awareness and employee capacity building so that we can effectively support our customers on their sustainability journey and green transition. Members of management and relevant staff regularly participate in seminars and training events addressing sustainability and climate-related topics.

We also plan to implement a comprehensive employee upskilling programme, which will cover ESG, climate-related and environmental risk matters through:

- ✓ Dedicated internal ESG learning page available to all staff;
- ✓ Trainings tailored to the specific needs of different categories of staff across the three lines of defence, including key management;
- ✓ Internal ESG bulletin drawing staff's attention to UN's sustainable development goals, climate, environmental and social issues;
- ✓ Practical advice and tips to staff on how to integrate sustainability into their work and life;
- ✓ Engaging employees through surveys on ESG topics; and
- ✓ Any other initiatives that can increase staff understanding and engagement.

To enhance internal awareness, back in 2008 we set up a 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 also have our own internal program Green Together with Postbank in support of green initiatives which are implemented with the voluntary work of our employees.

### Links and references

Non-Financial  
Declaration 2023

### 5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?<sup>14</sup> Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

#### Response

The Bank has in place a consistent and effective framework for risk identification, assessment, monitoring and control.

The Risk Committee of the Bank is in charge of monitoring the quantitative and qualitative aspects of all credit, market, liquidity and operational risks and approves all strategic risk management decisions. The Bank's risk management function is capturing all material risk sources across all portfolios and operations.

The Bank adheres to the Eurobank Group's Environmental and Social Policy which sets the framework of general principles and requirements for the management of environmental and social risks and issues. The Group's Environmental and Social Management System (ESMS) includes the following key components:

- ESMS policies, guidelines and manuals
- Roles, responsibilities and authorities for implementing the ESMS
- Provision of training on environmental and social issues
- Documented process to assess environmental and social impacts and risks
- Monitoring of performance, environmental and social action plans and corrective actions as well as records maintenance
- Reporting to shareholders and stakeholders (e.g. EBRD)

In line with the Eurobank Group's E&S Policy, Postbank has implemented a procedure for assessment and management of the environmental and social risks in its business lending portfolios. The procedure defines the methodology for initial climate, environmental and social risk assessment at the loan approval stage and its subsequent monitoring.

Under the procedure, companies applying for financing and their activities are screened against the Environmental and Social Exclusion list. Utilizing an Environmental and Social Risk Screening Scorecard based on the applicant's economic activity and other criteria such as amount, purpose and term of the loan business, the respective financing transactions are classified as low, medium or high risk according to their potential environmental and social impacts. Depending on the results of the risk assessment, further actions are undertaken to ensure that the

#### Links and references

Separate Annual Activity Report 2023 – System of Internal Controls and Risk Management Main Features: 6.4 Risk Management

Non-Financial Declaration 2023

<sup>14</sup> Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc.. or any applicable national guidelines related to social risks.

companies to be financed by the Bank have implemented adequate measures for the management of environmental and social risks, mitigation of impact and compliance with the applicable local, national and international environmental, health and safety, labour laws and regulations.

### Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ Yes

☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☒ Yes

☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☐ Yes

☒ In progress

☐ No

## Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

### 6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☒ Yes

☐ Partially

☐ No

If applicable, please include the link or description of the assurance statement.

#### Response

We engaged KPMG to provide independent assurance on the information disclosed in the present report. The assurance report is included as Attachment I hereto.

#### Links and references

Attachment I

### 6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- ☐ GRI
- ☐ SASB
- ☐ CDP
- ☐ IFRS Sustainability Disclosure Standards (to be published)
- ☐ TCFD
- ☒ Other: NFRD, EU Taxonomy

### Response

Postbank is reporting information on the environmental and social aspects of its business as well as employee matters in the annual management report in accordance with the requirements Directive 2013/34/EU (Accounting Directive) as amended with Directive 2014/95/EU regarding disclosure of non-financial and diversity information by certain large undertakings and groups, referred to as the Non-Financial Reporting Directive.

On 5 January 2023, the Corporate Sustainability Reporting Directive (CSRD) entered into force. It significantly expands the scope of the NFRD concerning the social and environmental information that companies have to report according to newly adopted European Sustainability Reporting Standards (ESRS) developed by EFRAG. The new rules will be applied for the first time in the 2024 financial year, for reports published in 2025. According to EFRAG the ESRS offer a high degree of interoperability with the sustainability reporting standards of the GRI and ISSB.

The Bank falls within the scope of the reporting requirements of the Regulation (EU) 2020/852 (the EU Taxonomy), whereby the Bank calculates its key performance indicators (KPIs), its exposures to economic activities eligible under the requirements of the EU Taxonomy, and its exposures to economic activities aligned with the EU Taxonomy. The GAR for 2023 is presented in the table below:

	KPI based on turnover KPI of the counterparty	KPI based on CapEx KPI of the counterparty
Eligibility KPI	24.11%	24.19%
Green Asset Ratio (GAR)	0.64%	0.12%

## 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis<sup>15</sup>, target setting<sup>16</sup> and governance structure for implementing the PRB)? Please describe briefly.

### Response

In 2024, we will focus our efforts in several areas:

### Links and references

Non-Financial Declaration 2023

<sup>15</sup> For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

<sup>16</sup> For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

- ✓ Building the capacity and increasing the relevant skills of our employees in the areas of ESG and climate opportunities and risks, so they are able to support our clients on their sustainability journey and their green transition.
- ✓ Active promotion of opportunities for the greening of our economy by participating in governmental programs and partnerships with international financial institutions providing funds and support for ESG related projects and initiatives of our current and potential clients.
- ✓ Automating the process for assessment and monitoring of financing facilities for alignment with the criteria of our Sustainable Finance Framework (SFF).
- ✓ Developing capabilities for assessment of our performance in significant impact areas through improvements in our data collection processes, integrating additional information requirements in the credit workflow and cooperating with third party data providers.
- ✓ Exploring new opportunities and implementing effective measures to further reduce the impact of our own operations.

Non-Financial Declaration 2023

## 6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- |  |  |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance                               | <input checked="" type="checkbox"/> Customer engagement    |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank                           | <input checked="" type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability      |
| <input type="checkbox"/> Conducting an impact analysis   | <input checked="" type="checkbox"/> Data quality           |
| <input type="checkbox"/> Assessing negative environmental and social impacts                   | <input type="checkbox"/> Access to resources               |
| <input checked="" type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting                         |
| <input type="checkbox"/> Setting targets   | <input type="checkbox"/> Assurance                         |
| <input type="checkbox"/> Other: ...  | <input type="checkbox"/> Prioritizing actions internally   |

If desired, you can elaborate on challenges and how you are tackling these:





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## **Independent limited assurance report on the Key Areas reported in the Principle for Responsible Banking Report of Eurobank Bulgaria AD for the year ended 31 December 2023**

To the Board of Directors of Eurobank Bulgaria AD

We were engaged by the board of directors of Eurobank Bulgaria AD (“the Bank”) to report on the following areas included in the Bank’s Principle for Responsible Banking Report (the “PRB Report”) for the year ended 31 December 2023:

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Target Implementation and monitoring, and
- 5.1 Governance Structure for Implementation of the Principles

(the “Subject Matter Information” or “Key Areas”),

in the form of an independent limited assurance conclusion that based on our work performed and evidence obtained, nothing has come to our attention that causes us to believe that the Key Areas in the PRB Report for the year ended 31 December 2023 are not prepared, in all material respects in accordance with the “Principle for Responsible Banking – Guidance Document” and Reporting and Self-Assessment Template issued by the United Nations Environment Programme Finance Initiative (“UNEP FI”).

### **Responsibilities of the Bank’s Board of Directors**

The Bank’s Board of Directors of is responsible for the preparation, content and presentation of the PRB Report, including the Key Areas therein, that is free from material misstatement in accordance with the “Principle for Responsible Banking – Guidance Document” and Reporting and Self-Assessment Template issued by the UNEP FI and for the reliability and completeness of the information and data contained therein.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error. It also includes selecting suitable criteria, ensuring that the Bank complies with the “Principle for Responsible Banking – Guidance Document and Reporting and Self-Assessment Template, selecting and applying policies, making judgments and estimates that are reasonable in the circumstances; and maintaining adequate records in relation to the PRB Report and the Key Areas.

The Bank’s management is also responsible for preventing and detecting fraud and for identifying and ensuring that the Bank complies with laws and regulations applicable to its activities. The Bank’s management is responsible for ensuring that staff involved with the preparation of the PRB Report are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units/ operational sites.



## Our Responsibilities

Our responsibility is to examine the Key Areas prepared by the Bank and to report thereon in the form of an independent limited assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain a meaningful level of assurance about whether the Subject Matter Information is prepared, in all material respects, in accordance with the “Principle for Responsible Banking – Guidance Document” and Reporting and Self-Assessment Template as the basis for our limited assurance conclusion.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected depend on our understanding of the Key Areas and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

In obtaining an understanding of the Key Areas and other engagement circumstances, we have considered the process used to prepare the PRB Report and the Key Areas therein in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Bank’s process or internal control over the preparation and presentation of the PRB Report and the Key Areas.

Our engagement also included: assessing the appropriateness of the Key Areas, the suitability of the criteria used by Bank in preparing the PRB Report and the Key Areas therein in the circumstances of the engagement, evaluating the appropriateness of the methods, policies and procedures used in the preparation of the PRB Report and the Key Areas and the reasonableness of estimates made by the Bank.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The procedures we performed are based on our professional judgement and include inquiries, primarily of the Bank’s personnel responsible for the preparation of the information presented in the Key Areas, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, among other things, we performed the following procedures:

- Understanding of the process for the preparation of the Subject Matter Information through inspection and analysis of the relevant internal documentation (policies, procedures, process guides and methodologies);
- Inquiries of the Bank’s management to understand the information technology systems applied in the preparation of the PRB Report and the Key Areas therein;
- Inspection and analysis, on a sample basis, of documentary evidence supporting the preparation of the Subject Matter Information;



- Analysis of the consistency of the information reported in the Subject Matter Information with the relevant disclosures in the 2023 separate non-financial declaration of the Bank, accompanying its separate financial statements for the year ended 31 December 2023, approved by the Management Board on 27 March 2024;

## Reporting Criteria

The Reporting Criteria against which the Key Areas were measured and evaluated are included in the “Principle for Responsible Banking – Guidance Document” and Reporting and Self-Assessment Template issued by the United Nations Environment Programme Finance Initiative (“UNEP FI”).

## Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Key Areas for the year ended 31 December 2023 have not been prepared, in all material respects, in accordance with the „Principle for Responsible Banking – Guidance Document” and Reporting and Self-Assessment Template.

## Restriction of Use of Our Report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Bank and UNEP FI for any purpose or in any context. Any party other than the Bank and UNEP FI who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Bank and UNEP FI for our work, for this independent limited assurance report, or for the conclusions we have reached.

Our report is released to the Bank’s management on the basis that it shall not be copied, referred to or disclosed, in whole (save for Bank’s own internal purposes) or in part, without our prior written consent.

As a signatory to the UN Principles of Responsible Banking, Eurobank Bulgaria AD is required to publish the completed PRB Report, and “the outcome of the assurance process should be included in the bank’s reporting, as per the Principles for Responsible Banking Guidance Document”. Without affecting, adding to or extending our duties and responsibilities to the Bank or giving rise to any duty or responsibility being accepted or assumed by or imposed on us or any party except the Bank, we have consented to the disclosure of our report on Bank’s website at [www.postbank.bg](http://www.postbank.bg) to facilitate the Bank meeting this requirement.

26 June 2024

Sevdalina Dimova  
*Registered Auditor, Authorised Representative*

KPMG Audit OOD  
45/A Bulgaria Boulevard  
1404 Sofia, Bulgaria

# 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 2023 was by far the best in Eurobank Bulgaria's history. Gaining from the strong market performance and leveraging on the successful acquisition of the business of the Bulgarian branch of BNP Paribas Personal Finance S.A. (BNP Paribas PF) in the middle of the year, Eurobank Bulgaria improved its results by every measure. Net profit for the year reached a new record of BGN 308 million – a sizable annual increase of close to 50%. The return on equity was 14.6% or 3.3 pp better than last year's, while the return on assets was 1.74% (2022: 1.36%).

Gross loans increased by a little less than BGN 2.5 billion (24% YoY) to BGN 12.9 billion, of which approximately BGN 879 million came from the acquisition of BNP Paribas PF, the rest being organic growth. Market share gain last year was 1.2 pp and reached 13.3% - a new high. More than half of the new loans came from the consumer

lending segment – the size of the portfolio surged by 74% (BGN 1.38 billion) to BGN 3.25 billion, where the BNP PF non-organic growth supported entirely this segment of business.

The favorable interest rates and the strong real estate market helped propel the mortgage portfolio by close to 20% YoY ( BGN 588 million) to BGN 3.67 billion. Growth in the SBB segment was more modest – loans to small businesses rose by BGN 112 million (12.3% YoY) to BGN 1.02 billion. Although the performance of the corporate segment seems the weakest compared with the others - 9.2% YoY with a nominal increase of BGN 419 million to BGN 4.97 billion, it is in fact 50% higher than previous year delta and slightly higher than the market, bringing along a small market share gain.

Total deposits rose short of BGN 2 billion (14.4% YoY) to BGN 15.65 billion. This was much higher than the market growth (8.4% YoY), allowing Eurobank Bulgaria to improve its market share by 60 bps to 11.45% - the highest on record. Two-thirds of the increase came from retail customers whose deposits exceeded BGN 11.2 billion at the end of the year. Despite the difficult market conditions and the liquidity squeeze felt by the companies, Eurobank Bulgaria managed to attract more than BGN 640 million new deposits from corporate clients, bringing the total to BGN 4.45 billion. Because of the acquisition of BNP Paribas PF, the net loans to deposits ratio climbed by 6 pp to 80%.

Total operating income was up by 40% YoY (BGN 230 million) to BGN 797.7 million. Net interest income increased by 50% (BGN 210 million) to BGN 637 million with the contribution of the lending portfolio by far having the biggest weight (BGN 227 million). Interest expenses more than quadrupled to BGN 102 million, but close to 60% of them are paid for the expensive wholesale funding, rather than the much cheaper local deposits. Net fee and commission income was up by the more modest 5% (BGN 7 million) to BGN 148.6 million, but income from the transactional business, such as transfers and cash operations, grew with double digit rates.

Total operating expenses increased by roughly a third (BGN 86 million) to BGN 327 million, predominantly because of the acquisition of BNP Paribas PF which affected Bank's cost base. Half of the new costs went for salaries which were also under pressure because of the wage inflation. On the positive side, the higher income more than compensated the increased expenses and the cost-income ratio improved by 1.1 pp to 40.97%.

On the following pages of the report, you can learn more about all the components of our contribution to creating sustainable benefits for our customers, partners and the public.

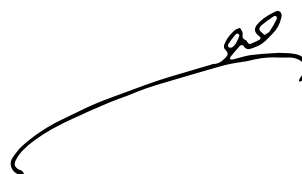
**Sincerely,**



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**Dimitar Shoumarov**

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



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**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

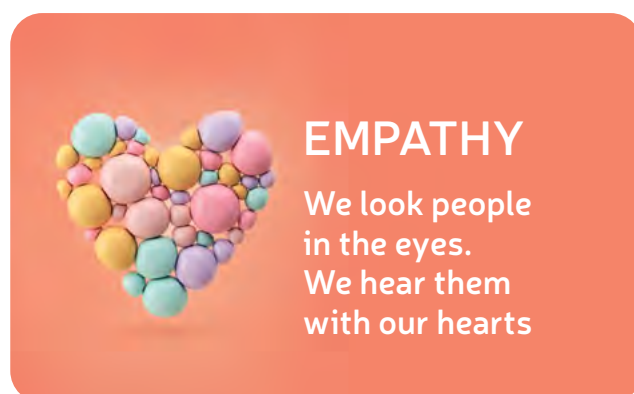
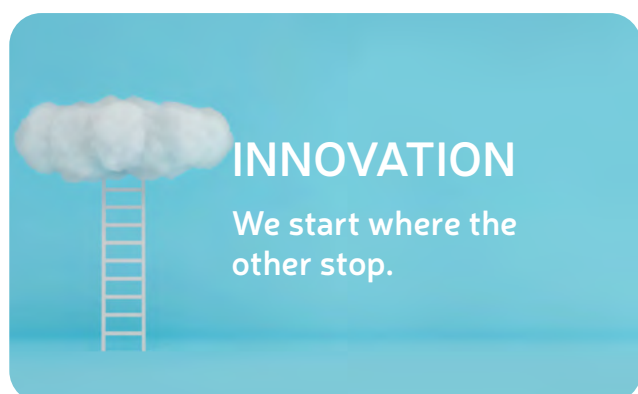
### Our Mission

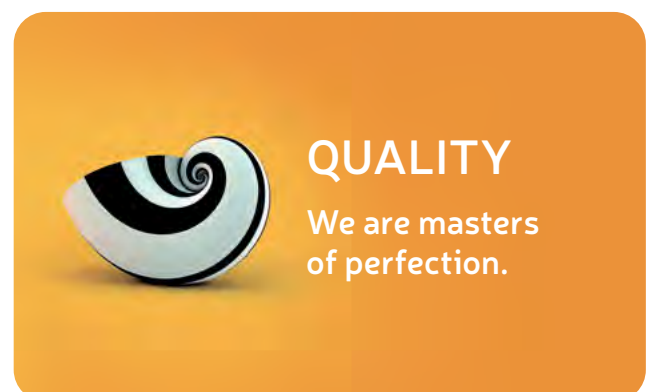
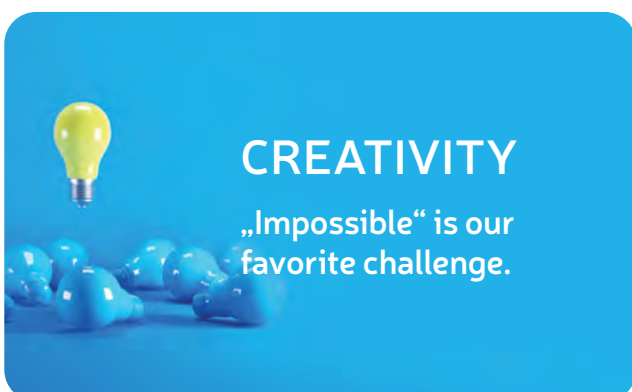
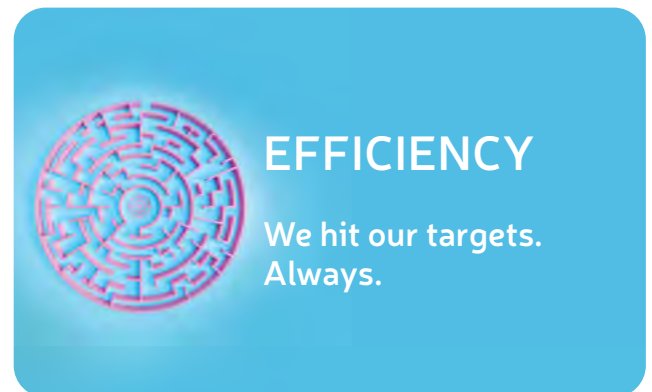
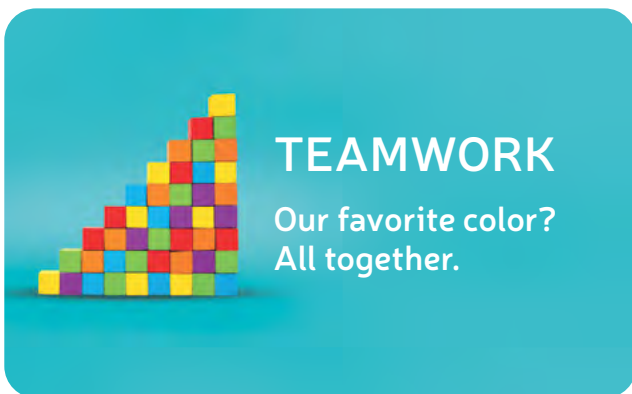
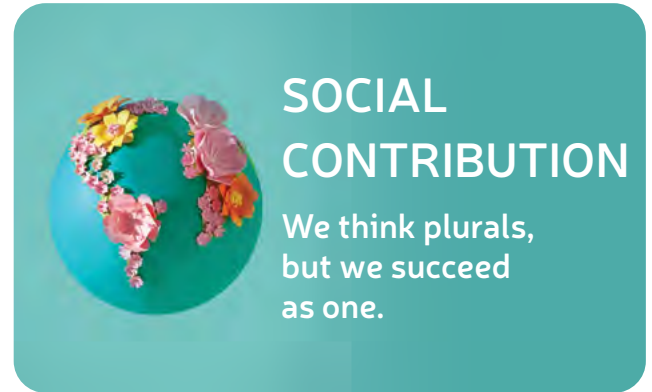
We are a dynamically developing bank and we support the ideas and dreams of our employees, customers and partners at every stage of their lives. We value trust, quality and effectiveness. We share the good example and support creative ideas. We respect the fair and responsible attitude, personal contribution 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







## 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](http://www.postbank.bg);
- Press Office's webpage: <http://mediacenter.postbank.bg/>;
- 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;
- 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

The contribution of the Bank to the “Social product”	PUBLISHED RESULTS 2023		PUBLISHED RESULTS 2022	
	BGN Mio	EUR Mio	BGN Mio	EUR Mio
Turnover	945.4	483.4	632.2	323.2
Interest Expense and Fees & Commissions expense	(148.2)	(75.8)	(62.1)	(31.8)
VAT on Added Value of the Bank	(2.1)	(1.1)	(3.3)	(1.7)
Impairment losses	(100.8)	(51.5)	(76.0)	(38.9)
<b>Social Product</b>	<b>694.3</b>	<b>355.0</b>	<b>490.8</b>	<b>250.9</b>

### The "Social product" and its Distribution

<b>I. Personnel</b>	<b>141.9</b>	<b>72.6</b>	<b>112.6</b>	<b>57.6</b>
Gross Pay	158.8	81.2	126.9	64.9
Employer contribution to social security institutions	7.0	3.6	5.5	2.8
Medical, Retirement and other benefits	1.9	0.9	1.1	0.6
Contribution to Social Security Institutions (Employer and Employees)	(38.0)	(19.4)	(30.3)	(15.5)
Employees tax	12.3	6.3	9.4	4.8
<b>II. Suppliers of Goods &amp; Services</b>	<b>160.4</b>	<b>82.0</b>	<b>104.1</b>	<b>53.2</b>
<b>III. Donations and sponsorships</b>	<b>0.5</b>	<b>0.2</b>	<b>0.3</b>	<b>0.1</b>
<b>IV. State</b>	<b>83.4</b>	<b>42.7</b>	<b>67.0</b>	<b>34.2</b>
Income Tax and various taxes	34.8	17.8	23.2	11.9
Value added taxes	2.1	1.1	3.3	1.7
Deposit Guarantee and Investors compensation schemes	20.8	10.6	19.5	10.0
Contribution to Social Security Institutions (Employer and Employees)	38.0	19.4	30.3	15.5
Employees tax	(12.3)	(6.3)	(9.4)	(4.8)
<b>V. Company</b>	<b>308.1</b>	<b>157.5</b>	<b>206.8</b>	<b>105.7</b>
Retained Earnings / Reserve	308.1	157.5	206.8	105.7
<b>Social Product</b>	<b>694.3</b>	<b>355.0</b>	<b>490.8</b>	<b>250.9</b>

# 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 in relevant positions, to ensure effective training 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 2023, several 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.

In June 2023, we successfully completed the transaction for the acquisition of the commercial enterprise and the activities of „BNP Paribas Personal Finance“, the Bulgarian branch of BNP Paribas Personal Finance S.A. It was on June 1 that „BNP PARIBA PERSONAL FINANCE“ OFFICIALLY BECAME PART OF POSTBANK and continued its work in Bulgaria under the name „PB Personal Finance by Postbank“. With this step, we added another unique company to the large family of Postbank, which increased by nearly 800 new colleagues - proven professionals, for whose integration and adaptation the HR team played a leading role.

## EMPLOYER BRANDING

In 2023, the 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 2023, were realized some key projects:

- 1. „TOP EMPLOYER“ 2023** – Postbank became the first company of the Eurobank group awarded by the international independent Top Employers Institute, which certifies the best places to work in the world as a result of a 6-month certification process and on the basis of in-depth monitoring and reported high standards in the company in the field of human resources.
- 2. BULGARIA'S FIRST CAREER CHATBOT ON VIBER – SKY by Postbank** (02/2023) for attracting talents for work and internship. It is connected to the career site [www.careers.postbank.bg](http://www.careers.postbank.bg) and integrated into the automated recruitment platform. The launch of the chatbot was also tied to the Viber Lens Challenge Yourself campaign.
- 3. CAREER SITE OF PB PERSONAL FINANCE** – <https://www.careers.pbpf.bg/> launched on 10.10.2023. Special functionalities have been developed that connect the automated recruitment platforms of the two career sites of Postbank and PB Personal Finance.



**4. NETINFO PROJECT FOR LEADING EMPLOYERS** – Postbank was the first company in the new Netinfo project, which presents leading employers in a special section on the Nova.bg website. Within the framework of an employer branding campaign in Q3 2023, we realized a series of articles, participated in a podcast and shot two video clips with some of the most successful teams of Postbank and PB Personal Finance.

## RECRUITMENT

The successful recruitment process is highly important for having qualified and motivated human capital. Therefore, as 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 2023, we continued to actively apply innovative selection methods, including the specially created channel on the Instagram social network - PostbankSuperstarter. It allows quick and easy application for an internship at the bank with just 3 photos or a story and was a major focus of the 2023 internship campaign, involving over 170 young people, with more than 30% of interns being re-employed.

The automated recruitment platform integrated into the career site in 2023 significantly optimizes the entire selection process. and was updated in connection with the new career site for the PB Personal Finance brand, part of Postbank, which site uses the same technology platform.

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, the main of which is the speed with which contact is made with applicants and meetings are organized.

The recruitment process in 2023 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), Junior Achievement Bulgaria – „Manager for a day“; To The Top – „Lunch with the boss“ and the competition „Talent of the year“; Pleggi – „HR: Rush for practice“, ESTIEM, Bulgaria Wants You, nPloy, Dev.bg etc.

We presented the career opportunities in the bank in leading universities in the country.

In 2023 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 (50.51 %) are taken by personnel coming from the so-called internal market, i.e. by promoted and reappointed employees. As a result 49.49% of 2023 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 2023, it makes an impression that 29.7% of the newly appointed employees had less than two years of professional experience.

## PROFESSIONAL TRAINING

The opportunity for professional development and providing professional training to employees is the 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 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.

In addition to all this, we started the active use of the Learning Management System, LMS platform.

Data for 2023 show a total of 19,142 training courses completed on the platform, where employees have 71 e-courses at their disposal, with 33 being entirely new.

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.

During 2023, along with the various social and management skills that support the successful implementation of tasks in everyday work in two areas: Development of personal effectiveness and Development of management skills, we continued to have a focus on Measures against money laundering.

After Postbank became the first bank in Bulgaria in 2022 to conduct special training related to measures against money laundering - one of the most serious and critically important financial topics, which not only requires our constant attention, but is also related to the fulfillment of several regulatory requirements, in 2023 we continued working in this area by including all subsequent employees in the training program. This way, we provide all employees with the opportunity not only to upgrade their knowledge of the subject, but also to acquire extremely valuable and important expertise that will increase their professional qualification. A successful final guarantees each employee an internationally recognized certificate from ICA (International Compliance Association).

In 2023, we maintained the trend of increasing the number of hours in e-learning, which exceeded 142,000, with the total number of man-hours for 2023 increasing by over 14% to reach 244,980 hours.

We launched various new initiatives – online webinars, newsletter, thematic meetings with employees we upgraded our library and continued our partnership with one of the leading platforms for e-learning and micro-learning.

## **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

In support of the business, as well as in connection with the bank's goal for employee retention, we have built a comprehensive updated training program for newly recruited employees in the Branch Network – a pilot for the mass positions „Postbank Compass“.

In conjunction with the acquisition of another company to Postbank's large family, we have done electronic introductory training for all employees with an attractive digital card presented by Postbank.

## **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 2023 department “Strategic HR projects and digitalization” continued and built on its work 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 2023 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

EThe Bank continued providing its high-flyers with opportunities to enroll 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 2023 we continued to work on the improvement of the PERFORMANCE MANAGEMENT PROCESS – WE GROW, which guarantees TRANSPARENCY for all employees, OBJECTIVITY through the same evaluation parameters, focus on DEVELOPMENT using digital applications.

The Performance management procedures help 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 and we continued holding various development programs:

1. Leadership Development Program - long term focused on updating and upskilling the Middle management. In 2023 we continued upskilling our colleagues in level 2
2. MBA Essentials Program 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. Targeted employee development programs and academies in the Branch Network.

5. The first sign language academy for bankers in Bulgaria - „Beyond Sound“ in support of the deaf community in our country.

6. Women UNLOCK POTENTIAL of Women – a new mentoring program entirely for women

Postbank was awarded the Distinctive Sign for significant achievements in the field of equality between women and men. We are the only bank awarded the top prize in 2023 in the competition organized by the Ministry of Labor and Social Policy.

## 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 to show recognition and focus on the importance of individual professionals and the entire team of the Bank.

„The team of the future. Closer today. Closer tomorrow!“ - this was the motto of our large-scale TEAMBUILDING for over 1,800 people in total from the Branch network of Postbank and from the Branch and Trade network of PB Personal Finance.

Large number of the employees were engaged with trainings and development programs for themselves, as well as engaged as trainers, lecturers 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 2023.

We accomplished a brand-new campaign “The children of Postbank”.

## TALENT ACQUISITION 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 continued the strategic partnership as 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. SoftUni** – we continue the strategic partnership launched in 2018 aimed at linking education with IT and digital business in Bulgaria

**4. 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 2022/2023 and 2023/2024, with the training conducted entirely by our experts.

**5. MENTOR THE YOUNG** – we realized another general partnership. 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.

**6. National Trade and Banks High School and Private Professional High School for Banking, Commerce, and Finance** - a total of 314 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.

**7. "PMI Bulgaria Chapter** – – including various forms of positioning.

## 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 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 for family members at preferential terms if they wish to.

The Bank provides its staff with additional life insurance, covering the expenses upon occurrence of an insurance event. Moreover, the opportunity to use the Banks 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 2023, the benefits package was expanded.

## HEALTH AND SAFETY AT WORK

The success and productivity of a business relies on the efficiency of its employees. This is why ensuring a 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 labor 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 labor 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 labor 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**

### **SUSTAINABILITY POLICY STATEMENT**

We at Postbank believe that environmentally and socially responsible actions are an essential part of sustainable business growth.

As a financial services institution, we are aware of the environmental and social impacts of our own operations and we strive for efficiency in our use of natural resources, reduction of waste, pollution prevention, climate change mitigation and protection of biodiversity, in a workplace where human and labour rights, as well as health and safety are treated as matters of highest priority. We also recognise the indirect impacts stemming from our lending and investment activities.

We have committed to regularly assess the environmental and social impact of our activities, establish appropriate objectives and targets, continuously enhance our mechanisms for control and improvement of our performance, and comply with all applicable local national and international environmental laws and regulations.

We also believe that our business and financial activities can contribute to the promotion of sustainable development and economic growth. To this end, we maintain a responsible attitude towards our environment and society, and we encourage our clients, suppliers, shareholders, and other stakeholders to join us in the adoption of advanced sustainability practices.

### **POSTBANK'S 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.

At Postbank, we place environmental protection and fighting climate change at the heart of our beliefs. 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 observed.

We believe 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 solutions to help to 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 maintaining 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 them with suitable financial solutions;
- 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 stakeholder 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 initiatives.

### 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 efficient use of 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 sustainability and ESG issues.

Realizing our important role in tackling the pressing environmental, climate, economic and social challenges, we have implemented an ESG management model that facilitates our efforts in the three ESG areas.

We have set up an ESG Management Committee chaired by the Chief Executive Officer and comprising members of the top management of the Postbank with the purpose to:

- provide strategic direction on ESG initiatives;
- review the Bank's ESG strategy;
- integrate the elements of the ESG strategy into Postbank's business model & operations;
- measure and analyze the progress of the ESG goals and performance targets;
- and ensure the proper implementation of ESG related policies and procedures, in accordance with supervisory requirements and voluntary commitments.

In addition, we have created a dedicated ESG Department reporting to the CEO, with the purpose to promote the ESG principles and culture across the Bank. The ESG Department is also responsible for monitoring the Bank's operational impact and for the coordination of the ESG strategy implementation.

We have also established a special Climate and ESG Risks Department within Risk Division, whose overall responsibility is to identify, measure, monitor, control and integrate climate related and ESG risks into the Bank's risk management policies and procedures, so that we are able to manage the relevant risks and comply with supervisory requirements. The unit reports to the Chief Risk Officer and is independent of the business units.

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 has been a United Nations Environmental Program – Finance Initiative (UNEP FI) member since 2013. In 2020, we also became a signatory of UNEP FI's Principles for Responsible Banking. We are the first, and to date the only, bank in Bulgaria that is a member of this leading international financial initiative promoting sustainability and advanced ESG practices. In addition, Postbank is a member of the United Nations Global Compact Network Bulgaria.

Drawing on international expertise and best practices through engaging with these international organizations enhances our internal expertise and gives us access to a knowledge, tools and resources.

### 1. Postbank environmental management overview

As one of the largest banks in Bulgaria, we understand that our economy, society, climate and environment are interconnected. We recognise that to be successful in tackling the growing ESG challenges we need to apply a holistic approach with focused efforts for transition to net zero, building resilience and social prosperity while acting responsibly.

We have assessed the ESG aspects of our business through the lens of impact generation. We have identified the two main sources of our impact as operational and financed impact. Our operational impact is the direct impact on the environment and society generated by our own operations (i.e. our operational footprint). Our financed impact is our indirect impact arising from our lending and investment activities (i.e. impact generated by the clients and specific projects that we finance). By managing these two sources of impact, we aim to make a positive contribution to the mitigation of climate change, the protection of our natural environment and the alleviation of the relevant social challenges.

### 2. Operational impact - resource consumption management

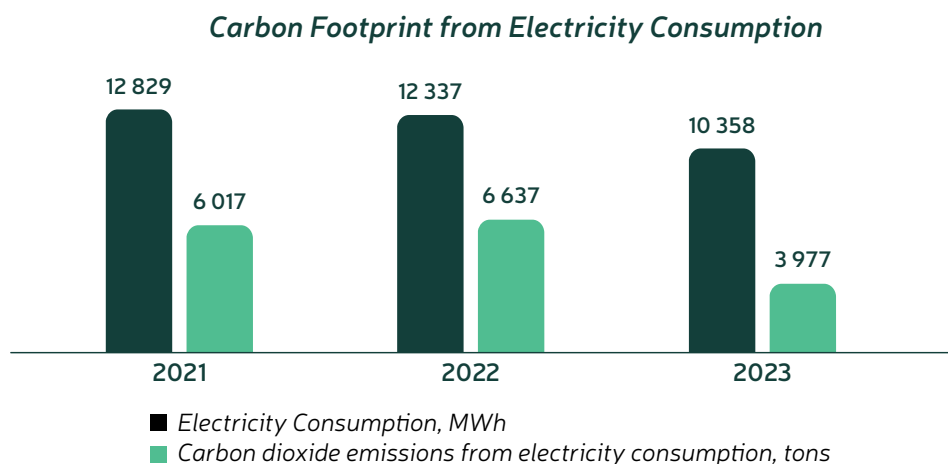
Our direct impact on the environment is directly related to our use of resources. We have identified that the three most significant resources consumed by the Bank are electricity, paper and water. Therefore, over the past 11 years we have concentrated significant efforts on increasing efficiency and reducing our resource consumption. The three key indicators that we have been monitoring since 2012 are electricity consumption, water, and printing paper use.

#### Electricity Consumption

The importance of climate change mitigation makes the monitoring of our energy consumption a top priority, as this is the largest source of Postbank's carbon dioxide emissions. In 2023, our electricity consumption decreased

by 16% compared to the previous year. Consequently, our CO<sub>2</sub> emissions from electricity use decreased by 40% compared to 2022, while the cumulative reduction since 2021 is 34%.

**Fig. 1. Carbon Footprint from Electricity Consumption, Postbank, 2021-2023**



\* Source of CO<sub>2</sub> emissions factors applied in the calculations: Electricity Maps | Live 24/7 CO<sub>2</sub> emissions of electricity consumption (лунсва лункът).

The observed reduction is a result of our targeted measures to reduce our electricity consumption and the respective carbon dioxide emissions. In 2023, we completed the installation of our own photovoltaic plant on the rooftop of our head office building in Sofia. Its total installed capacity is 388 kWp and its annual production of green energy is expected to reach 432 thousand kWh. The electricity produced on days with intense sunshine will cover at least 30% of the building's electricity daily need.

In addition, our objective is to gradually upgrade our premises into modern and more energy efficient workspaces. The large-scale project for renovation of our head office building in Sofia, which started in 2022, has made good progress during the year. The renovation includes installation of the latest-generation HVAC system together with a state-of-the-art Building Management System (BMS) for automated monitoring and control of the building's performance. The BMS ensures the optimum use of the installed HVAC and lighting equipment, resulting in increased energy efficiency of the building and improved comfort of the occupants.

In 2023, we also achieved significant progress on our initiative for complete renovation of our branch office network. The renovated offices are not only more attractive and comfortable for our clients and employees but are equipped with energy efficient HVAC systems and LED lighting.

The implementation of modern systems for heating and cooling in our premises has resulted in 25% reduction in our natural gas consumption compared to 2022. This amounts to a saving of 108 tons of carbon emissions from burning of natural gas.

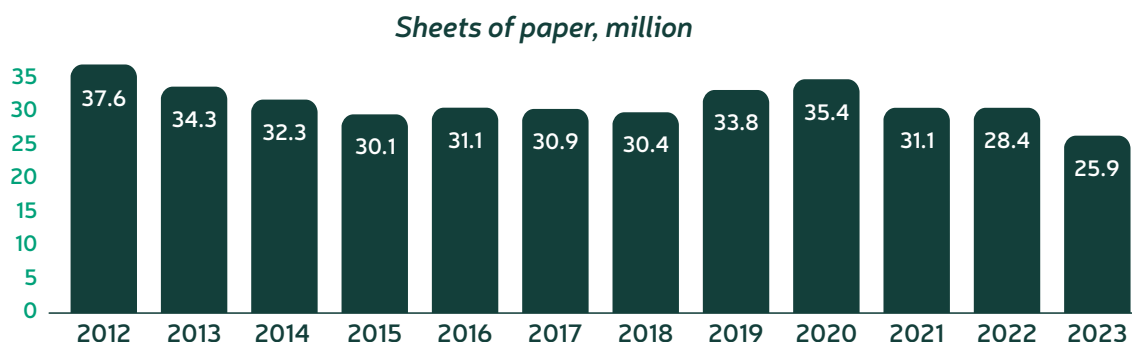
The CO<sub>2</sub> emissions associated with the electricity consumption of PB Personal Finance following its acquisition in 2023 are 106 tons. The total CO<sub>2</sub> emissions of Postbank and PB Personal Finance for 2023 amount to 4,083 tons<sup>2</sup>.

### **Paper Use**

Postbank is constantly looking for ways to reduce the use of printing paper in its operations. In line with the digitalization of our operation, a few years ago, we introduced electronic signing of bank documents on tablets instead of paper in our branch offices. We keep increasing the types and volume of documents that are signed on tablet each year. We have also invested significant resources in systems upgrade, process optimization and digitalization. All these measures have enabled us to reduce our paper usage, despite the constant growth of our

business. In 2023, we used 9% less paper than in 2022. The cumulative reduction of our paper consumption since 2012 is 31%.

**Fig. 2. Paper Consumption, million sheets of paper, Postbank, 2012-2023**



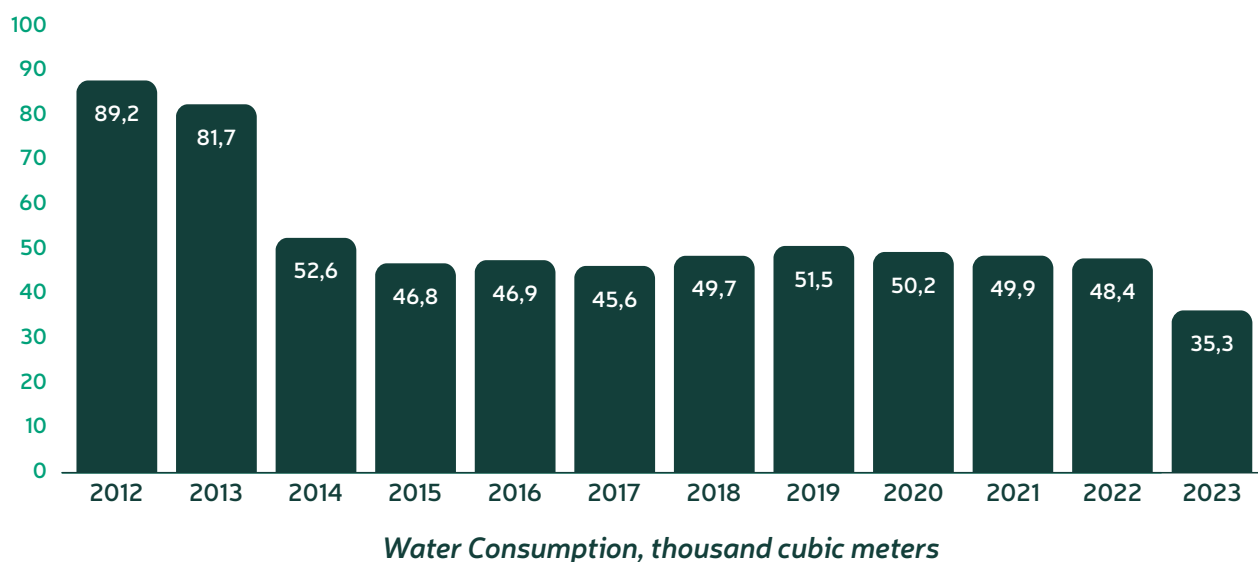
\* Note: The paper consumption for 2022 reported in the previous year's non-financial declaration has been amended due to adjustments that were required after the publication of the report.

The paper consumed by PB Personal Finance following its acquisition by Postbank is 1.7 million sheets. The total quantity of printing paper usage in Postbank and PB Personal Finance during 2023 is 27.6 million sheets.

### **Water Consumption**

The responsible use of water is very important for us in the context of saving this precious natural resource. Data for the quantity of water we have used over the past 11 years indicate that our efforts to contain the water consumption in our offices have been effective. The cumulative reduction of our water consumption since 2012 is 60%.

**Fig. 3. Water Consumption, thousand cubic meters, Postbank, 2012-2023**



The water consumed by PB Personal Finance following its acquisition by Postbank is 816 cubic meters. The total quantity of water usage in Postbank and PB Personal Finance during 2023 is 36 thousand cubic meters.

## **3. Financed impact. Management of Environmental, Social and Climate Risks in Lending**

During the reporting period, Postbank continued to monitor the level of environmental, social and climate risks in its small business and corporate loan portfolio.

<sup>2</sup> On 1 June 2023, Postbank finalized the acquisition of the commercial enterprise and the activity of BNP Paribas Personal Finance, which continued to operate under the brand PB Personal Finance.



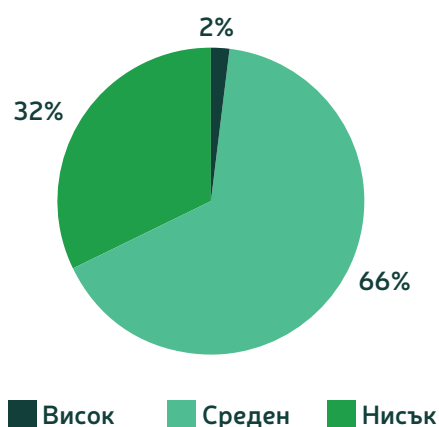
The Bank has in place a procedure for assessment and management of the environmental and social risks in its lending to companies. The procedure defines the methodology for initial climate, environmental and social risk assessment at the loan approval stage and its subsequent monitoring.

Under the procedure, companies applying for financing and their activities are screened against the Environmental and Social Exclusion list. Based on the applicant's economic activity and other criteria such as amount, purpose and term of the loan business financing transactions are classified as low, medium or high risk according to their potential environmental and social impacts. An automated Environmental and Social Risk Screening Scorecard has been implemented. Depending on the results of the risk assessment, further actions are undertaken to ensure that the companies to be financed by the Bank have implemented adequate measures for the management of environmental and social risks, mitigation of impact and compliance with the applicable local, national and international environmental, health and safety, labour laws and regulations.

Based on the above classification methodology, 98% of the commercial loans assessed for environmental and social risk as of 31.12.2023, are associated with low or medium level of risk.

**Fig. 4. Distribution of Environmental and Social Risk in Postbank's Commercial Loan Portfolio**

*Level of Environmental and Social Risk (% of Loan Deals)*



## 4. ESG Internal Management, Staff Awareness, External Engagement

During the reporting period, Postbank continued to create sustainable long-term value for its stakeholders guided by its mission, values and ESG strategic vision.

In line with our ESG vision, in 2023 we enhanced our sustainability governance model to be better positioned to meet the growing requirements and expectations of our external and internal stakeholders.

We established an ESG Management Committee chaired by the Chief Executive Officer and comprising members of the top management of Postbank. The ESG Management Committee succeeded the previous Environmental and Sustainability Committee with the purpose to integrate our ESG strategy Postbank's business model & operations, direct our ESG initiatives and monitor the achievement of our ESG goals and performance targets.

Another important step in 2023 was the establishment of a dedicated ESG Department reporting to the CEO. The responsibilities of the ESG Department include promoting the ESG principles and culture across the Bank, monitoring the Bank's operational impact and coordinating the ESG strategy implementation.

We also created a new Climate & ESG Risks Department, independent of the business units, which will identify, measure, monitor, control and integrate the climate, environmental, social and governance risks into the Bank's risk management framework. The unit will also coordinate with the business units the development and

implementation of the Bank's sustainable financing framework and financed impact strategy. The Head of the new unit reports directly to the Chief Risk Officer.

In 2023, Postbank adopted its Sustainable Finance Framework, which outlines the methodology for classifying the sustainable lending solutions, offered by the Bank to its clients. The framework specifies the activities defined as "eligible" to access sustainable financing, along with their respective eligibility criteria and/or the chosen sustainability performance targets and key performance indicators per industry. Credit facilities are classified based on purpose as dedicated-purpose loans, general-purpose loans and recovery and resilience facility loans. To develop the Sustainable Finance Framework, Postbank drew on internationally recognized industry guidelines and principles to ensure that it provides a transparent and comprehensive methodology for classifying, monitoring, and reporting of sustainable financial products.

The Sustainable Finance Framework will serve as one of the tools implemented by the Bank to support the green transition efforts of its current and future clients.

In 2023, Postbank actively participated in the Sustainable Finance Working Group at the Association of Banks in Bulgaria. The Bank also became a member of the ESG Committee at the Confederation of Employers and Industrialists in Bulgaria.

In 2024, we will focus our efforts in several areas:

- Building the capacity and increasing the relevant skills of our employees in the areas of ESG and climate opportunities and risks, so they are able to support our clients on their sustainability journey and their green transition.
- Active promotion of opportunities for greening of our economy by participating in governmental programs and partnerships with international financial institutions providing funds and support for ESG related projects and initiatives of our current and potential clients.
- Automating the process for assessment and monitoring of financing facilities for alignment with the criteria of the Sustainable Finance Framework (SFF).
- Exploring new opportunities and implementing effective measures to further reduce the impact of our own operations.

## 5. Fines, Sanctions or Cases Brought through Dispute Resolution Mechanisms

During the reporting period, the Bank has not been subject to any fines, penalties or litigation with relation to issues related to environmental management.

## INVESTING IN SOCIETY



In 2023, the financial institution, traditionally a leading partner for businesses in the country, supported for the fifth consecutive year the unique growth program Dare to Scale - the first of its kind in Bulgaria, aimed at businesses with the potential for more extensive expansion of their activities. In the project of the Bulgarian office of the global Endeavor network, due to the significant interest this year, 6 companies were awarded during the closing Demo Day event. The selected entrepreneurs went through training and interactive sessions led by successful practitioners and leaders from the Endeavor network, with experts from Postbank also participating as mentors. The Dare to Scale growth program will continue in the coming

years to encourage the growth of even more new local businesses. By participating in the Dare to Scale growth program, Postbank actively contributes to the development of both promising scale-up companies and the business environment in Bulgaria. This is another expression of its desire to encourage bold ideas, support innovation, and competitiveness of firms and the economy.

For the ninth consecutive year, Postbank was the main partner of the Small Business of the Year competition - „The Big Small“, organized by „24 Chasa“ newspaper. Every year, small and innovative Bulgarian companies present their ideas, which they have successfully developed into a product or service in the market. The first prize in the „Innovative Company“ category was awarded by Filip Popov, Head of Small Business Banking Management at Postbank, and the winners were determined to be Infinity Toy Box.



For the fifteenth consecutive year, the most prestigious annual awards in the insurance and pension insurance sector in Bulgaria were presented. The organizers of the event are the University of Insurance and Finance (VUZF), the Association of Bulgarian Insurers (ABI), the Bulgarian Association of Supplementary Pension Insurance Companies (BADPO), the Bulgarian Association of Insurance Brokers (BAIB), and the „Prof. Dr. Veleslav Gavriyski“ Foundation. The prize in one of the leading categories, „Insurance Broker of the Year - Life Insurance“, was awarded to „I N G Insurance Brokers“ Ltd. The award was presented by Dimitar Shumarov, Executive Director and Chief

Financial Officer of Postbank. In his speech, he pointed out that 2022 was significant and successful for the insurance and pension insurance sector. Dimitar Shumarov congratulated the organizers and emphasized that



as a leading financial institution, Postbank develops a number of fruitful collaborations with established life insurance and pension companies.



Quality education and the direct connection between schools, universities, and businesses are a top priority in Postbank's corporate social responsibility. That is why the financial institution participates in numerous initiatives focused on the young people development.. Postbank continues to develop its joint project with SoftUni in support of Bulgarian education, which started back in 2018. It includes various activities to prepare young people for the professions of the future and their realization in Bulgaria. Through strategic partnership, the two organizations aim to encourage students to develop their potential as IT and digital leaders, prepared for the dynamically changing environment and the new trends in banking. During the SoftUniada

2023 competition, 15-year-old high school student from Pleven, Mario Petkov, managed to win first place and Postbank's award in the „Competitive Programming - Junior“ category. In the contested two-day competition, held entirely online, a total of 238 participants in six categories measured their knowledge and skills, with 183 of them participating in solving algorithmic problems in the two age groups of the most competitive category, „Competitive Programming“.

IT specialists from Postbank once again participated in the career online seminar IT Journey, presenting attractive opportunities for work and career development in the company to young students from the Software University. The Bank provides attractive opportunities for internships and professional development for young IT specialists and is a preferred top employer for young software specialists who are at the beginning of their professional journey.

Young bankers from Postbank NEXT rightfully claimed first place among tenth graders in the student competition held as part of the 24th School Fair on the project „Integrated Practical Training.“ The contested competition at Inter Expo Center involved 23 educational-commercial banks and a total of 63 educational enterprises of students from the National Trade-Banking High School and the Private Vocational High School of Banking, Trade, and Finance. This year, the school fair is dedicated to the 110th anniversary of the National Trade-Banking High School. The team of the educational commercial bank Postbank NEXT presented a rich portfolio of banking products and services, including its own website, managing to impress visitors and the competition jury. Once again this year, highly qualified experts from Postbank served as mentors to the students - part of the financial institution's extensive initiative to support the education of students from the National Trade-Banking High School and the Private Vocational High School of Banking, Trade, and Finance.



For the second consecutive year, training of students from the 10th, 11th, and 12th grades of the National Trade-Banking High School and the Private Vocational High School of Banking, Trade, and Finance was conducted by leading experts from Postbank. Thanks to a program specially designed for the needs of high school students, top experts from the financial institution introduce young people who have chosen the financial sector for their professional realization to the practical application of innovations, modern solutions, and the dynamic

development of the Banking world. The sustainable strategic partnership between Postbank and the two leading vocational high schools aims to support the improvement of quality education and the establishment of a close connection between education and business - a key process for preparing well-informed business personnel. The series of lectures prepared by the Postbank team are tailored to the material covered by each graduating class. The topics cover the latest trends and processes in the financial sector, including a variety of content: from the structure and organization of a commercial bank and the methodology for developing business strategies and setting goals to the transformation facilitated by virtual reality and modern banking and the rapid development of digital channels.



Experts from Postbank conducted an open lesson on the topic „Let's Talk About Personal Finance“ for students from the second and fourth grades of the 131st Elementary School „Kliment Timiryazev“ in Sofia. Over 120 children and their teachers participated in the event, organized as part of the international initiative „European Money Week 2023“ with the main goal of introducing students to the basics of personal finance and helping to increase their financial literacy from an early age. Through an interactive format and engaging practical tasks, the lecturers from the financial institution familiarized the young participants with the origin and history of money and their role as a medium of exchange for goods and services,

their development over the centuries, and their use today. The focus of the training was on personal and family budgets, and the children learned basic concepts such as „income“ and „expenses,“ the importance of „savings“ and why they are important, how to organize a budget easily, and how to manage personal finances. „European Money Week 2023“ is an initiative of the European Banking Federation, held annually in several European countries. Its goal is to introduce children, primarily through various educational campaigns aimed at students, to what money is, how banks work, and - generally - to increase their financial literacy and encourage responsible attitudes toward personal finances and saving.



Postbank is a general partner of the Mentor the Young initiative for another season. 10 mentors from the financial institution participated in Season 5 of the program and shared their experience. Postbank believes in the power of mentoring and the exchange of experience between experts and young people because it is fundamental to the development of every professional.

Postbank and Sofia University cooperate in training future financial experts in the Master's program of the Faculty of Economics, „Finance and Banking.“ Modern disciplines such as „Bank Management“ and „Investment Banking“ are part of the mandatory curriculum for 2023-2024, and the training in them is led by experts from the Bank.

In November and December 2023, Postbank participated for the eighth consecutive year in the socially responsible initiative „I am Proud of My Parents' Work,“ organized by the Bulgarian Network of the UN Global



Compact. Students visited the central building of the financial institution to learn more details about the professions and work of their parents through specially developed educational programs.

For the eighth consecutive year, Postbank, as a member of the Association of Banks in Bulgaria (ABB), actively participates in the European campaign aimed at combating money laundering schemes and the recruitment of „financial mules.“

With the support of Postbank, „Bon-Bon Music“ presented the play „The Magic Crown“ during the „Apollonia“ holidays in Sozopol on August 29 and at the „Stage of the Ages“ in the old capital city of Veliko Tarnovo on September 12. Postbank's support and partnership with „Bon-Bon Music“ continue the investments in sustainable development and socially responsible policies of the leading financial institution. The Postbank team firmly believes that the long-term sustainability of business is closely linked to the overall well-being and development of society and the care for children and their talents. From the position of a leading financial institution, Postbank actively supports projects in some of the main spheres of public life such as education, culture, sports, and environmental care.



In June 2023, Postbank was once again the main partner of the charity relay race Postbank Business Run, organized annually by the running club „Runner.“ A total of 363 teams from 133 companies from various business sectors participated, held in the territory of Business Park Sofia. The initiative brought together 1,452 participants, and for another year, 56 children aged 4 to 16 participated in the Kids Run competition, conducted by certified coaches according to the IAAF - Kid's Athletics program. In the established CEO Dash competition among executive directors, 12 managers from different companies took part. The largest team-building event in Bulgaria this year supported three causes.

The funds raised, exceeding BGN 10,000, will support a project of the „For Our Children“ Foundation, the project „Swimming Skills - a program for socialization of children in disadvantaged situations“ of the „CONCORDIA Bulgaria“ Foundation, and the renovation of the new building, covering the current expenses of the „Pavement 2020“ Community Center, which aims to create an environment and community for students, volunteers, and anyone in need of personal development.

Postbank is the only bank in Bulgaria that has its own „Green Board“ and Environmental Office unit in its organizational structure, working to protect the environment both in terms of limiting the Bank's resources and its financing activities. Additionally, board members organize various outdoor initiatives, involving other employees as well.

Postbank participated in the large-scale initiative „The New Forest of Sofia - 2“ in 2023. The team of the financial institution planted over 2,000 seedlings on Earth Day - April 22. Over 100 volunteers dedicated their time, labor, and efforts to reforesting new forest areas in the outskirts of Sofia, in the lands of the village of Negovan. Postbank has been involved for the second consecutive year in



the project, as part of its overall internal environmental conservation program „Green Together with Postbank“ and in line with the company’s longstanding sustainable policy. Under the motto „Lend a Hand to the New Forest of Sofia,“ the institution’s team planted over 1,000 trees in the designated area last year. The plan for the spring edition of the campaign in 2023 is to plant new 32 acres with a total of 20,000 broadleaf seedlings of oak tree species.



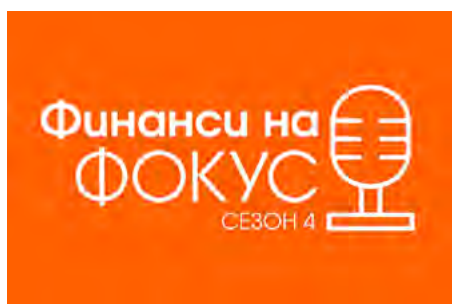
In August 2023, Postbank and Mastercard beautified the area above the Dragalevtsi Monastery, located in the territory of the Vitosha Nature Park, as a result of which the existing Alley for Access for People in Disadvantaged Situations, sports and recreation areas were renovated, and the youngest visitors to the mountain now enjoy a completely new children’s facility.

The event is a continuation of the project „Green Outdoor Stories“ and for the third year is realized with the support of experts from the Directorate of the Vitosha Nature Park. With the socially responsible initiative carrying the message „Rediscovering the Mountain Together with Children,“ the companies aim to make the mountain a natural, accessible, and even more inspiring place for adventures for both young and old.

This year, the project was also associated with another important cause - supporting beekeepers in our country and preserving bees. Over 130 volunteers participated in the initiative, took part in the final field activities, and became beekeepers for a day by assembling, painting, and decorating 10 beehives, which were later provided to beekeepers from the „Real Honey“ network.



The volunteers from both companies, along with their children and representatives of the Directorate of Vitosha Nature Park, participated in all final field activities. They engaged in painting and renovating the existing Alley for Access for People in Disadvantaged Situations, on which educational boards with a special section made with Braille alphabet and interesting information about the centuries-old trees, some of which can be seen in the area, were installed. A board with information about the Dragalevtsi Monastery „Assumption of the Holy Mother of God“, located in close proximity to the site, was also placed on the Alley. Employees actively participated in the refurbishment of sports facilities and recreational areas on the site, lacquered and refreshed all „Vitosha-style“ gazebos and tables, installed numerous boards with games and mazes for the youngest, including useful information about honey-producing plants and bees.



„The New ESG Reality and How the World is Moving Towards a Greener Future“ was the theme with which the first banking podcast „Finance in Focus“ returned to the airwaves, realized by Postbank in partnership with Bloomberg TV. The fourth season of the podcast started with an interesting conversation about the challenges faced by all participants in the green transition, as well as an analysis of Postbank’s strategic approach in this direction.

Employees of Postbank are regular donors to the National Center for Transfusion Hematology and participate in blood donation campaigns organized and held at the Central Office.



In 2023, Postbank supported the podcast „Property - Bought or Rented“, part of the project „Annual Awards of Imoti.net“, which is broadcast with the assistance of the financial institution.

The financial institution supported the fifth edition of the festival „Unbeaten Path“, held in Gotse Delchev. The home of the event is once again the Rhodope village of Kovachevitsa, which welcomed hundreds of guests from the country and abroad. This year, the festival ended at the Episcopal Basilica in Plovdiv.

The 18th World Meeting of Bulgarian Media was opened in June in Kazanlak, in the Rose Valley and the Valley of the Thracian Kings, during the Rose Festival, which has been celebrated in the city for 120 years. The theme of the meeting is „Freedom and Media“, and traditionally the event is organized by the Bulgarian Telegraph Agency (BTA). Postbank is a partner of the prestigious forum.

Throughout the year, the Bank continued its longstanding support and work with groups in disadvantaged social situations and stimulating their active role in society. Support was provided to children in disadvantaged situations in Kazanlak, elderly people in Ruse, the national campaign „Easter for Everyone“ - „Give a holiday to grandma and grandpa“, as well as many other smaller initiatives throughout the year.

Postbank traditionally participated in the festive decoration of Sofia. Following its established values, the financial institution believes that the overall well-being and development of society depend on the efforts to improve the environment of each of us. Therefore, along with its other socially oriented projects, for several years it has also taken care of the festive splendor of the capital during the Christmas-New Year holidays.

