ANNUAL DISCLOSURES FOR 2020
ON AN UNCONSOLIDATED BASIS

ACCORDING TO THE REQUIREMENTS OF
REGULATION (EU) 575/2013 (ART. 431-455)

CONTENTS: **Page**

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

I. Risk management, objectives and policies

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

The Bank's risk governance framework comprises a number of different constituents. In particular, the Supervisory Board has set up the Risk Committee mandated to oversee all risk management functions.

The Internal Audit function, which reports directly to the Supervisory Board, through the Audit Committee, complements the risk management framework acting as the independent review layer, focusing on the effectiveness of the risk management framework and control environment.

The Bank's risk management organization structure shall ensure the existence of clear lines of responsibility, the efficient segregation of duties and the prevention of conflicts of interest at all levels, including the Management Board, Senior Management, staff of any seniority involved in any way in lending as well as among its customers and any other stakeholders.

Within the Bank, risk management activities broadly take place at the following levels:

- ✓ Strategic level – It encompasses risk management functions performed by the Supervisory Board and Management Board. These includes for example approval of Risk strategy, Risk appetite framework and Risk appetite statement;

- ✓ Tactical level – It encompasses risk management functions performed by the Risk Committee and the Executive Committee. These include for example approval of risk related policies and procedures, manuals for managing risks and establishing adequate systems and controls;

- ✓ Operational (business line) level – It involves management of risks at the point where they are actually created. The relevant activities are performed by individuals / bodies who undertake risk on the organization's behalf. Risk management at this level is implemented by means of appropriate controls incorporated into the relevant operational procedures and guidelines set by the Management. These include for example approval of risk related policies and procedures, manuals for managing risks and establishing adequate systems and controls.

The Bank's risk governance model incorporates the three lines of defense approach. The model distinguishes among three groups involved in the effective risk management as follows:

1. The risk taking units (business units): Under the 1st line of defense, business management is responsible for managing the risks of their business, within approved risk appetite and tolerance levels. The business units, as the first line of defence, take risks and are responsible for its operational management directly and on a permanent basis. For that purpose, business units follow sound processes and controls in place that aim to ensure that risks are properly identified, measured, monitored, managed, reported and kept within the limits of the Bank's risk appetite and that the business activities are in compliance with external and internal requirements.

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2. The risk management function: Under the 2nd line of defense, the risk management functions, coordinated by the Group Risk Management General Division, provide oversight over first line of defense (business management) risk taking activities, and develop risk management frameworks, policies and procedures within their area of responsibility. Other support functions of the Group (such as Compliance and Legal) are also part of the second line of defense.

3. Internal Audit: Under the 3rd line of defense, the audit function performs regular independent reviews of the implementation of and adherence to the risk management framework and its supporting policies and processes, as well as the system of internal controls in place. This includes both business unit activities and risk management functions.

The below list shows all policies and procedures related to Risk management, which have been updated in 2020:

- ✓ Risk Appetite Statement of Eurobank Bulgaria AD;
- ✓ Risk Appetite Framework of Eurobank Bulgaria AD;
- ✓ Risk Strategy of Eurobank Bulgaria AD

Eurobank Bulgaria is exposed to a variety of risks deriving from its activities, among which the most significant are the following:

- ✓ Credit risk
- ✓ Market risk
- ✓ Liquidity risk
- ✓ Operational risk

The different types of risks are managed and controlled by specialized units in the Bank, following policies and procedures based on Eurobank Group Guidelines as well as the EU and Bulgarian legislation and regulations, ensuring that all aspects of risk are adequately covered, monitored and controlled.

The Chief Risk Officer of the Bank, heading Risk Division, has a direct reporting line to the Risk Executive of the Parent company and indirect to the Chief Executive Officer of the Bank.

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 material risks. In addition, Internal Audit is responsible for the independent review of risk management and the control environment.

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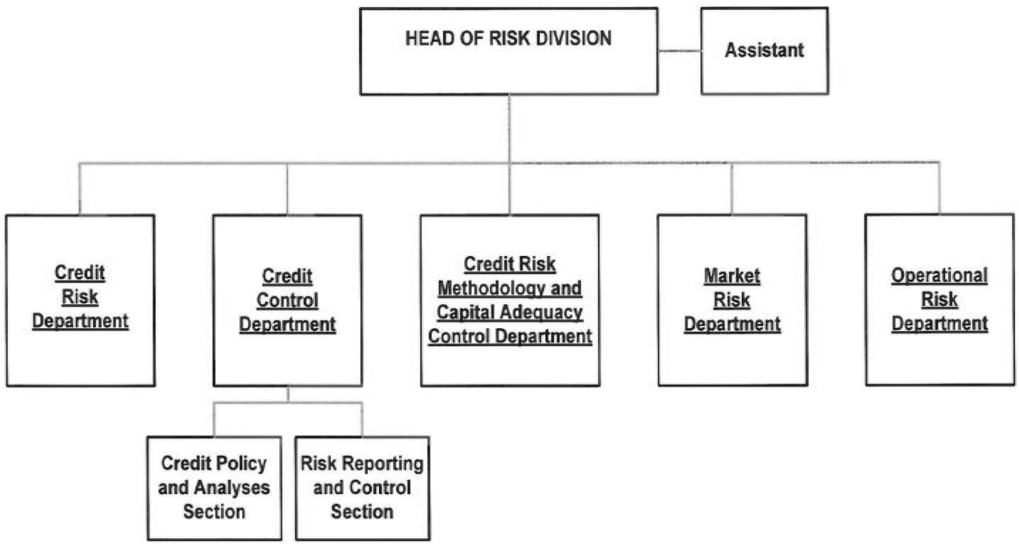

Credit risk

Credit risk is the risk of financial loss for the Bank caused by counterparty by failing to fulfill an obligation. It is the most significant risk that the Bank is exposed to. The credit process within Eurobank Bulgaria AD is based on the segregation of responsibility between the business origination and credit risk management functions. The fundamental principle of the credit approval process is the "segregation of duties principle" which requires credit proposal by Business Units and review by Risk Division (Credit Risk Department) and establishes the separation of business decision from credit risk decisions. Participants in the credit approval process must act and take decisions in line with the Group's credit policy, as well as in line with the applicable Bulgarian law and regulations. In their decisions for undertaking credit risk they must exercise prudent and objective credit judgement, and act in good faith, so that they fully and effectively protect the interests of the Bank and its shareholders in the best possible manner.

The Bank employs the following risk management methods in order to reach its defined credit risk targets:

Risk avoidance: in lending operations, the Bank rejects loan proposals with bad performance and behavior using internal risk models and ratings, and by defining risk sensitive business focuses by means of specific exposure limits and target portfolio.

Risk mitigation/limitation: The Bank demands collateral and applies credit risk mitigating techniques, and adheres to defined credit risk limits as derived above.

Risk diversification: By diversifying its portfolio, the Bank hedges its dependence on specific developments and thus reduces the credit risk. Should the Bank's portfolio fall below the desired degree of diversification, the Bank will need to take suitable measures.

For the purpose of management and control of the credit risk, different structures and bodies are established with specific responsibilities:

- ✓ Risk Committee – for strategic decisions and country risk management;

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- ✓ Different levels of Credit Committees depending on type and amount of exposure, including the Country Credit Committee and the Regional Credit Committee – for Credit Approval Process decisions;
- ✓ Special handling Committee I ,II, III and IV – for credit approval process decisions for problematic customers;
- ✓ Special Handling Monitoring Committee – for monitoring of Corporate watch-listed, problematic and NP relationships;
- ✓ Troubled Assets Committee - for oversight and monitoring of troubled assets management;
- ✓ Loans and Products Committee - for approval of loan products as well as risk parameters and criteria.

The Bank intends to support all economic sectors, however, Eurobank Bulgaria AD will be very cautious in taking exposure to independent insurance companies, leasing and factoring companies and other finance entities. Depending on market situation and obvious warning signals for certain economic sectors, additional restrictions can be imposed. In addition, the limitations imposed by the Bank's Environmental and Social Policy apply.

The Bank's policy is to avoid extending credit facilities to entities involved in the production and trade of military weapons, religious organizations, gambling industry, media sector, political parties, public educational institutions, sports clubs etc.

Risk Committee will monitor and periodically adjust specific limits corresponding to each economic sector as defined in the Bank's Risk Strategy.

The credit exposure to any given economic sector shall not exceed a certain percentage of the credit exposure of the total wholesale portfolio of the Bank, not accounting for corporate bonds. The weight of each sector as percentage of the total corporate portfolio is well defined in the Risk Strategy of the Bank and it is subject of annual revision.

The credit activity of the Bank is governed by policies and procedures, approved by the respective responsible bodies and based on Eurobank Group Guidelines, ensuring that all aspects of credit risk are adequately covered, monitored and controlled, namely:

- ✓ Credit Policy Manual for Corporate lending;
- ✓ Credit Policy Manual for Small Business banking (SBB);
- ✓ Credit Policy Manual for Mortgage lending;
- ✓ Credit Policy Manual for Consumer lending including credit cards;
- ✓ Collateral Rule Book;
- ✓ Collaterals Allocation Instruction;
- ✓ Corporate Troubled Assets Group Credit Policy;
- ✓ Retail Troubled Assets Group Credit Policy;
- ✓ Accounting Policy for impairment of lending exposures;
- ✓ ICAAP Procedure;
- ✓ Stress test methodology;
- ✓ Concentration risk methodology.

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Market risk

The corporate governance with respect to market risk control and supervision is defined in the Bank's Market & Counterparty Risk Policy, developed in line with the respective Group policy and guidelines. The objectives of the Bank's Market & Counterparty Risk Policy are to:

- ✓ establish an effective market risk monitoring and management framework throughout the Bank;
- ✓ ensure compliance with local rules and Group guidelines;
- ✓ ensure regulatory compliance;
- ✓ create a competitive advantage through more accurate assessment of the risk assumed.

The Market & Counterparty Risk Policy is further supported by appendices and 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 trading and non-trading activities that run market risk.

The Market & Counterparty Risk Policy is approved by the Risk Committee of Eurobank Bulgaria and maintained by Market Risk Department, which regularly reviews the policy and submits changes to the Risk Committee for approval. Risk is at the core of the Bank's business and the market risk control and supervision framework 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;
- ✓ help align the Bank's organisational structure and management processes with regulatory requirements and international best practices;
- ✓ set minimum standards for controlling market and counterparty risks;
- ✓ develop transparent, objective and consistent market risk information as a basis for sound decision making;
- ✓ establish a structure that will allow the Bank to link business strategy and operations with the objectives for risk control and supervision;
- ✓ safeguard the adherence to the principles and metrics described in the Bank's Risk Strategy documents.

The Bank's market risk appetite is the size of the potential unexpected loss that it is willing to absorb as a result of adverse changes in market variables. It is related to its capacity to absorb those losses, which depends on the Bank's capital and reserves; the potential losses arising from other, non-market, risks; and the regulatory capital, which is required to support the business. The Bank's market risk appetite is expressed in terms of nominal limits set on the exposures to market risks. The market risk appetite is defined by the Bank's Risk Committee, which approves all risk limits at Bank level. These limits are also part of the global limit structure of the Group and are ratified at Group level. At present there are nominal limits set on the 1-year and 10-year duration equivalent measures calculated in the Interest Rate Gap Report to ensure that the Bank's overall exposure to interest rate risk is acceptable; nominal limits for the overnight open FX positions in Euro and in all remaining currencies; and a nominal limit on the market value of the overall exposure to the local equity market. These limits at Bank level are supplemented by additional sub-limits on specific market risk factors, such as bond positions, concentration limits for the equity portfolio and other. In addition to quantitative limits, the Bank's market risk appetite is also expressed through qualitative characteristics such as different types of eligible markets, products, countries, counterparties and currencies. The market risk limits are monitored by Market Risk Department and any excesses are reported to the respective management bodies in line with the escalation levels set in the Market & Counterparty Risk Policy.

The Bank's Risk Committee is the ultimate body responsible for market risk control and management, with its responsibilities including:

- ✓ ensuring that the Bank has a well-defined market risk strategy and risk appetite in line with its business plan, and that the risk appetite in question is articulated in a set of qualitative and quantitative statements, limits, and an appropriate measurement methodology;
- ✓ ensuring that the Bank has developed an appropriate market and counterparty risk management framework which is embedded in the decision making process (e.g. new products introduction, risk adjusted pricing, risk adjusted performance measures and capital allocation) throughout the organization and its subsidiaries;
- ✓ ensuring that the Bank has the appropriate modelling tools, data sources and sufficient and competent staff needed to identify, assess, monitor and mitigate risks;
- ✓ approval of market risk policies, procedures and overall control structure;
- ✓ approval of market risk appetite, limits, underlying measurement methodology and risk assessment models;
- ✓ monitoring of the compliance with and implementation of Group policies and procedures;
- ✓ review and assessment through regular reporting by Market Risk Department of the Bank's market risk profile and strategy and the effectiveness of the risk management policies, identifying and assessing significant risks;
- ✓ review of major risk issues and actions for resolution;
- ✓ review on a regular basis of the adequacy of relevant measures and controls.

Market Risk Department is responsible for the independent market risk assessment, measurement, monitoring, reporting and control. The department's responsibilities include:

- ✓ independent market risk identification, assessment, monitoring and control;
- ✓ independent reporting to senior management at local and Group level;
- ✓ maintenance and implementation of market risk policies and procedures;
- ✓ compliance with Group market risk policies and procedures;
- ✓ monitoring Capital Markets' and other key Business Unit activities from market risk perspective;
- ✓ monitoring of trading, investment and counterparty limits and reporting limit excesses to the management bodies;
- ✓ valuation of the Bank's derivatives and securities portfolios;

- ✓ reviewing new products from market risk perspective.

Market Risk Department is part of Risk Division, subordinated to the Chief Risk Officer who has a direct reporting line to the Group Chief Risk Officer. The department does not report to an executive member of management that is responsible for risk-taking activities, thus ensuring its independence from the business units undertaking exposures to market risks. Market Risk Department has an independent access to the Bank's core IT systems, the Treasury Front Office System, the MIS databases and external sources of market information such as Reuters and Bloomberg, and prepares market risk reports on a daily, weekly**,** monthly or quarterly basis, presenting them to the senior management at Bank and Group level, including the Risk Committee (RC) and the Assets and Liabilities Committee (ALCO). The Management of the Bank estimates the market risk of positions held and the maximum losses expected based upon a number of assumptions and reviews various market risks at a minimum on a monthly basis.

The Bank ensures that all material positions that are exposed to market risks are included within the market risk measurement system. The scope of the application encompasses all units of the Bank with significant market risk exposure, including other Bulgarian subsidiaries of ERB Group.

The market risk measurement system measures risk in the valuation of all of the Bank's positions (securities, derivatives, core banking items) regardless of accounting treatment arising from exposure to the following market risk factors:

- ✓ exchange rates – risk measurement methods should incorporate risk factors corresponding to the individual foreign currencies in which the Bank has material positions;
- ✓ interest rates – including credit spreads – risk measurement methods should include a set of risk factors corresponding to interest rates in each of the currencies in which the Bank has material interest rate sensitive positions; for each currency the yield curve is divided into a number of maturity segments in order to capture the variation in volatility of interest rates at different points on the yield curve;
- ✓ equity prices – risk measurement methods should include risk factors corresponding to each of the national markets in which the Bank holds material positions (at present only the Bulgarian Stock Exchange);
- ✓ market implied volatilities of the above.

Market risk is defined as the current or prospective risk to earnings and capital arising from movements in market parameters, such as interest rates, foreign exchange rates, equity prices, commodity prices and their implied volatilities. Market risk can generally affect both trading and banking book positions, at both the asset and the liability side of the balance sheet. For the Bank, this risk comprises:

- ✓ interest rate risk;
- ✓ foreign exchange risk;
- ✓ equity price risk.

Interest rate risk

Interest rate risk is the current or prospective risk to earnings and capital arising from the change in the direction or volatility of interest rates/interest rate derivatives, the shape of the yield curve and the spread between different interest rates.

The main instrument used internally for identifying, monitoring, reporting and managing the Bank's exposure to interest rate risk is the Interest Rate Gap report, produced on a weekly basis. The report is based on the Group guidelines, while the underlying assumptions are constantly reviewed and updated to ensure their adequate reflection of any local specifics. There are two main calculated duration-equivalent measures – 1Y and 10Y equivalent, for which there are nominal limits set to ensure that the overall exposure of the Bank to interest rate risk is acceptable and in line with its market risk appetite. The monitoring is done on a weekly basis and there have been no limit excesses in 2020 with the exception of the short period 15-31 May, when the 10Y limit was technically temporarily exceeded while a proposal for limit increase was subject to review and approval. There are further limits set on major sources of interest rate risk such as bond positions, and the gap analysis is supplemented by duration analysis and different shocks analysis. Periodical stress tests are performed to assess the impact of interest rate changes on the Bank's P&L and economic value.

The Bank has a conservative policy regarding the exposure to interest rate risk and maintains a low volume of the trading book bond portfolio. On the other hand, with regard to banking book positions, interest rate risk exposure during the last year has increased as the Bank sought to increase substantially its investments in high-quality liquid assets (such as fixed income sovereign and covered bonds) to support both its liquidity buffer and net interest income, while complying with the restrictions on exposures to foreign institutions and governments, imposed by BNB. The fixed income bond portfolios are the main source of interest rate risk for the Bank, but a material part of them has been hedged against this risk through asset swaps. The interest rate risk exposure from the other on- and off-balance sheet positions is relatively low, given the short re-pricing periods and tenors of most assets and liabilities and the large share of floating rate ones. The main technique used for managing interest rate risk is interest rate risk hedging, including fair value and cash flow hedges. This is done in compliance with the Bank's Hedging Policy, which outlines the procedure for assessing hedge effectiveness on a regular monthly basis according to international standards requirements, defines the roles of the different units of the Bank in the assessment and accounting process, and the potential hedging instruments that can be used.

The main stress test scenario used for interest rate risk is based on the assumption for parallel yield curve shifts with specific shift parameters for each currency, together with an increase in credit spreads for foreign currency denominated bonds and is calculated on a regular monthly basis. For the trading book the assumptions are applied separately for bond positions and for derivative positions. The effects for bonds are calculated based on the estimated PVBP for each position, while for derivatives the effects are estimated by applying a shift to the actual risk-free reference curve for each currency and calculating the resulting changes in the NPV.

As the Bank's trading book bond portfolio is relatively small, while interest rate derivatives are used almost exclusively for hedging purposes, the Bank's exposure to interest rate risk is coming mainly from banking book positions. A detailed analysis of IRRBB, together with a description of the full set of stress test scenarios used, is presented separately.

Foreign exchange risk

Foreign exchange risk is the current or prospective risk to earnings and capital arising from adverse movements in spot and forward currency exchange rates in the banking and trading books.

The open foreign exchange positions of the Bank are monitored at least on a daily basis. Foreign exchange operations are almost entirely client driven or with the purpose of closing existing

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open positions and the Bank usually does not take material open positions in currencies other than the Euro. The overnight limits for the total open FX position in all non-euro currencies and for each individual currency except Euro are small in size. The limit for EUR/BGN position is larger but the Currency Board Arrangement and the fixed EUR/BGN exchange rate mean that the related FX risk is low. During 2020 there have been no limit excesses.

The main stress test scenario used for FX risk is based on devaluation / appreciation of the local currency against all foreign currencies with the exclusion of Euro. The calculations are performed monthly based on the Bank's open FX positions against each currency.

Equity price risk

The equity price risk is the current or prospective risk to earnings and capital arising from the change in the direction or volatility of equity prices/indices or changes in the relationship between different equity prices/indices.

The proprietary traded equities portfolio consists entirely of shares, listed on the Bulgarian Stock Exchange, and its market value should not exceed the approved nominal limit, the amount of which is also indexed to the SOFIX. Limit utilization is calculated on a daily basis and there have been no limit excesses during 2020. Equity price risk monitoring and management is further supported by the daily calculation of equity portfolio VaR, based on a 99% confidence level, 10-day holding period and a 180-day time series of changes in market variables.

The stress test scenario used for equity price risk is based on a drop in equity prices across the board for all listed equity positions.

Trading Book and Pillar I Capital Requirements for Market Risk

In its Rules for Trading Portfolio Management, the Bank has clearly defined policies and procedures for the overall management of the trading book, including criteria for specifying positions and activities to be included there, accounting principles, reclassification criteria for transferring positions between trading and banking book, trading strategies, rules, procedures and responsibilities for the active management of the trading book, and rules for daily valuation of positions. The document is subject to review and update to reflect the changes in the area introduced by Regulation EU 2019/876. The valuation methodologies and assumptions on the pricing of securities and derivatives are documented in the Bank's Market & Counterparty Risk Policy. To ensure the tradability of positions included in the trading book, the Bank performs annual aging analysis of bond and equity positions. If any material such position has not been traded in the respective time-frame, the reasons for this are subject to additional analysis. The Bank also has in place a procedure to check and ensure that no transfers of risk positions between trading and banking books have taken place.

The Bank calculates capital requirements for market risk in the trading book using the standardized approach.

Liquidity risk

Liquidity risk is the risk that the Bank will be unable to fund increase in assets or meet obligations at a reasonable cost or at all; for financial assets the risk is that an instrument cannot be sold or otherwise exchanged for its full market value. Prudent liquidity risk management and appropriate supervision and control are essential elements for the effective management of the Bank. The Bank must ensure that it will always be in a strong liquidity position to meet all obligations to repay, at call or maturity, at a reasonable cost, even under adverse market conditions, in the context of the policies and directives established by regulators and Eurobank Group. The Bank aims to manage effectively its liquidity risks and maintain sufficient liquidity to withstand potential stress events.

To ensure prudent liquidity management, the Bank has its own liquidity management policy and applies the Group's guidelines on liquidity risk measurement, monitoring and management. The policy includes cash flow forecasts, minimum levels of liquidity, functions involved in liquidity management, systems for monitoring and reviewing liquidity, roles and responsibilities for monitoring limits, escalation procedure for limit excesses, main measures to undertake in case of liquidity crisis and other.

The Bank's liquidity management rules aim at ensuring that:

- ✓ the necessary liquidity policies and procedures are in place and followed;
- ✓ sufficient liquid assets and adequate liquidity are maintained in order to conduct business in a prudent manner and to be able to meet obligations as they arise;
- ✓ high quality liquid assets are kept to be in a position to successfully face a liquidity crisis;
- ✓ the interbank market funding capability, stability and diversity of the deposit base, overall liquidity status of the Bank and the external market environment are regularly monitored and controlled;
- ✓ the liquidity position is monitored closely on a daily basis and continuously throughout the dealing operations;
- ✓ stress tests and scenarios are performed and analyzed to assess the adequacy of the Bank's liquidity to meet crisis situations;
- ✓ regulatory requirements are met.

The responsibility for liquidity management has been assigned by the Management Board (MB) to the Assets and Liabilities Committee (ALCO). ALCO is the primary responsible body with the mandate to implement the strategic management of assets and liabilities, aiming to effectively manage the liquidity risks of the Bank and to ensure regular and timely meeting of current and future obligations, both under normal circumstances and in crisis situations.

ALCO regularly reviews: the liquidity ratios; liquidity buffers and counterbalancing capacity; sources and uses of liquidity and liquidity projections; the deposit base and wholesale funding; the cost of funding; the local and international markets and macroeconomic outlooks; lending portfolio volumes and rates evolution; stress test results and other important data. 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. Under normal circumstances ALCO meets at least once a month and duly reports any significant issues to the MB. With regard to assets and liabilities management, ALCO regularly reviews the following information:

- ✓ the structure, current status and trends of the assets and liabilities of the Bank;
- ✓ the Bank's cash inflows and outflows and the ratios between assets and liabilities;
- ✓ the interest income margin generated on the assets and the cost of funding (deposit base and external funding);
- ✓ interest rates offered by the main competitors and the market shares of the Bank;
- ✓ determines and monitors the implementation of the Bank's funding strategy;

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- ✓ defines and regularly reviews elements of the internal funds transfer pricing policies (FTP) to properly reflect liquidity risk in the pricing of assets and liabilities and the internal measurement of returns.

Concerning liquidity management, ALCO regularly reviews the following information:

- ✓ liquidity ratios;
- ✓ liquid buffers – volumes and currency breakdown;
- ✓ sources and uses of liquidity and liquidity projections;
- ✓ liquidity risk stress tests.

The operational management of the Bank's assets and liabilities and the execution of ALCO decisions regarding liquidity are assigned to the Head of Capital Markets. If necessary, ALCO can be directly engaged in the liquidity management via activating all resources of the Bank to meet all payment obligations. Daily monitoring of cash flows is the responsibility of Capital Markets Division.

Liquidity target ratios are set and approved by the Risk Committee. Independent liquidity risk control function with a dual reporting line to the management of the Bank and to the management at Group level is performed by Market Risk Department. The latter monitors and reports the liquidity ratios compared with the approved targets, escalating any excesses to the respective management bodies, as well as produces the Bank's internal Liquidity Gap reports and stress tests for liquidity risk on a monthly basis.

In parallel to the internally defined liquidity ratios, the Bank also monitors and complies with the recommended levels of the liquidity ratios defined in Ordinance №11 of the Bulgarian National Bank (BNB) on liquidity management, as well as any other regulatory requirements. Since Regulation (EU) No 575/2013 entered into force, the Bank also prepares and submits the templates for the calculation of Liquidity Coverage Ratio (LCR) on a monthly basis and Net Stable Funding Ratio (NSFR) on a quarterly basis, as well as the Additional Liquidity Monitoring Metrics (ALMM), including concentration of funding by counterparties, by product type, prices for various lengths of funding, daily roll-over of funding, concentration of counterbalancing capacity and maturity ladder on a monthly basis, and duly complies with the required minimum levels. Regulatory Reporting and Methodology Department prepares liquidity reports requested by regulatory institutions and monitors the compliance with regulatory thresholds. Controling and Planning Division prepares various liquidity reports that are sent to the management of the Bank and responsible units within Eurobank Group.

Eurobank Bulgaria prepares a large number of reports which measure the funding and liquidity of the Bank and which are presented to the management on a daily, weekly, monthly or quarterly basis. The liquidity reporting and measurement system covers all on- and off-balance sheet assets and liabilities that are exposed to liquidity risk. For the purposes of liquidity reporting and monitoring the Bank uses information from various data sources including the core banking system, Treasury front-office system and MIS data warehouse. The main data source regarding liquidity reporting is the core banking system from which information about interest rates, deposit and loan volumes, maturities and repayment plans is loaded into the MIS data warehouse. The data from the core banking system is also imported into the ERP system of the Bank and is monitored and reconciled on a daily basis. In case of a disaster the Bank has secured the continuous functioning of its operations by maintaining back-up servers and data archives in different locations.

The long-term strategy of the Bank is to be among the leading financial institutions on the Bulgarian market, offering universal banking products and services to individual clients and companies. Maintaining stable liquidity and capital adequacy ratios, as well as managing the quality of the loan portfolio and keeping stable funding base are also an inseparable part of the strategy. 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 strategy of the Bank for its presence on the deposit market and the targeted organic growth (following the acquisition of Piraeus Bank Bulgaria) complies with the low liquidity risk tolerance. The Bank is fully self-funded and relies almost entirely on customer deposits (retail or corporate) to fund its activities, while maintaining a diversified deposit base. The top 10 depositors comprise slightly above 5% of all deposits. As of the end of 2020, the lending portfolio of the Bank is fully funded by deposits from individuals and companies. The high liquidity levels in the situation of subzero interest-rate environment, however, determine the low need for wholesale funding and the importance of continuing funding optimization efforts. The liability structure is carefully analyzed with the aim to optimize funding sources from profitability perspective. Eurobank Bulgaria's external funding dependence is immaterial, although the Bank regularly tests the potential to attract additional funding from external sources at a reasonable price, reflecting the risk profile of the country and the institution.

Based on the Bank's business plan and strategy for the next three years, deposits are projected to continue to fully cover the lending portfolio and the Bank will continue to maintain liquidity positions and ratios well above the regulatory requirements and the internal minimum target levels. Furthermore, the Bank will retain excess liquidity buffers at levels ensuring a balance between profitable investments and reasonable behavior. The Bank will continue its policy of maintaining low concentration of deposit liabilities in single large deposits. The Assets and Liabilities Committee will continue to monitor the market developments and interest rate levels and take timely and appropriate measures whenever a change in the strategy is required.

Eurobank Bulgaria applies the following targets/limitations at all times with respect to its liquidity and funding:

- ✓ The Bank aims to always have an adequate liquidity buffer to cover a set of liquidity stress scenarios;
- ✓ The Bank aims to keep a buffer that contains a well-diversified set of instruments;
- ✓ The Bank aims to use a well-diversified set of funding sources;
- ✓ The Bank aims to optimize its funding;
- ✓ The Bank aims to maintain a balanced maturity profile of its liabilities spread across the maturity time-bands without significant peaks and concentrations;
- ✓ The Bank aims to maintain its options for secured and unsecured wholesale funding;
- ✓ The Bank aims to be compliant with all regulatory ratios;
- ✓ The Bank takes into account any cost considerations and net interest income targets in its short or long term strategy regarding the liquidity buffer and funding sources.

The Bank has developed a Funding Strategy, approved and updated by ALCO, with the aim to set up a target structure of the funding base, i.e. target mix of deposits by business lines (retail, corporate and institutional) and wholesale funding, to set up 'tenor' targets, so that the funding base is well balanced across maturity buckets, to set up currency structure of the funding base in order to ensure asset/liability matching by currency and to introduce target cost of funds levels by business lines which reflect the market environment. In adherence to the Funding Strategy, the Bank has built a strong and well-diversified funding base formed predominantly of retail and corporate deposits with no dependence on wholesale funding, balanced across currencies and maturity buckets and with cost of funds well below the market average.

The liquidity of the Bank is monitored per each major currency in which the Bank operates. The Bank has concentrated its assets and liabilities in only two currencies: Bulgarian Lev and the reserve currency of the Currency Board – the Euro, with assets and liabilities in other currencies representing well below 10%. Nevertheless, the Bank aims to maintain sufficient liquidity in the major foreign currencies it operates in to minimize the risk related to inability to renew or replace funding in these currencies.

The Bank defines its liquidity buffer as the available liquidity composed by cash and other core assets that are Central Bank eligible and/or highly liquid in private markets, covering the additional needs due to outflows that may arise over a period of one month under stress conditions. The Bank aims to maintain a liquidity buffer without any significant concentration on any particular asset type or issuer. The most significant part of the buffer should include assets eligible for secured funding from both Central Banks and wholesale market counterparties. The cash value of the assets is being taken into account for the quantification of the buffer (market value after the application of haircuts), and any restrictions of a legal, regulatory, geographical, operational or other nature that would make liquidation impossible or possible only to a limited extent or after delay are also taken into account for any asset in the buffer. The liquidity buffer is composed mainly of cash and balances with the Central Bank, unencumbered Central Bank / ECB or repo eligible securities and operating accounts and short-term interbank placements at other banks. The vast majority of these assets could be immediately transformed into cash and cover the various liquidity needs of the Bank. The minimum level of liquid assets that has to be maintained is determined by the internal and regulatory ratios and requirements. The Bank aims to maintain such levels of liquid assets that all minimum ratios are met at any time.

Liquidity risk measurement should include assessment of the risk under normal market conditions and under stress scenarios. For that reason the Bank has a comprehensive stress testing framework and performs stress tests and scenario analysis on a regular monthly basis. The results of these stress tests play an important role in the development of the contingency funding plans. Stress tests analyze the adequacy of the Bank’s liquidity to meet crisis situations (e.g. significant deposit and other outflows, tightening of credit lines, etc.) and the impact from stress scenarios on its liquidity buffer and other important metrics. The stress testing framework contains three types of short-term (1-month) scenarios:

- ✓ an institution-specific (idiosyncratic) stress test scenario (moderate levels of stress);
- ✓ a market wide/systemic stress test scenario (severe levels of stress);
- ✓ a combination of the two (extreme levels of stress).

The scenarios and assumptions used are approved by ALCO. The stress tests analyze the ability of the Bank to weather severe but plausible liquidity shocks as going concern. The stress scenarios also incorporate certain effects of market and credit risks on the Bank’s liquidity standing. The Bank uses a conservative approach in setting the stress test scenario assumptions. Factors in the exercises consider not only the past (historical events) but also make use of hypotheses based on expert judgment and on the current and future market environment and idiosyncratic factors, including the following:

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- ✓ asset market illiquidity and the erosion in the value of liquid assets due to market movements or perceptions or due to the increase on the applicable by the counterparties haircuts;
- ✓ run-off of client deposits (with analysis per type according to the client mix);
- ✓ (un)availability of secured and unsecured wholesale funding sources;
- ✓ correlation between funding markets (i.e. the effectiveness of diversification across sources of funding);
- ✓ additional margin calls and collateral requirements due to counterparty requests or due to the effect of market movements on the underlying transactions;
- ✓ liquidity drains associated with complex products/transactions;
- ✓ funding tenors;
- ✓ exercise of early termination clauses or call options from counterparties;
- ✓ contingent claims and more specifically, potential draws on irrevocably committed lines extended to third parties;
- ✓ (un)availability of contingent lines extended to the Bank;
- ✓ impact of credit rating triggers;
- ✓ currency convertibility and access to foreign exchange markets;
- ✓ ability to transfer liquidity across entities, sectors and borders taking into account legal, regulatory, operational and time zone restrictions and constraints;
- ✓ access to Central Bank facilities / MRR;
- ✓ operational ability of the Bank to monetize assets;
- ✓ estimates of future balance sheet growth;
- ✓ amplification of the market movements and exacerbation of the market strain (including timing of cash-flows), caused by the likely behavioral response of other market participants.

The potential outflows in the stress test scenarios are based on deposit run-off rates corresponding with the empirical evidence for the sensitivity of the different types of clients towards crisis signals, and analyzed within a 1-month time horizon. The 1-month horizon is selected as this is considered as the minimum period during which the Bank should react in potential liquidity shocks using its own liquidity buffer as well as any additional quick liquidity generating measures that can be undertaken. Furthermore, the 1-month period is also the applicable time horizon for the LCR calculations. The included deposit outflow percentages in all three scenarios represent extreme cases, which have not been substantiated by any recent experience, but aim to analyze the Bank's preparedness to withstand funding outflows varying in volume and intensity.

The quantitative results from the stress tests show that the Bank has sufficient amount of liquid assets and stable cash inflows to meet the expected possible outflows in all these negative scenarios. The results are presented to the management on a regular basis and are part of the overall liquidity management strategy. The management makes a qualitative and quantitative assessment of the liquidity risk as per the Bank's policies and procedures based on all available information. The results from the liquidity risk stress tests are analyzed as part of the process and an assessment is made whether any additional capital reserves for liquidity risk are required or whether any liquidity boosting actions are needed. The management's assessment is that the current liquidity buffers and counterbalancing capacity are in line with the Bank's target liquidity risk profile and obligations are adequately met under both normal and stressed conditions and there is no necessity to set aside additional capital reserves for liquidity risk as the Bank's liquidity position is at very good and stable levels.

The Bank has also developed a medium-term stress test scenario as part of its overall liquidity risk stress testing framework. The stress test represents a survival period analysis over a 12-month time horizon. The evolution of the Bank's liquidity buffer is analyzed over the course of the next 12 months with the following scenarios applied simultaneously: loss of customer deposits (retail and corporate), loss of wholesale funding (including deposits from financial counterparties), negative effects from CSA collateral to be posted due to changes in market variables, decrease of the cash value of the assets in the liquidity buffer and additional outflows from undrawn committed credit lines. These scenarios are taken into account for the calculation of the survival period. The results from the analysis demonstrate that the calculated survival period exceeds the time horizon of the stress test (12 months).

The Bank outlines its liquidity management principles in liquidity crisis scenario in its Action Plan in Liquidity Crises Scenario. The plan determines the sources of liquidity and the sequence of actions that will be followed, marks the factors that influence the Bank's liquidity and indicates the functions of all managers and staff members involved in the process of liquidity utilization/attraction in liquidity crisis situations.

The Management of the Bank considers that the Bank maintains adequate liquidity that is more than sufficient to cover all material risks it has undertaken. The Bank is self-funded and relies almost entirely on customer deposits to fund its activities. The liquidity buffers of the Bank are projected to remain in excess of the levels required according to the budget forecasts and the additional liquidity set aside to cover any unidentified risks or adverse conditions.

The Bank has sound ILAAP process that demonstrates it has efficient mechanisms and controls for monitoring and management of its liquidity. The intraday, daily, weekly and monthly reports on liquidity and funding allow every deviation and unfavorable development to be promptly identified and, if necessary, corrective measures to be taken. The ILAAP covers all material risks to liquidity and funding, to which the Bank is exposed, and is aligned with the Bank's strategy. At EoY 2020, the amount of the liquidity buffers is well in excess of the regulatory requirements and internal threshold levels and these buffers are composed of high-quality liquid assets. The composition of the buffers is in line with the Bank's targets and strategy. The results from the Bank's liquidity risk stress-testing framework demonstrate quantitatively that it has sufficient liquidity and expected stable cash inflows to meet the possible outflows in these negative scenarios, withstand severe levels of stress and continue to operate in the foreseeable future.

The COVID-19 pandemic did not cause deposit outflows. The impact on liquidity risk was felt through a temporary decrease in the market value of the securities in the Bank's liquidity buffer as a result of adverse developments in the financial markets, which by the end of 2020 had been recovered to a very large extent. As part of its COVID-19 related measures for strengthening the liquidity buffers of the banking system, BNB imposed limits on the exposures towards foreign governments and foreign institutions based on their credit quality step. In compliance with the limits and with regard to the protracted negative interest rate environment on the interbank markets, Eurobank Bulgaria AD restructured the composition of its liquidity buffer, implementing a comprehensive investment plan. Following its investment plan, the Bank built a high quality fixed income portfolio, diversified across asset classes, durations, countries and issuers. The fixed income portfolio is highly liquid, both on the cash market and on the secured funding market as it is composed by ECB and/or third party repo-eligible bonds.

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

The Management of the Bank does not plan any material changes to the liquidity risk management framework, the risk appetite framework, the business model or the strategy based on the ILAAP.

Operational risk

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

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

Responsibilities of the Supervisory Board are to:

- ✓ Ensure that a strong operational risk management culture exists throughout the whole organization;
- ✓ Ensure an Operational Risk Management Framework is developed, implemented, maintained and is fully integrated into the Bank’s overall risk management processes;
- ✓ Establish, approve and periodically review Operational Risk Management Framework;
- ✓ Oversee senior management to ensure that the policies, processes, and systems are implemented effectively at all decision levels;
- ✓ Approve and review the operational risk appetite and tolerance statement that articulates the nature, types, and levels of operational risk that the Bank is willing to assume.

Responsibilities of the Management Board are to:

- ✓ Develop a clear, effective, and robust governance structure with well-defined, transparent and consistent lines of responsibility;
- ✓ Ensure policies, processes, and systems for managing operational risk are in place for all of material products, activities, processes, and systems, consistent with the risk appetite and tolerance;
- ✓ Ensure the identification and assessment of operational risk inherent in all material products, activities, processes, and systems to make sure the inherent risks and incentives are well understood;
- ✓ Ensure there is an approval process for all new products, activities, processes, and systems that fully assesses operational risk;
- ✓ Implement a process to regularly monitor the operational risk profile and material exposures to losses, through reporting mechanisms at the board, senior management, and business line levels that support proactive management of operational risk.

Responsibilities of the Bank as a whole are to:

- ✓ Implement a strong control environment that utilizes policies, processes and systems; appropriate internal controls; and appropriate risk mitigation and/or transfer strategies;

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

- ✓ Implement business resiliency and continuity plans to ensure an ability to operate on an ongoing basis and limit losses in the event of severe business disruption;
- ✓ Ensure that the Bank's public disclosures allow stakeholders to assess its approach to operational risk management.

The Bank has an Operational Risk Management Function overseen by the Chief Risk Officer and comprising of:

- ✓ The Operational Risk Department, which is part of the Risk Division. As a centralized Unit, it has a principal aim to support the Bank to implement an effective operational risk management framework, to provide reliable information on the most significant operational risks, to measure and monitor the operational risk exposure undertaken by the Bank thus adding value through increased effectiveness in risk management, and acknowledgement and accountability of risks. Main responsibilities of the Unit include ensuring compliance with internal operational risk management policies and procedures as well as with regulatory requirements;
- ✓ The Network Operational Risk Unit (NORU) and Corporate Operational Risk Unit (CORU), which are special units established in the area mostly exposed to operational risk – Branch Network and Wholesale Banking. NORU and CORU oversee the deployment of operational risk framework throughout the Network and Wholesale Banking respectively and are focal points for all operational risk matters concerning Branch Network and Wholesale Banking operations;
- ✓ The Operational Risk Partners, which are experienced officers, appointed to support operational risk management at Units' level, where the Partners belong. Operational Risk Partners are involved in all applicable Operational Risk Programs and work in close collaboration with, and act as a liaison to the Operational Risk Department.

The Operational Risk Committee (ORC) has been established and regular meetings are convened at least quarterly. ORC acts to provide oversight and management of the actual operational risk exposures as well as of the processes implemented to assess, monitor and mitigate operational risks in all business activities of the Group in the country. ORC is a management committee, drawing its powers from the Group's Operational Risk Committee and the Executive Committee of Eurobank Bulgaria. The Committee's covers all business activities.

Eurobank Bulgaria has implemented a robust written Operational Risk Management framework covering operational risk environment. Operational risk management in Eurobank Bulgaria is based on four distinct, even though interrelated and integrated, Operational Risk Programs:

1. Operational Risk Events – recorded and maintained in the OpRisk Toolset since 2006. Includes capturing of all operational risk events reported throughout the Bank with their impact, analysis of root causes, and mitigation measures;
2. Key Operational Risk Indicators (KRIs) – about 30 KRIs with respective escalation thresholds have been implemented and monitored since 2010;
3. Risk & Control Self-Assessment (RCSA) since 2010. All units perform the exercise every 12-18 month based on risk-assessed coverage planning;
4. Operational Risk Scenario Analysis (i.e. assessment of severe yet plausible events and their potential impact) – implemented in 2012 and annually conducted.

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

All aforementioned programs are supported by a dedicated Group-wide IT application, the OpRisk Toolset.

Finally, Eurobank Bulgaria AD has implemented sound insurance framework as a risk mitigation / transfer vehicle. The Bank has appropriate insurances to protect itself and its assets.

II. Information on the scope of application of the regulatory framework

Eurobank Bulgaria AD reports on an unconsolidated basis.

Template 1: EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories:

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with the Central Bank	1 935 834	1 935 834	1 935 834	0	0	0	0
Loans and advances to banks	515 906	515 906	515 906	0	0	0	0
Financial assets held for trading	40 672	40 672	0	0	0	40 672	0
Loans and advances to customers	7 798 875	7 798 875	7 798 875	0	0	0	0
Investment securities	1 463 077	1 463 077	1 463 077	0	0	0	0
Shares in subsidiary undertakings	0	0	0	0	0	0	0
Derivative financial instruments	1 352	1 352	0	16 835	0	1 352	0
Investment property	211 255	211 255	211 255	0	0	0	0
Property, plant and equipment	890	890	890	0	0	0	0
Current income tax recoverable	2 518	2 518	2 518	0	0	0	0
Deferred tax assets	11 191	11 191	0	0	0	0	11 191
Intangible assets	76 916	76 916	17 845	0	0	0	59 071
Other assets	45 363	45 363	45 363	0	0	0	0
Total assets	12 103 849	12 103 849	11 991 563	16 835	0	42 024	70 262
Liabilities							
Deposits from banks	7 739	7 739	0	0	0	0	0
Derivative financial instruments	9 442	9 442	0	0	0	9 442	0
Due to customers	10 234 485	10 234 485	0	0	0	0	0
Other borrowed funds	29 370	29 370	0	0	0	0	0
Deferred income tax liabilities	0	0	0	0	0	0	0
Current income tax payable	0	0	0	0	0	0	0
Provisions for other liabilities and charges	13 426	13 426	0	0	0	0	0
Retirement benefit and other obligations	8 238	8 238	0	0	0	0	0
Other liabilities	177 602	177 602	0	0	0	0	0
Total liabilities	10 480 302	10 480 302	0	0	0	9 442	0

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

Template 2: EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements:

	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	12 033 587	11 991 563	16 835	0	42 024
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	10 480 302	0	0	0	9 442
Total net amount under the regulatory scope of consolidation	0	0	0	0	0
Off-balance-sheet amounts	1 822 619	1 822 619	0	0	0
Differences in valuations	0	0	0	0	0
Differences due to different netting rules, other than those already included in row 2	0	0	0	0	0
Differences due to consideration of provisions	0	0	0	0	0
Differences due to prudential filters	-70 262	-70 262	0	0	0
Differences due to different presentation rules	15 483	0	15 483	0	0
Differences from trading portfolio	-40 672	0	0	0	-40 672

III. Own funds

The Bank’s objectives when managing the capital in respect to the requirements set in Regulation (EU) 575/2013 on the Capital Adequacy of Credit Institutions are:

- ✓ to comply with the capital requirements set by the Regulator;
- ✓ to safeguard the Bank’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- ✓ to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored by the Bank’s management on a monthly basis, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives for supervisory purposes. The capital adequacy of the Bank is reported to the Bulgarian National Bank on a quarterly basis according to the rules set by Regulation (EU) 575/2013.

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

Capital instruments' main features template		
1	Issuer	Eurobank Bulgaria
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	BG1100119053
3	Governing law(s) of the instrument	Bulgarian legislation
	Regulatory treatment	
4	Transitional CRR rules	CET 1 capital
5	Post-transitional CRR rules	CET 1 capital
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo and (Sub-)Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (in BGN mln.)	BGN 560 mln.
9	Nominal amount of instrument	BGN 1
9a	Issue price	100%
9б	Redemption price	N/A
10	Accounting classification	Share capital
11	Original date of issuance	15.5.1991
12	Perpeptual or dated	Perpetual
13	Original maturity date	without maturity
14	Issuer call subjet to prior supervisory approval	No
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20б	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specifiy instrument type convertible into	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	No
37	If yes, specifiy non-compliant features	N/A

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

Transitional own funds disclosure template:

	Common Equity Tier 1 capital: instruments and reserves	(A) Amount at 31.12.2020 (in BGN thousand)	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to Pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) 575/2013
1	Capital instruments and the related share premium accounts	560 323	Article 26, paragraph 1, Articles 27-29, EBA list, Article 26, paragraph 3	N/A
	of which: Instrument type 1: Ordinary shares	560 323	EBA list, Article 26, paragraph 3	N/A
	of which: Instrument type 2	-	EBA list, Article 26, paragraph 3	N/A
	of which: Instrument type 3	-	EBA list, Article 26, paragraph 3	N/A
2	Retained earnings	-	Article 26, paragraph 1, item c)	N/A
3	Accumulated other comprehensive income (and any other reserves)	958 261	Article 26, paragraph 1	N/A
3a	Funds for general banking risk	-	Article 26, paragraph 1, item f)	N/A
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	Article 486, paragraph 2	N/A
	Public sector capital injections grandfathered until 1 january 2018	-	Article 483, paragraph 2	N/A
5	Minority interests (amount allowed in consolidated CET1)	-	Articles 84, 479 и 480	N/A
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	Article 26, paragraph 2	N/A
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1 518 584**		N/A
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-	Articles 34 и 105	N/A
8	Intangible assets (net of related tax liability) (negative amount)	-59 071	Article 36, paragraph 1, item b), Article 37 and Article 472, paragraph 4	N/A
9	Empty set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	Article 36, paragraph 1, item c), Article 38 and Article 472, paragraph 5	N/A
11	Fair value reserves related to gains or losses on cash flow hedges	-	Article 33, item a)	N/A
12	Negative amounts resulting from the calculation of expected loss amounts	-	Article 36, paragraph 1, item d), Article 40, Article 159 and Article 472, paragraph 6	N/A
13	Any increase in equity that results from securitised assets (negative amount)	-	Article 32, paragraph 1	N/A
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	Article 33, item 1, b), c)	N/A
15	Defined-benefit pension fund assets (negative amount)	-	Article 36, paragraph 1, item e), Article 41 и Article 472, paragraph 7	N/A
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	Article 36, paragraph 1, item f), Article 42 и Article 472, paragraph 8	N/A
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negatvie amount)	-	Article 36, paragraph 1, item g), Article 44 and Article 472, paragraph 9	N/A
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	Article 36, paragraph 1, item h), Articles 43, 45 и 46, Article 49, paragraphs 2 and 3, Article 79 and Article 472, paragraph 10	N/A
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	Article 36, paragraph 1, item i), Articles 43,45 и 47, Article 48 paragraph 1, item b), Article 49, paragraphs 1-3, Articles 79 and 470, as well as Article 472, paragraph 11	N/A
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	Article 36, paragraph 1, item к)	N/A
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	Article 36, paragraph 1, item к), i), Articles 89-91	N/A
20c	of which: securitisation positions (negative amount)	-	Article 36, paragraph 1, item к), ii), Article 243, paragraph 1, item b), Article 244, paragraph 1, item b) 258	N/A

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

	Common Equity Tier 1 capital: instruments and reserves	(A) Amount at 31.12.2020 (in BGN thousand)	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to Pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) 575/2013
20d	of which: free deliveries (negative amount)	-	Article 36, paragraph 1, item к), iii), Article 379, paragraph 3	N/A
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-11 191	Article 36, paragraph 1, item c), Article 38, Article 48, paragraph 1, item a), Article 470 и Article 472, paragraph 5	N/A
22	Amount exceeding the 15% threshold (negative amount)	-	Article 48, paragraph 1	N/A
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	Article 36, paragraph 1, item i), Article 48, paragraph 1, item b), Article 470 and Article 472, paragraph 11	N/A
24	Empty set in the EU			
25	of which: deferred tax assets arising from temporary difference	-	Article 36, paragraph 1, item c), Article 38, Article 48, paragraph 1, item a), Article 470 and Article 472, paragraph 5	N/A
25a	Losses for the current financial year (negative amount)	-	Article 36, paragraph 1, item a) and Article 472, paragraph 3	N/A
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	Article 36, paragraph 1, item l)	N/A
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-		N/A
26a	Regulatory adjustments relating to unrealised gains pursuant to Articles 467 and 468	-21 452		N/A
	of which: Intangible assets - filter for unrealized loss 1	-	Art. 467	N/A
	of which: Actuarial gains or losses on a predetermined pension amount - filter for unrealized loss 2	-	Art. 467	N/A
	of which: Available-for-sale financial assets - unrealized gain filter 1	-	Art. 468	N/A
	of which: Tangible assets - unrealized gain filter 2	-	Art. 468	N/A
	of which: CET1 capital elements or deductions - other	-21 452		N/A
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	-	Art. 481	N/A
	of which:….	-	Art. 481	N/A
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	-	Art. 36, paragraph. 1, item j)	N/A
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**			N/A
29	**Common Equity Tier 1 (CET1) capital**	**1 426 870**		N/A
	Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	Art. 51-52	N/A
31	of which: classified as equity under applicable accounting standards	-		N/A
32	of which: classified as liabilities under applicable accounting standards	-		N/A
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	Art. 486, paragraph 3	N/A
	Public sector capital injections grandfathered until 1 january 2018	-	Art. 483, paragraph 3	N/A
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	-	Art. 85, 86 and 480	N/A
35	of which: instruments issued by subsidiaries subject to phase-out	-	Art. 486, paragraph 3	N/A
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**		N/A
	Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	Art. 52, paragraph 1, b), Art. 56, a), Art. 57 and Art. 475, paragraph 2	N/A
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	Art. 52, b), Art. 58, Art. 475, paragraph 3	N/A
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	Art. 56, c), Art. 59, 60 and 79, as well as Art. 475, paragraph 4	N/A
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	Art. 56, d), Art. 59 and 79, as well as Art. 475, paragraph 4	N/A

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

	Common Equity Tier 1 capital: instruments and reserves	(A) Amount at 31.12.2020 (in BGN thousand)	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to Pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) 575/2013
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (ie. CRR residual amounts)	-		N/A
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	Art. 472, Art. 472, paragraph 3, a) 4,6,8 a), 9,10 a) and 11, a)	N/A
	of which - Intangible assets	-		N/A
	of which - Tier 2 capital instruments of the financial sector where the institution does not have significant investments			N/A
	of which - Common Equity Tier 1 instruments of financial sector entities where the institution has significant investments	-		N/A
	of which - additional filters and deductions	-		N/A
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	Art. 477, Art. 472, paragraph 3 and 4, a)	N/A
	of which items are specified in detail, order by order, e.g. mutual participations in Tier 2 instruments, direct marginal investments in the capital of other financial sector enterprises, etc.	-		N/A
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	-	Art. 467, 468 and 481	N/A
	of which: ... ..a possible filter for unrealized loss	-	Art. 467	N/A
	of which: ... ..a possible filter for unrealized gain	-	Art. 468	N/A
	of which:.....	-	Art. 481	N/A
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	Art. 56, e)	N/A
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**		N/A
44	**Additional Tier 1 (AT1) capital**	**-**		N/A
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1 426 870**		N/A
	Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	-	Art. 62-63	N/A
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	Art. 486, paragraph 4	N/A
	Public sector capital injections grandfathered until 1 january 2018	-	Art. 483, paragraph 4	N/A
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	-	Art. 87, 88 and 480	N/A
49	of which: instruments issued by subsidiaries subject to phase-out	-	Art. 486, paragraph 4	N/A
50	Credit risk adjustments	-	Art. 62, c) and d)	N/A
51	**Tier 2 (T2) capital before regulatory adjustment**	**-**		N/A
	Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	Art. 63, b), i), Art. 66, a), Art. 67, and Art. 477, paragraph 2	N/A
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)	-	Art. 66, b), Art. 68, and Art. 477, paragraph 3	N/A
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	Art. 66, c), Art. 69, 70, 79, and Art. 477, paragraph 4	N/A
54a	Of which new holdings not subject to transitional arrangements	-		N/A
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements	-		N/A
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-	Art. 66, d), Art. 69, and 79, as well as Art. 477, paragraph 4	N/A
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-		N/A
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	Art. 472, Art. 472, paragraph 3, a), 4, 6, 8, a) , 9, 10, a) and 11, a)	N/A
	of which the items are stated in detail, in order, for example, significant net interim loss, intangible assets, shortfall of provisions to cover expected losses, etc.	-		N/A
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	Art. 475, Art. 475, paragraph 2, a), paragraph 3 and paragraph 4, a)	N/A

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

	Common Equity Tier 1 capital: instruments and reserves	(A) Amount at 31.12.2020 (in BGN thousand)	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to Pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) 575/2013
	of which the elements are specified in detail, order by order, e.g. mutual participations in Tier 1 instruments, direct marginal investments in the capital of other enterprises in the financial sector, etc.	-		N/A
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR	-	Art. 467, 468 and 481	N/A
	of which: possible filter for unrealized loss	-	Art. 467	N/A
	of which: unrealized gain on tangible fixed assets	-	Art. 468	N/A
	of which: unrealized gain on available-for-sale securities	-	Art. 481	N/A
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**		N/A
58	**Tier 2 (T2) capital**	**-**		N/A
59	**Total capital (TC = T1 + T2)**	**1 426 870**		N/A
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	-		N/A
	Of which:… items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)	-	Art. 472, Art. 472, paragraph 5, 8, b), 10, b) and 11, b)	N/A
	Of which:…items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	-	Art. 475, Art. 472, paragraph 2, b) and c), and paragraph 4, b)	N/A
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)	-	Art. 477, Art. 477, paragraph 2, b) and c) and paragraph 4, b)	N/A
60	**Total risk-weighted assets**	**6 825 200**		N/A
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	20,91%	Art. 92, paragraph 2, a) and Art. 465	N/A
62	Tier 1 (as a percentage of total risk exposure amount	20,91%	Art. 92, paragraph 2, b) and Art. 465	N/A
63	Total capital (as a percentage of total risk exposure amount	20,91%	Art. 92, paragraph 2, c)	N/A
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	not applicable	CRD, Art. 128-130	N/A
65	of which: capital conservation buffer requirement	2,50%		N/A
66	of which: countercyclical buffer requirement	0,50%		N/A
67	of which: systemic risk buffer requirement	3,00%		N/A
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0,75%	CRD, Art. 131	N/A
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	19,58%	CRD, Art. 128	N/A
69	[non-relevant in EU regulation]			N/A
70	[non-relevant in EU regulation]			N/A
71	[non-relevant in EU regulation]			N/A
	Amounts below the thresholds for deduction (before risk-weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	Art. 36, paragraph 1, h), Art. 45-46, and Art. 472, paragraph 10, Art. 56, c), Art. 59-60 and Art.475, paragraph 4, Art. 66, c), Art. 69-70 and Art. 477, paragraph 4	N/A
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	Art. 36, paragraph 1, i), Art.45,48, 470, and Art. 472, paragraph 11	N/A
74	Empty set in the EU	-		
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)	-	Art. 36, paragraph 1, c), Art.38,48, 470, and Art. 472,	N/A
	Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	Art. 62	N/A
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	Art. 62	N/A
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	-	Art. 62	N/A
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	Art. 62	N/A

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

	Common Equity Tier 1 capital: instruments and reserves	(A) Amount at 31.12.2020 (in BGN thousand)	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to Pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) 575/2013
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements	-	Art. 484, paragraph 3, Art. 486, paragraphs 2 and 5	N/A
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	Art. 484, paragraph 3, Art. 486, paragraphs 2 and 5	N/A
82	Current cap on AT1 instruments subject to phase-out arrangements	-	Art. 484, paragraph 4, Art. 486, paragraphs 3 and 5	N/A
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	Art. 484, paragraph 4, Art. 486, paragraphs 3 and 5	N/A
84	Current cap on T2 instruments subject to phase-out arrangements	-	Art. 484, paragraph 5, Art. 486, paragraphs 4 and 5	N/A
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	Art. 484, paragraph 5, Art. 486, paragraphs 4 and 5	N/A

IV. Capital requirements

Eurobank Bulgaria AD applies Standardized Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

For the purposes of Regulation (EU) 575/2013 the Bank applies Comprehensive Approach for financial collaterals.

General description of the Bank's approach for assessing the adequacy of its capital

The Bank's approach for assessing the adequacy of its capital is done on a monthly basis and comprises:

- ✓ analysis of the amount, the type and allocation of the capital that covers all types of risks which the Bank undertakes;
- ✓ estimation of the possible future risks for the Bank.

The Bank's approach for assessing the adequacy of its capital includes examination and estimation of each risk exposure separately.

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

Template 4: EU OV1 – Overview of RWAs:

			RWAs		Minimum capital requirements
			31.12.2020	30.9.2020	31.12.2020
	1	Credit risk (excluding CCR)	6 070 644	5 887 591	485 652
Article 438(c)(d)	2	Of which the standardised approach	6 070 644	5 887 591	485 652
Article 438(c)(d)	3	Of which the foundation IRB (FIRB) approach	0	0	0
Article 438(c)(d)	4	Of which the advanced IRB (AIRB) approach	0	0	0
Article 438(d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	0	0	0
Article 107, Article 438(c)(d)	6	CCR	8 418	9 138	673
Article 438(c)(d)	7	Of which mark to market	8 418	9 138	673
Article 438(c)(d)	8	Of which original exposure	0	0	0
	9	Of which the standardised approach	0	0	0
	10	Of which internal model method (IMM)	0	0	0
Article 438(c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	0	0	0
Article 438(c)(d)	12	Of which CVA	0	0	0
Article 438,(e)	13	Settlement risk	0	0	0
Article 449(o)(i)	14	Securitisation exposures in the banking book (after the cap)	0	0	0
	15	Of which IRB approach	0	0	0
	16	Of which IRB supervisory formula approach (SFA)	0	0	0
	17	Of which internal assessment approach (IAA)	0	0	0
	18	Of which standardised approach	0	0	0
Article 438,(e)	19	Market risk	30 038	62 525	2 403
	20	Of which the standardised approach	30 038	62 525	2 403
	21	Of which IMA	0	0	0
Article 438,(e)	22	Large exposures	0	0	0
Article 438(f)	23	Operational risk	716 100	716 100	57 288
	24	Of which basic indicator approach	716 100	716 100	57 288
	25	Of which standardised approach	0	0	0
	26	Of which advanced measurement approach	0	0	0
Article 437(2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	0	0	0
Article 500	28	Floor adjustment	0	0	0
	29	Total	6 825 200	6 675 354	546 016

<u>IFRS 9 impact on regulatory capital</u>

The Bank's estimation of the capital impact from the adoption of IFRS 9 is shown in the table below:

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

		31.12.2018	31.12.2019	31.12.2020
	Available capital (amounts)			
1	Common Equity Tier 1 (CET1) capital	1 084 390	1 208 173	1 426 870
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1 008 924	1 125 149	1 338 416
3	Tier 1 capital	1 084 390	1 208 173	1 426 870
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1 008 924	1 125 149	1 338 416
5	Total capital	1 084 390	1 208 173	1 426 870
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1 008 924	1 125 149	1 338 416
	Risk-weighted assets (amounts)			
7	Total risk-weighted assets	5 404 749	7 182 482	6 825 200
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5 332 568	7 108 027	6 754 380
	Capital ratios			
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	20.06%	16.82%	20.91%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.92%	15.83%	19.82%
11	Tier 1 (as a percentage of risk exposure amount)	20.06%	16.82%	20.91%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.92%	15.83%	19.82%
13	Total capital (as a percentage of risk exposure amount)	20.06%	16.82%	20.91%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.92%	15.83%	19.82%
	Leverage ratio			
15	Leverage ratio total exposure measure	8 627 750	11 685 449	12 634 665
16	Leverage ratio	12.57%	10.34%	11.29%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11.69%	9.63%	10.59%

The Bank has elected to apply the phase-in approach as per EU legislation (Regulation EU 2017/2395) for mitigating the impact of IFRS 9 transition on the regulatory capital. According to Regulation (EU) 2017/2395, the full impact was planned as of 1 January 2023.

In response to the COVID-19 pandemic, however, Regulation (EU) 2020/873 extended the transitional arrangements by two years and also mitigated the potential impact that a sudden increase in expected credit loss provisions could have on institutions' capacity to lend to clients at times when it is most needed.

V. Macroprudential supervisory measures

Capital buffers are maintained in addition to the capital requirements set in Regulation (EU) 575/2013 and guarantee that the banks accumulate in periods of economic growth adequate capital to cover possible losses during unfavorable periods. In this regard BNB issued Ordinance No.8 on Banks' Capital Buffers.

Capital buffers are:

- ✓ the capital conservation buffer;
- ✓ the bank-specific countercyclical capital buffer;
- ✓ the buffer for global systemically important institutions (G-SIIs);
- ✓ the buffer for other systemically important institutions (O-SIIs);
- ✓ the systemic risk buffer.

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

The banks cover the capital buffers mainly with the core Tier 1 capital.

The capital conservation buffer is 2,5% of the total risk exposure amount of the Bank.

The countercyclical capital buffer is raised when it is estimated that the aggregated growth in loans leads to risk accumulation in the system and is used during unfavorable periods. As of 31.12.2020 it is 0,5% of the total risk exposure amount of the Bank.

Banks maintain a buffer for systemic risk in order to prevent and decrease the long-term non-cyclical systemic and macro prudential risks. As of 31.12.2020, the buffer for systemic risk is 3% of the total risk exposure amount of the Bank.

Banks that are defined as systemically important on a national or on an European level maintain additional capital buffer as the combined requirement for the capital buffers for a certain bank depends both on the concretely defined levels for each individual buffer and on the structure of the group and the defined buffers on a consolidated level.

Based on the criteria in art. 9, paragraph 7 of the BNB Ordinance № 8 on banks' capital buffers and the methodology described in the European Banking Authority Guidelines, on 10 November 2016 the BNB Governing Council identified ten banks as other systemically important institutions (O-SIIs) in accordance with art. 9, paragraph 1. Eurobank Bulgaria AD is among the top ten banks in Bulgaria identified by the BNB Governing Council as other systemically important institutions (O-SIIs). Thus, the Bank must also maintain a capital buffer for O-SIIs. Its level for 2020 is 0,75% of the total risk exposure.

A bank that does not cover the required levels for capital buffers is a subject to restrictions regarding dividend payments, variable remuneration as well as payments on other capital instruments.

From 1 January 2020 Eurobank Bulgaria A.D. meets, on an individual basis, a Pillar 2 additional own funds requirement of 1.25%, to be entirely composed of CET 1 capital. As a result of this requirement, the Bank allocated BGN 85,315 thousand as of 31.12.2020.

As of 31.12.2020 Eurobank Bulgaria AD allocated BGN 170,630 thousand as a capital conservation buffer, BGN 204,756 thousand as a buffer for systemic risk, BGN 51,189 thousand as O-SIIs buffer and BGN 34,126 as a countercyclical capital buffer. Thus, the total allocated amount for capital buffers by the Bank as of 31.12.2020 is BGN 460,701 thousand.

Eurobank Bulgaria AD is not defined as an institution of global systemic importance in accordance with Article 131 of Directive 2013/36/EU.

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

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer:

	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements					
Allocation by countries	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate
Albania	48	0	0	0	0	0	3	0	0	3	0.00%	0.00%
Armenia	878	0	0	0	0	0	36	0	0	36	0.01%	0.00%
Austria	11 097	0	0	0	0	0	115	0	0	115	0.02%	0.00%
Australia	210	0	0	0	0	0	6	0	0	6	0.00%	0.00%
Belgium	19 375	0	0	0	0	0	177	0	0	177	0.04%	0.00%
Bulgaria	8 443 708	0	148 013	0	0	0	447 348	1 341	0	448 689	97.14%	0.50%
Brazil	410	0	0	0	0	0	23	0	0	23	0.00%	0.00%
Belarus	51	0	0	0	0	0	3	0	0	3	0.00%	0.00%
Canada	123	0	0	0	0	0	5	0	0	5	0.00%	0.00%
Switzerland	346	0	0	0	0	0	10	0	0	10	0.00%	0.00%
China	473	0	0	0	0	0	14	0	0	14	0.00%	0.00%
Cyprus	298	0	0	0	0	0	14	0	0	14	0.00%	0.00%
Czech Republic	121	0	0	0	0	0	7	0	0	7	0.00%	0.00%
Germany	7 366	0	0	0	0	0	116	0	0	116	0.03%	0.00%
Denmark	20 291	0	0	0	0	0	164	0	0	164	0.04%	0.00%
Estonia	4 168	0	0	0	0	0	39	0	0	39	0.01%	0.00%
Spain	69 600	0	0	0	0	0	757	0	0	757	0.16%	0.00%
Finland	20 021	0	0	0	0	0	160	0	0	160	0.03%	0.00%
France	82 453	0	0	0	0	0	687	0	0	687	0.15%	0.00%
United Kingdom	2 007	0	0	0	0	0	88	0	0	88	0.02%	0.00%
Georgia	109	0	0	0	0	0	3	0	0	3	0.00%	0.00%
Greece	47 352	0	2 702 920	0	0	0	1 942	1 062	0	3 004	0.65%	0.00%
Hungary	123	0	0	0	0	0	4	0	0	4	0.00%	0.00%
Ireland	292	0	0	0	0	0	22	0	0	22	0.00%	0.00%
Israel	1 267	0	0	0	0	0	52	0	0	52	0.01%	0.00%
India	223	0	0	0	0	0	11	0	0	11	0.00%	0.00%
Iraq	221	0	0	0	0	0	9	0	0	9	0.00%	0.00%
Iran	518	0	0	0	0	0	17	0	0	17	0.00%	0.00%
Italy	82 534	0	0	0	0	0	699	0	0	699	0.15%	0.00%
South Korea	315	0	0	0	0	0	9	0	0	9	0.00%	0.00%
Kazakhstan	373	0	0	0	0	0	13	0	0	13	0.00%	0.00%
Lithuania	53	0	0	0	0	0	3	0	0	3	0.00%	0.00%
Luxembourg	2	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Latvia	157	0	0	0	0	0	14	0	0	14	0.00%	0.00%
Moldova	184	0	0	0	0	0	8	0	0	8	0.00%	0.00%
North Macedonia	681	0	0	0	0	0	34	0	0	34	0.01%	0.00%
Netherlands	65 351	0	0	0	0	0	3 948	0	0	3 948	0.85%	0.00%
Poland	10 535	0	0	0	0	0	108	0	0	108	0.02%	0.00%
Portugal	20 245	0	0	0	0	0	328	0	0	328	0.07%	0.00%
Romania	815	0	0	0	0	0	31	0	0	31	0.01%	0.00%
Serbia	288	0	0	0	0	0	17	0	0	17	0.00%	0.00%
Russia	3 025	0	0	0	0	0	142	0	0	142	0.03%	0.00%
Sweden	40 042	0	0	0	0	0	336	0	0	336	0.07%	0.00%
Slovenia	43	0	0	0	0	0	3	0	0	3	0.00%	0.00%

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

	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements					
Allocation by countries	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate
Slovakia	10 039	0	0	0	0	0	87	0	0	87	0.02%	0.00%
Syria	2 149	0	0	0	0	0	130	0	0	130	0.03%	0.00%
Turkey	3 636	0	0	0	0	0	198	0	0	198	0.04%	0.00%
Ukraine	2 115	0	0	0	0	0	82	0	0	82	0.02%	0.00%
USA	17 646	0	0	0	0	0	1 302	0	0	1 302	0.28%	0.00%
Montenegro	97	0	0	0	0	0	3	0	0	3	0.00%	0.00%
Marshall Islands	3 928	0	0	0	0	0	84	0	0	84	0.02%	0.00%
Bosnia and Herzegovina	834	0	0	0	0	0	50	0	0	50	0.01%	0.00%
Croatia	350	0	0	0	0	0	14	0	0	14	0.00%	0.00%
Tunisia	240	0	0	0	0	0	6	0	0	6	0.00%	0.00%
Total	**8 998 826**	**0**	**2 850 933**	**0**	**0**	**0**	**459 481**	**2 403**	**0**	**461 884**	**100.00%**	

Amount of institution-specific countercyclical capital buffer:

Total risk exposure amount	8 998 826
Institution specific countercyclical buffer rate	0.00%
Institution specific countercyclical buffer requirement	N/A

Countercyclical capital buffer rate:

Period	Countercyclical capital buffer rate
2020 – 1-st quarter	0.50%
2020 - 2-nd quarter	0.50%
2020 - 3-rd quarter	0.50%
2020 - 4-th quarter	0.50%

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

VI. Credit risk and CRM in the standardised approach

Definitions for accounting purposes of "default" and "credit impaired" and description of the approaches and methods adopted for determining value adjustments and impairment.

The exposures value presented in this document are estimated in accordance with the requirements of Regulation (EU) 575/2013 and represent the on-balance-sheet value, calculated according to the applicable accounting standards.
The Bank recognizes expected credit losses (ECL) that reflect changes in credit quality since initial recognition to financial assets that are measured at AC and FVOCI, including loans, lease receivables, debt securities, financial guarantee contracts, and loan commitments. No ECL are recognized on equity investments.
ECLs are a probability-weighted average estimate of credit losses that reflects the time value of money. Upon initial recognition of the financial instruments in scope of the impairment policy, the Bank records a loss allowance equal to 12-month ECL, being the ECL that result from default events that are possible within the next twelve months. Subsequently, for those financial instruments that have experienced a significant increase in credit risk (SICR) since initial recognition, a loss allowance equal to lifetime ECL is recognized, arising from default events that are possible over the expected life of the instrument. If upon initial recognition, the financial asset meets the definition of purchased or originated credit impaired (POCI), the loss allowance is based on the change in the ECL over the life of the asset.
Default exposures, in line with the regulatory definition of default as adopted by the Bank, include material exposures that are past due more than 90 days, exposures that are assessed by the Bank as unlikely to pay as well as those that are assessed for impairment individually and carry an individual impairment allowance. As at 31 December 2020, the Bank's default exposures amounted to BGN 364,025 thousand (2019: BGN 430,092 thousand).

A financial asset becomes credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that exposure have occurred:

- The borrower faces a significant difficulty in meeting his financial obligations.
- There has been a breach of contract, such as a default or past due event.
- The Bank, for economic or contractual reasons relating to the borrower's financial difficulty, has granted to the borrower a concession(s) that the Bank would not otherwise consider.
- There is a probability that the borrower will enter bankruptcy or other financial re-organization.
- For POCI asset, a purchase at a deep discount that reflects incurred credit losses is considered a detrimental event. The Bank assesses the deep discount criterion following a principle -based approach with the aim to incorporate all reasonable and supportable information which reflects market conditions that exist at the time of the assessment.

More detailed information regarding the assessment of the assets impairment, loans categorisation and the respective impairment amounts, in accordance with the applicable accounting standards, is available in the Annual Financial Statements of the Bank.

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to fulfill an obligation.

Eurobank Bulgaria AD uses a range of policies and techniques to mitigate the credit risk. The main types of collaterals that the Bank accepts are as follows:

a) Mortgage on immovable property;

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

b) Pledge on movable property;

c) Pledge on commercial enterprises;

d) Pledge on receivables;

e) Securities;

f) Cash;

g) Letters of guarantees;

h) Personal guarantees /Sureties/;

i) Other eligible collaterals.

All collaterals are agreed in writing through Collateral Agreement.

Tangible collaterals are considered rights “in rem” (e.g., pledge, mortgage) provided to a lender to secure his claim with assets of the borrowers / guarantors or third persons (movables, property etc.). If not repaid, the lender can request a force sale (auction), in order to compensate the amount of funding. The holder of the lien is satisfied preferentially from the auction against other creditors without collateral or secured with tangible at a later stage (i.e., mortgages, pledge).

An important element of practical importance is the time setting of property rights, because those who are first in line precede any subsequent owners or any other lien on the subject of physical collateral, registered at undivided percentages or taken together with other Banks (Syndicated Loans). In such cases the coverage of the Bank is allocated under the rules of the respective Credit Policy Manual and internal procedures.

General Guidelines for Acceptance and Monitoring of Collaterals

- ✓ Parties involved: Defining the involved parties (e.g. bank officers, borrower, guarantors, and third parties, Pledger, and public institutions) to identify:
  - required actions on their behalf;
  - required notifications to the responsible bodies;
  - possible malicious coordinated actions.
- ✓ Money Laundering: Compliance relating to "Know Your Customer" policies and procedures in order to confirm the "well-being" of the collateral provided to the Bank.
- ✓ Pledge Contracts: necessity for creating special contracts.
- ✓ Legal Notification of Pledge Agreement and confirmation of receipt.
- ✓ Legal Provisions and Regulatory Framework:
  - Review of regulations affecting collateral accepted by the bank and monitoring of legislative changes (new devices, change of existing provisions);
  - Identifying legal regulations / frameworks for their proper application, upon receipt and management of collaterals. Cooperation with competent legal services to obtain advice / clarification, interpretation of provisions, handling of "special" cases where it is required;
  - Evaluation of risks arising when foreign law governs the collateral or when legal notification of documents is required abroad.
- ✓ Collateral Valuation:

- Determination of methodology for collateral valuation;
- Synchronization of the valuation approach with the Group standards;
- Monitoring of exceptions to the evaluation guidelines;
- Determination of Collateral loanable Values.

✓ Ensure proper data entry in the core banking system of the Bank as well as in the application workflows:

- Update of collateral value in the system is carried out by Experts credit administration in the relevant credit administration under one of the following conditions:

    1) New Market Appraisal;

    2) Decision by the competent authority to increase the collateral value:

    - New collateral is added, or

    - Next rank mortgage/pledge is being added for existing collateral.

    3) Partial deletion of mortgage/ pledge:

    - Based on partial repayment;

    - Based on the concrete decision of the competent authority of the Bank for reducing the collateral value.

- Registering of collaterals by loan deals:

    1) In the Collateral Register in the core banking system is carried out input of all types of collaterals by loan deals after their establishment;

    2) For certain types of collaterals (real estate, guarantees, and financial instruments) collateral object must be registered in a respective registry by objects (Real Estate register, incoming guarantees register) and link should be provided between Collateral Register and Real Estate (Guarantees) register;

    3) For particular Collateral object only one entry in the Collateral Register is allowed (for example in the Real Estate Register there can be only one entry for a particular property). Before proceeding to the registration the employee must check whether the Collateral object is not already entered;

    4) Collaterals shall be accounted for at their market value stated in the opinion of a technical expert.

✓ Comply with approval terms and conditions / receive all required approvals as appropriate: All Business units should perform valuation, booking and deletion of collaterals in the core banking system in accordance with specific business unit's policies, rules and procedures.

For the purposes of credit risk mitigation according to Regulation (EU) 575/2013, Eurobank Bulgaria AD uses only part of the above mentioned collaterals, namely:

✓ Financial collaterals – cash and securities;
✓ Guarantees;
✓ Mortgage on immovable property.

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

Template 7: EU CRB-B – Total and average net amount of exposures:

Exposure Classes	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	2 781 509	2 011 072
Regional governments or local authorities	1 764	1 868
Institutions	526 826	1 069 333
Corporates	2 912 620	2 751 744
Of which: SMEs	2 803 211	1 557 644
Retail	1 916 613	1 823 226
Of which: SMEs	362 514	369 115
Secured by mortgages on immovable property	2 581 919	2 495 333
Of which: SMEs	787 343	567 339
Exposures in default	257 713	248 193
Items associated with particularly high risk	206 211	196 480
Covered bonds	442 142	306 680
Equity exposures	22 124	20 045
Other exposures	420 086	382 837
Credit risk exposures relating to balance sheet items	12 069 527	11 306 811
Credit risk exposures relating to off-balance sheet items (including repo/reverse repo transactions and derivatives)	1 839 454	1 766 004
Total	13 908 981	13 072 815

Template 8: EU CRB-C – Geographical breakdown of exposures:

Exposure Classes	Bulgaria	Greece	Rest of Europe	Other countries	Balance sheet position
Credit Risk					
Central governments or central banks	2 189 936	146 689	385 210	59 674	**2 781 509**
Regional governments or local authorities	1 764	0	0	0	**1 764**
Institutions	0	319 314	158 323	49 189	**526 826**
Corporates	2 853 207	0	54 715	4 698	**2 912 620**
Retail	1 899 035	3 084	12 325	2 169	**1 916 613**
Secured by mortgages on immovable property	2 559 959	2 228	12 970	6 762	**2 581 919**
Exposures in default	255 301	237	1 209	966	**257 713**
Items associated with particularly high risk	206 211	0	0	0	**206 211**
Covered bonds	0	41 733	400 409	0	**442 142**
Equity exposures	9 603	0	111	12 410	**22 124**
Other exposures	420 086	0	0	0	**420 086**
Credit risk exposures relating to balance sheet items	**10 395 102**	**513 285**	**1 025 272**	**135 868**	**12 069 527**
Credit risk exposures relating to off-balance sheet items (including repo/reverse repo transactions and derivatives)	1 757 346	20 929	60 699	480	**1 839 454**
Credit Risk: Total	**12 152 448**	**534 214**	**1 085 971**	**136 348**	**13 908 981**

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

Template 9: EU CRB-D – Concentration of exposures by industry or counterparty types:

Exposure Classes	Individuals	Trade and Services	Manufacturing	Construction	Public Sector	Central Bank, Banks & Non-bank Financial Institutions	Other	Balance sheet position
Credit Risk (pursuant to the Standardized Approach)								
Central governments or central banks	0	0	0	0	987 876	1 793 633	0	**2 781 509**
Regional governments or local authorities	0	0	0	0	1 764	0	0	**1 764**
Institutions	0	0	0	0	0	526 826	0	**526 826**
Corporates	0	993 568	918 714	108 192	0	41 539	850 607	**2 912 620**
Retail	1 537 349	198 141	79 941	27 619	0	0	73 563	**1 916 613**
Secured by mortgages on immovable property	1 791 406	443 529	50 644	93 830	0	0	202 510	**2 581 919**
Exposures in default	105 518	58 635	48 909	7 767	0	0	36 884	**257 713**
Items associated with particularly high risk	0	23 385	5 692	49 065	0	0	128 069	**206 211**
Covered bonds	0	0	0	0	0	442 142	0	**442 142**
Equity exposures	0	0	0	0	0	22 124	0	**22 124**
Other exposures	0	0	0	0	0	0	420 086	**420 086**
Credit risk exposures relating to balance sheet items	**3 434 273**	**1 717 258**	**1 103 900**	**286 473**	**989 640**	**2 826 264**	**1 711 719**	**12 069 527**
Credit risk exposures relating to off-balance sheet items (incl. repo/reverse repo transactions and derivatives)	461 326	542 908	290 999	138 815	2 755	96 824	305 827	**1 839 454**
Credit Risk: Total	**3 895 599**	**2 260 166**	**1 394 899**	**425 288**	**992 395**	**2 923 088**	**2 017 546**	**13 908 981**

Template 10: EU CRB-E – Maturity of exposures:

Exposure Classes	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Balance sheet position
Credit Risk						
Central governments or central banks	1 914 436	53 318	21 765	707 799	84 191	**2 781 509**
Regional governments or local authorities	828	0	0	936	0	**1 764**
Institutions	417 323	0	107 155	2 348	0	**526 826**
Corporates	53 143	172 425	642 286	1 240 566	804 200	**2 912 620**
Retail	8 687	29 175	160 382	565 632	1 152 737	**1 916 613**
Secured by mortgages on immovable property	19 691	30 195	70 031	325 303	2 136 699	**2 581 919**
Exposures in default	74 109	11 793	39 709	41 639	90 463	**257 713**
Items associated with particularly high risk	12 915	2 464	9 946	109 136	71 750	**206 211**
Covered bonds	17 759	0	25 748	398 635	0	**442 142**
Equity exposures	0	0	0	0	22 124	**22 124**
Other exposures	0	0	0	0	420 086	**420 086**
Credit risk exposures relating to balance sheet items	**2 518 891**	**299 370**	**1 077 022**	**3 391 994**	**4 782 250**	**12 069 527**

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

Template 11: EU CR1-A – Credit quality of exposures by exposure class and instrument:

Exposure Classes	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Central governments or central banks	0	2 781 529	14	0	0	0	2 781 515
Regional governments or local authorities	0	4 528	9	0	0	0	4 519
Institutions	0	605 103	983	0	0	0	604 120
Corporates	126 321	3 898 751	48 839	0	24 845	2 472	3 951 388
Of which: SMEs	123 156	3 758 573	37 511	0	24 845	0	3 819 373
Retail	127 768	2 528 305	101 179	0	42 178	7 691	2 512 716
Of which: SMEs	73 838	485 512	35 691	0	38 590	0	485 069
Secured by mortgages on immovable property	109 936	2 692 602	24 868	0	32 443	1 742	2 745 227
Of which: SMEs	0	890 656	5 163	0	0	811	885 493
Items associated with particularly high risk	0	329 336	3 658	0	0	0	325 678
Covered bonds	0	442 142	0	0	0	0	442 142
Equity exposures	0	22 124	0	0	0	0	22 124
Other exposures	0	420 086	0	0	0	0	420 086
Total	364 025	13 724 506	179 550	0	99 466	11 905	13 809 515

Template 12: EU CR1-B – Credit quality of exposures by industry or counterparty types:

	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values (a +b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Individuals	151 551	3 827 110	83 062	0	35 666	8 405	3 859 933
Trade and Services	84 592	2 219 090	43 516	0	28 413	1 617	2 231 753
Manufacturing	61 012	1 352 428	18 541	0	21 592	1 423	1 373 307
Construction	10 855	419 873	5 440	0	10 914	54	414 374
Public Sector	0	992 404	9	0	0	0	992 395
Central Bank, Banks & Non-bank Financial Institutions	0	2 936 279	13 191	0	0	0	2 923 088
Other	56 015	1 977 322	15 791	0	2 881	406	2 014 665
Total	364 025	13 724 506	179 550	0	99 466	11 905	13 809 515

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

Template 13: EU CR1-C – Credit quality of exposures by geography:

	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values (a+ b -c-d)
	Defaulted exposures	Non-defaulted exposures					
Bulgaria	360 814	11 969 823	178 189	0	98 327	11 838	12 054 121
Greece	328	534 021	135	0	384	8	533 830
Rest of Europe	1 501	1 085 234	764	0	744	58	1 085 227
Other countries	1 382	135 428	462	0	11	1	136 337
Total	364 025	13 724 506	179 550	0	99 466	11 905	13 809 515

Template 16: EU CR2-A – Changes in the stock of general and specific credit risk adjustments:

		a	b
		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	**Opening balance**	**-311 318**	**0**
2	Increases due to amounts set aside for estimated loan losses during the period	-189 619	0
3	Decreases due to amounts reversed for estimated loan losses during the period	87 741	0
4	Decreases due to amounts taken against accumulated credit risk adjustments	123 922	0
5	Transfers between credit risk adjustments	0	0
6	Impact of exchange rate differences	0	0
7	Business combinations, including acquisitions and disposals of subsidiaries	-3 311	0
8	Decreases due sale of credit portfolio	26 174	
9	Other adjustments	466	0
10	**Closing balance**	**-265 945**	
11	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	15 726	0
12	Specific credit risk adjustments directly recorded to the statement of profit or loss	0	0

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

Template 17: EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities:

		a
		Gross carrying value defaulted exposures
1	**Opening balance**	**471 452**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	127 332
3	Returned to non-defaulted status	-11 968
4	Amounts written off	-123 922
5	Other changes	-69 748
6	**Closing balance**	**393 146**

Template 18: EU CR3 – CRM techniques – Overview:

	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	7 473 943	324 933	38 701	286 232	0
Total debt securities	1 480 595	0	0	0	0
Total exposures	8 954 538	324 933	38 701	286 232	0
Of which defaulted	257 713	10 561	152	10 409	0

Template 19: EU CR4 – Standardised approach – Credit risk exposure and CRM effects:

Exposure classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
Central governments or central banks	2 781 509	6	2 781 509	3	28 614	1%
Regional government or local authorities	1 764	2 755	1 764	1 378	3 142	100%
Multilateral development banks	0	0	115 744	43	0	0%
Institutions	526 826	60 459	697 314	31 999	295 378	41%
Corporates	2 912 620	972 457	2 674 107	339 500	2 470 316	82%
Retail	1 916 613	569 396	1 842 929	52 281	1 359 404	72%
Secured by mortgages on immovable property	2 581 919	98 079	2 581 919	42 610	940 628	36%
Exposures in default	257 713	0	247 152	0	278 074	113%
Exposures associated with particularly high risk	206 211	119 467	204 036	14 153	327 284	150%
Covered bonds	442 142	0	442 142	0	64 898	15%
Equity exposures	22 124	0	22 124	0	22 124	100%
Other exposures	420 086	0	420 086	0	280 782	67%
Total	12 069 527	1 822 619	12 030 826	481 967	6 070 644	49%

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

Template 20: EU CR5 – Standardised approach:

Exposure classes	Risk weight																Total	Of which unrated
	0%	2%	10%	20%	25%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted		
Central governments or central banks	2 663 094			101 987			16 434										2 781 515	0
Regional government or local authorities										4 519							4 519	4 519
Institutions				463 597			42 711			97 812							604 120	109 813
Corporates										3 885 077							3 885 077	3 885 077
Retail									2 486 009								2 486 009	2 486 009
Secured by mortgages on immovable property						1 976 078	703 920										2 679 998	2 679 998
Exposures in default										185 309	72 404						257 713	257 713
Exposures associated with particularly high risk											325 678						325 678	325 678
Covered Bonds			360 505	39 905			41 732										442 142	0
Equity exposures										22 124							22 124	22 124
Other exposures	127 657			14 559						277 870							420 086	420 086
Total	2 790 751	0	360 505	620 048	0	1 976 078	804 797	0	2 486 009	4 472 711	398 082	0	0	0	0	0	13 908 981	10 191 017

VII. Credit risk and CRM in the IRB approach

Eurobank Bulgaria AD does not apply Internal Rating Based Approach to credit risk as of 31 December 2020.

VIII. Non-performing and forborne exposures

The Bank has established an organizational and hierarchical model in order to empower the management of troubled assets and to be adequate to the macro environment, adopting the regulatory requirements. Proactive measures have been taken in this regard, as the Bank has transformed its troubled assets operating model by establishing a dedicated Troubled Assets Group Division (TAG) and respective troubled assets governance bodies, namely the Troubled Assets Committee (TAC) and the Special Handling Monitoring Committee (SHMC).

In line with the requirements of the supervisory arm of the European Central Bank (ECB) and the Group guidance, the Bank has designed an operational targets framework for NPEs management, supported by several key performance indicators. Pursuant to the said framework, the Bank developed a set of NPEs operational targets together with a detailed NPEs management strategy with a 3-year time horizon, which is henceforth revised annually in order to align with changes in the operating environment and the Bank's strategic priorities.

The key driver for the accelerated NPEs reduction will be NPE debt sales transactions.

The tables below provide information on the non-performing and forborne exposures of Eurobank Bulgaria AD as of 31 December 2020:

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

Template 1: Credit quality of forborne exposures:

	a	b	c	d	e	f	g	h
	Gross carrying amount of forborne exposures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Loans and advances	267 304	169 746	84 825	169 746	-6 969	-54 250	334 974	104 100
Central banks	*0*	0	0	0	0	0	0	0
General governments	*0*	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0
Non-financial corporations	214 608	86 096	68 259	86 096	-4 428	-24 514	262 328	57 223
Households	52 696	83 650	16 566	83 650	-2 541	-29 736	72 646	46 877
Debt Securities	0	0	0	0	0	0	0	0
Loan commitments given	2 044	81	34	81	0	0	1 987	26
Total	269 348	169 827	84 859	169 827	-6 969	-54 250	336 961	104 126

Template 2: Quality of forbearance:

	a
	Gross carrying amount of forborne exposures
Loans and advances that have been forborne more than twice	160 049
Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	43 219

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

Template 3: Credit quality of performing and non-performing exposures by past due days:

	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount											
	Performing exposures			Non-performing exposures								
		Not past due or Past due <= 30 days	Past due >30 days <= 90 days		Unlikely to pay that are not past-due or past-due <=90 days	Past due > 90 days <=180 days	Past due > 180 days <=1 year	Past due > 1 year <=2 years	Past due > 2 years <=5 years	Past due > 5 years <=7 years	Past due > 7 years	Of which defaulted
Loans and advances	9 838 058	9 743 159	94 899	535 468	261 850	31 674	19 254	50 215	64 548	33 137	74 790	393 146
Central banks	1 793 619	1 793 619	0	0	0	0	0	0	0	0	0	0
General governments	2 720	2 720	0	0	0	0	0	0	0	0	0	0
Credit institutions	516 064	516 064	0	0	0	0	0	0	0	0	0	0
Other financial corporations	50 525	50 485	40	210	0	0	129	11	14	2	54	210
Non-financial corporations	4 159 388	4 136 171	23 217	310 145	172 161	11 936	4 836	33 669	30 616	11 355	45 572	238 403
of which SMEs	1 765 107	1 742 434	22 673	247 237	117 918	8 099	4 694	32 370	30 502	8 546	45 108	206 596
Households	3 315 742	3 244 100	71 642	225 113	89 689	19 738	14 289	16 535	33 918	21 780	29 164	154 533
Debt Securities	1 441 772	1 441 772	0	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0
General governments	987 890	987 890	0	0	0	0	0	0	0	0	0	0
Credit institutions	442 141	442 141	0	0	0	0	0	0	0	0	0	0
Other financial corporations	11 741	11 741	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0
Off-balance sheet exposures	1 817 005			6 016								5 799
Central banks	0			0								0
General governments	27 756			0								0
Credit institutions	61 928			0								0
Other financial corporations	17 766			0								0
Non-financial corporations	1 244 569			5 888								5 698
Households	464 986			128								101
Total	13 096 835	11 184 931	94 899	541 484	261 850	31 674	19 254	50 215	64 548	33 137	74 790	398 945

Template 4: Performing and non-performing exposures and related provisions:

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collaterals and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due credit risk and provisions			Accumulated partial write-off	On performing exposures	On non - performing exposures
		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
Loans and advances	9 838 058	8 596 331	1 241 727	535 468	0	535 468	-67 966	-37 352	-30 614	-197 159	0	-197 159	-80 444	5 284 473	298 302
Central banks	1 793 619	1 793 619	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	2 720	2 720	0	0	0	0	-5	-5	0	0	0	0	0	721	0
Credit institutions	516 064	516 064	0	0	0	0	-158	-158	0	0	0	0	0	0	0
Other financial corporations	50 525	42 686	7 839	210	0	210	-299	-175	-124	-62	0	-62	-8	35 505	123
Non-financial corporations	4 159 388	3 223 401	935 987	310 145	0	310 145	-37 016	-20 719	-16 297	-100 824	0	-100 824	-49 444	3 136 429	194 261
Of which: SMEs	1 765 107	1 475 670	289 437	247 237	0	247 237	-22 723	-12 996	-9 727	-91 418	0	-91 418	-48 965	1 362 881	142 283
Households	3 315 742	3 017 841	297 901	225 113	0	225 113	-30 488	-16 295	-14 193	-96 273	0	-96 273	-30 992	2 111 818	103 918
Debt Securities	1 441 772	1 441 772	0	0	0	0	-820	-820	0	0	0	0	0	0	0
Central banks	0	0		0	0	0	0	0	0	0	0	0	0	0	0
General governments	987 890	987 890	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit institutions	442 141	442 141	0	0	0	0	-679	-679	0	0	0	0	0	0	0
Other financial corporations	11 741	11 741	0	0	0	0	-141	-141	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Off-balance sheet exposures	1 817 005	1 701 188	115 817	6 016	0	6 016	-402	-395	-7	-123	0	-123		613 674	1 516
Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
General governments	27 756	27 756	0	0	0	0	-45	-45	0	0	0	0		0	0
Credit institutions	61 928	61 928	0	0	0	0	-6	-6	0	0	0	0		0	0
Other financial corporations	17 766	15 779	1 987	0	0	0	-30	-30	0	0	0	0		13 624	0
Non-financial corporations	1 244 569	1 157 182	87 387	5 888	0	5 888	-319	-312	-7	-123	0	-123		581 294	1 512
Households	464 986	438 543	26 443	128	0	128	-2	-2	0	0	0	0		18 756	4
Total	13 096 835	11 739 291	1 357 544	541 484	0	541 484	-69 188	-38 567	-30 621	-197 282	0	-197 282	-80 444	5 898 147	299 818

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

Template 5: Quality of non-performing exposures by geography:

	a	b	d	e	f	g
	Gross carrying/Nominal amount			Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees	Accumulated negative changes in fair value due to credit risk on non-performing exposures.
		of which: non-performin	of which: subject to impairment			
On balance sheet exposures	11 815 298	535 468	11 815 298	-265 945		0
Geographical area 1 (Europe)	11 696 676	535 468	11 696 676	-265 917		0
Bulgaria	10 190 178	535 468	10 190 178	-264 598		0
Greece	507 733	0	507 733	-297		0
Other countries	998 765	0	998 765	-1 022		0
Geographical area 2 (countries other than Europe)	118 622	0	118 622	-28		0
Off balance sheet exposures	1 823 021	6 016			525	
Geographical area 1 (Europe)	1 823 000	6 016			525	
Bulgaria	1 764 101	6 016			525	
Greece	165	0			0	
Other countries	58 734	0			0	
Geographical area 2 (countries other than Europe)	21	0			0	
Total	13 638 319	541 484	11 815 298	-265 945	525	0

Template 6: Credit quality of loans and advances by industry:

	a	b	d	e	f
	Gross carrying/Nominal amount			Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		of which: non-performing	of which: loans and advances subject to impairment		
Agriculture, forestry and fishing	150 686	19 038	150 686	-17 027	0
Mining and quarrying	14 458	1 190	14 458	-471	0
Manufacturing	1 038 482	57 165	1 038 482	-24 629	0
Electricity, gas, steam and air conditioning supply	138 007	9 654	138 007	-3 485	0
Water supply	36 692	1 269	36 692	-400	0
Construction	447 021	42 260	447 021	-8 896	0
Wholesale and retail trade	1 002 874	98 676	1 002 874	-52 374	0
Transport and storage	238 678	8 945	238 678	-5 909	0
Accommodation and food service activities	443 151	31 457	443 151	-10 538	0
Information and communication	49 758	973	49 758	-1 009	0
Financial and insurance activities	0	0	0	0	0
Real estate activities	601 047	6 580	601 047	-4 020	0
Professional, scientific and technical activities	204 104	24 286	204 104	-6 930	0
Administrative and support service activities	37 942	6 216	37 942	-516	0
Public administration and defense, compulsory social security	0	0	0	0	0
Education	5 060	368	5 060	-28	0
Human health services and social work activities	42 014	662	42 014	-555	0
Arts, entertainment and recreation	9 341	696	9 341	-507	0
Other services	10 218	710	10 218	-546	0
Total	4 469 533	310 145	4 469 533	-137 840	0

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

Template 7: Collateral valuation – loans and advances:

	Loans and advances											
		Performing		Non Performing								
					Unlikely to pay that are not past due or past due <=90 days	Past due > 90 days						
			of which past due > 30days <=90days				of which Past due > 90 days <= 180 days	of which Past due > 180 days <= 1 year	of which Past due > 1 year <= 2 years	of which Past due > 2 years <= 5 years	of which Past due > 5 years <= 7 years	of which Past due > 7 years
Gross carrying amount	8 458 313	7 922 845	94 899	535 468	261 850	273 618	31 674	19 254	50 215	64 548	33 137	74 790
Of which: secured	6 375 068	5 942 623	57 059	432 445	233 453	198 992	19 199	8 995	39 424	52 964	29 215	49 195
Of which: secured with immovable property	3 828 567	3 544 404	41 651	284 163	152 685	131 478	13 244	4 585	29 927	33 317	21 397	29 008
of which: instruments with LTV higher than 60% and lower or equal to 80%	1 037 387	997 331		40 056	27 869	12 187						
of which: instruments with LTV higher than 80% and lower or equal to 100%	714 419	683 012		31 407	15 848	15 559						
of which: instruments with LTV higher than 100%	790 756	669 402		121 354	43 095	78 259						
Accumulated impairment for secured assets	-174 392	-40 822	-4 056	-133 570	-50 391	-83 179	-5 785	-3 251	-10 753	-23 564	-12 695	-27 131
Collateral												
of which value capped at the value of exposure	5 281 900	4 994 433	48 569	287 467	170 644	116 823	12 947	5 366	27 909	27 307	16 025	27 269
of which immovable property	3 719 700	3 499 859	43 085	219 841	126 737	93 104	9 911	3 575	25 101	20 639	14 181	19 697
Of which value above the cap	3 989 364	3 559 833	59 305	429 531	149 903	279 628	14 174	5 063	19 161	36 414	45 334	159 482
of which immovable property	2 724 463	2 539 245	48 112	185 218	105 878	79 340	10 752	4 380	6 758	18 927	13 315	25 208
Financial guarantees received	300 875	290 040	2 030	10 835	9 529	1 306	356	150	560	232	2	6
Accumulated partial write-off	-80 444	-780	-11	-79 664	-16 312	-63 352	-46	0	-1 073	-11 927	-10 494	-39 812

Template 8: Changes in the stock of non-performing loans and advances:

	a	b
	Gross carrying amount	Related net acumulated recoveries
Initial stock of non-performing loans and advances	620 870	
Inflows to non performing portfolios	399 434	
Outflows from non performing portfolios	-484 836	
Outflow to performing portfolio	-39 603	
Outflow due to loan repayment, partial or total	-88 102	
Outflow due to collateral liquidations	-21 420	18 571
Outflow due to taking possession of collateral	0	0
Outflow due to sale of instruments	-8 449	8 449
Outflow due to risk transfers	0	0
Outflows due to write-off	-121 040	
Outflow due to Other Situations	-183 604	
Outflow due to reclassification as held for sale	-22 618	
Final stock of non-performing loans and advances	535 468	

Template 9: Collateral obtained by taking possession and execution processes:

	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property Plant and Equipment (PP&E)	0	0
Other than Property Plant and Equipment	21 546	-5 900
Residential immovable property	8 473	-4 941
Commercial Immovable property	13 073	-959
Movable property (auto, shipping, etc.)	0	0
Equity and debt instruments	0	0
Other	0	0
Total	21 546	-5 900

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

Template 10: Collateral obtained by taking possession and execution processes – vintage breakdown:

	Debt balance reduction		Total collateral obtained by taking possession									
					Foreclosed <= 2 years		Foreclosed >= 2 years <= 5 years		Foreclosed > 5 years		Of which: Non-current assets held-for-sale	
	Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
Collateral obtained by taking possession classified as Property Plant and Equipment (PP&E)	0	0	0	0								
Collateral obtained by taking possession other than classified Property Plant and Equipment	21 546	0	21 546	-5 900	4 994	0	0	0	16 552	-5 900	21 546	-5 900
Residential immovable property	8 473	0	8 473	-4 941	0	0	0	0	8 473	-4 941	8 473	-4 941
Commercial Immovable property	13 073	0	13 073	-959	4 994	0	0	0	8 079	-959	13 073	-959
Movable property (auto, shipping, etc.)	0	0	0	0	0	0	0	0	0	0	0	0
Equity and debt instruments	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	21 546	-5 900	4 994	0	0	0	16 552	-5 900	21 546	-5 900

IX. Counterparty Credit Risk (CCR)

The Bank should enter into transactions only with approved counterparties and in approved products, within pre-approved limits in terms of product type, amount and tenor. The approval of limits is carried out at Group level through a dedicated unit – Financial Institutions Credit Risk (FICR), and follows the process described in the Group's Credit Policy on Financial Institutions. Following a formal request by the Business Unit that will utilize the limit in question, FICR prepares credit review of the respective counterparty and presents the proposal for limit establishment/changes for approval to the respective Group credit committee. The limits, approved for the Bank towards a certain counterparty or group, are part of the overall Group limit structure and are included in the Group's total limit towards that particular counterparty or group.

The rules and approval authorities/levels for bank counterparty limits are provided in the Credit Policy on Financial Institutions. The degree of risk inherent in any granting of banking limits is dependent on a number of factors. Basic assessment credit criteria considered when analyzing and approving such limits include country of origin (country's rating, supervisory system, state support), ownership, credit rating, management, reputation, capital ratios, profitability, liquidity (deposit base, wholesale funding dependence), asset quality, franchise value, recent performance and other.

The basic principle governing the review process for banking counterparties is that each banking group, respectively each stand-alone bank, has to be reviewed at least every second year. If deemed appropriate, a credit review may be performed in shorter frequency.

Monitoring of counterparty limits is performed independently by Market Risk Department, with daily calculation of exposures and limit utilizations. The control mechanism covers all exposures to banks and related to them non-banking financial institutions and all exposures to foreign countries. Risk exposures are calculated using market valuation methodology (current exposure plus potential future exposure add-on). The described counterparty limits should normally not be exceeded. Any excesses are brought to the attention of the respective management bodies in accordance with the escalation levels set out in the Bank's Market & Counterparty Risk Policy, and prompt measures are undertaken for their resolution. Whenever there is a limit excess, explanation and justification for the excess is requested from the Business Unit that has caused it and a recommendation for the elimination of the excess is issued.

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

In order to mitigate counterparty risk, the Bank usually enters into ISDA (with CSA) and GMRA agreements with its main counterparties. A credit rating downgrade of the Bank will not have an impact on the amount of collateral that has to be provided in relation to its existing transactions. The risk appetite of the Bank towards wrong-way risk is zero. The policy of the Bank is to avoid entering into transactions that could expose it to such risk to the best of its ability.

The allocation of the Bank's deals with securities and derivatives in the banking book as of 31 December 2020 for the different exposure classes using the Mark-to-Market Method is represented in the table below:

Exposure Class	Derivatives
Institutions	16 835
Corporate customers	0
Total	**16 835**

Template 25: EU CCR1 – Analysis of CCR exposure by approach:

		Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
1	Mark to market		1 352	15 483			16 835	8 418
2	Original exposure							
3	Standardised approach							
4	IMM (for derivatives and SFTs)							
5	Of which securities financing transactions							
6	Of which derivatives and long settlement transactions							
7	Of which from contractual cross-product netting							
8	Financial collateral simple method (for SFTs)							
9	Financial collateral comprehensive method (for SFTs)							
10	VaR for SFTs							
11	Total							8 418

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

Template 26: EU CCR2 – CVA capital charge:

		Exposure value	RWAs
1	Total portfolios subject to the advanced method	0	0
2	(i) VaR component (including the 3× multiplier)		0
3	(ii) SVaR component (including the 3× multiplier)		0
4	All portfolios subject to the standardised method	0	0
EU4	Based on the original exposure method	0	0
5	Total subject to the CVA capital charge	0	0

Template 28: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk:

	Exposure classes	Risk weight											Total	Of which unrated
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
1	Central governments or central banks													
2	Regional government or local authorities													
3	Public sector entities													
4	Multilateral development banks													
5	International organisations													
6	Institutions						16 835						16 835	0
7	Corporates													
8	Retail													
9	Institutions and corporates with a short-term credit assessment													
10	Other items													
11	Total						16 835						16 835	0

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

X. Asset Encumbrance

The Bank uses the following main types of encumbrance:

1) To secure the state-budget organization deposits with the Bank:
The Bank attracts deposits from central government entities and municipalities and fulfills the corresponding obligations for securing the funds with government securities.

2) As credit enhancement on derivatives transactions with international counterparties under ISDA/CSA agreements:
The Bank has established lines with international counterparties for derivative instruments, under ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) agreements, where the Bank may pledge cash collateral.
3) Under interbank repo transactions:
The Bank is also participating in the collateralized interbank deposit market and utilizes repo instruments for attracting or providing liquidity against securities collateral.
The securities utilized for repo remain in the Bank's balance sheet while being blocked in the corresponding portfolio.

4) Under securities lending transactions with international counterparties:
The Bank lends on a limited basis fixed income securities to international counterparties. Securities lended are retained on the bank's financial statements, as the Bank retains all the risks and rewards of the ownership. Transactions are executed under Global Master Securities Lending Agreement framework signed with the counterparties.

5) Under wholesale funding transactions as credit enhancement:
Liquid assets (in the form of Bulgarian sovereign Eurobonds) are pledged under the Residential Energy Efficiency Loan Agreement with the European Bank for Reconstruction and Development that was inherited with the merger with Piraeus Bank Bulgaria AD.

As of 31.12.2020 the encumbered assets represent 2.29% of total assets.

Template EU AE1 – Encumbered and unencumbered assets:

	31 December 2020							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	284 906	0	0	0	10 906 598	1 084 223	0	1 084 223
Equity instruments	0	0	0	0	20 593	0	20 593	0
Debt securities	260 877	260 877	260 877	260 877	1 105 673	1 084 223	1 105 673	1 084 223
of which: covered bonds	0	0	0	0	355 012	339 746	355 012	339 746
of which: asset-backed securities	0	0	0	0	0	0	0	0
of which: issued by general governments	260 877	260 877	260 877	260 877	744 026	744 026	744 026	744 026
of which: issued by financial corporations	0	0	0	0	361 647	339 746	361 647	339 746
of which: issued by non-financial corporations	0	0	0	0	0	0	0	0
Other assets	0	0	0	0	456 003	0	0	0
Loans on demand	8 781	0	0	0	1 614 325	0	0	0
Loans and advances other than loans on demand	17 183	0	0	0	8 011 864	0	0	0

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

Template EU AE2 - Collateral received and own debt securities issued:

	31 December 2020			
	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Collatral received by the reporting institution	0	0	0	0
Loans on demand	0	0	0	0
Equity instruments	0	0	0	0
Debt securities	0	0	0	0
of which: covered bonds	0	0	0	0
of which: asset-backed securities	0	0	0	0
of which: issued by general governments	0	0	0	0
of which: issued by financial corporations	0	0	0	0
of which: issued by non-financial corporations	0	0	0	0
Loans and advances other than loans on demand	0	0	0	0
Other collaterals received	0	0	0	0
Own debt securities issued other than own covered bonds or asset-backed securities	0	0	0	0
Own covered bonds and asset-backed securities issued and not yet pledged	0	0	0	0
Total assets, collateral received and own debt securities issued	284 906	0	0	0

Template EU AE3 - Sources of encumbrance:

	31 December 2020	
	Matching liabilities, contingent liabilities or securities lent	**Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered**
Carrying amount of selected financial assets	97 494	124 409
of which: Central Bank	0	0

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

XI. Market risk

The position risk of the Bank in traded debt instruments under the Standardised approach as of 31.12.2020, broken down by currency, is presented in the table below:

	Long position - BGN	Short position - BGN	Long position - EUR	Short position - EUR	Long position - USD	Short position - USD	Long position - CHF	Short position - CHF	Long position - GBP	Short position - GBP
General risk										
Maturity-based approach	1 028 996	0	133 548	1 379 919	255 018	0	0	26 317	26 106	0
Zone 1	990 354	0	44 984	1 293 702	255 018	0	0	26 317	26 106	0
0 ≤ 1 month	747 510	0	26 208	1 030 857	255 018	0	0	26 317	26 106	0
> 1 ≤ 3 months	242 844		0	241 722						
> 3 ≤ 6 months			0	11 735						
> 6 ≤ 12 months			18 776	9 388						
Zone 2	89	0	88 564	86 217	0	0	0	0	0	0
> 1 ≤ 2 (1,9 for cupon of less than 3%) years			4 694	2 347						
> 2 ≤ 3 (> 1,9 ≤ 2,8 for cupon of less than 3%) years										
> 3 ≤ 4 (> 2,8 ≤ 3,6 for cupon of less than 3%) years	89		83 870	83 870						
Zone 3	38 553	0	0	0	0	0	0	0	0	0
> 4 ≤ 5 (> 3,6 ≤ 4,3 for cupon of less than 3%) years	37 017									
> 5 ≤ 7 (> 4,3 ≤ 5,7 for cupon of less than 3%) years										
> 7 ≤ 10 (> 5,7 ≤ 7,3 for cupon of less than 3%) years	1 084									
> 10 ≤ 15 (> 7,3 ≤ 9,3 for cupon of less than 3%) years	452									
> 15 ≤ 20 (> 9,3 ≤ 10,6 for cupon of less than 3%) years										
> 20 (> 10,6 ≤ 12,0 for cupon of less than 3%) years										
Specific risk										
Debt securities under the first category in Table 1	39 643									
Debt securities under the second category in Table 1										
With residual term ≤ 6 months										
With a residual term > 6 months and ≤ 24 months										
With a residual term > 24 months										
Debt securities under the third category in Table 1										
Debt securities under the fourth category in Table 1										

Template 34: EU MR1 – Market risk under the standardised approach:

	RWAs	Capital requirements
Outright products	30 038	2 403
Interest rate risk (general and specific)	27 988	2 239
Equity risk (general and specific)	2 050	164
Foreign exchange risk		
Commodity risk		
Options		
Simplified approach		
Delta-plus method		
Scenario approach		
Securitisation (specific risk)		
Total	30 038	2 403

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

Capital requirements for market risk

Breakdown of the capital requirements for market risk by currencies as of 31 December 2020 is presented in the table below:

Market Risk	BGN	EUR	CHF	USD
Interest rate instruments in the trading book	1 567	672	-	-
Equity instruments in the trading book	164	-	-	-
Total	**1 731**	**672**	**-**	**-**

The debt instruments in the trading portfolio of the Bank comprise of Bulgarian Government Securities issued by the Ministry of Finance, denominated in BGN.

The major currencies, which form the currency position of the Bank, are BGN, EUR, USD, CHF and GBP. Eurobank Bulgaria AD does not allocate capital for currency risk as of 31 December 2020.

Exchange Rate Mechanism II (ERM II)

The decision to include the Bulgarian lev in the Exchange Rate Mechanism (ERM II) was announced on the 10th of July 2020, with the central exchange rate of the BGN set at 1 Euro = 1.95583 BGN. Based on a careful assessment of the appropriateness and sustainability of Bulgaria's currency board, it was confirmed that Bulgaria is joining the exchange rate mechanism with its existing currency board arrangement in place, as a unilateral commitment.

XII. Remuneration policy

Eurobank Bulgaria AD, as part of Eurobank S.A. group, has established a Remuneration Policy that is applicable to all Bank employees and covers their total remuneration. The Remuneration Policy forms an integral part of the Bank's corporate governance practice and is developed in accordance to its operational model, business strategy, objectives, long-term interests of the Bank as well as the long-term value creation for shareholders and incorporates measures to avoid conflict of interest.

Also, the Remuneration Policy promotes sound and effective risk management and is consistent with the objectives of the Bank's business and risk strategy, corporate culture and values, long term interests of the Bank and the measures used to avoid conflicts of interest and should 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 behaviours.

The Remuneration Policy has been drafted and is being implemented in accordance with Ordinance No. 4 of 21 December 2010 on the Requirements for Remunerations in Banks, issued by Bulgarian National Bank, as in force, which incorporated accordingly the Directive (EU) 2013/36 and Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council.

The Supervisory Board approves and periodically reviews the Remuneration Policy and is responsible for overseeing its implementation.

The Remuneration Committee assists the Supervisory Board regarding the drafting, revision and implementation of the Remuneration Policy and makes relevant recommendations.

The Remuneration Committee is established in such a way as to be able to offer specialised and independent advice regarding the Remuneration Policy and its implementation and the incentives created for managing risk, capital and liquidity. To this end, the Bank's Remuneration Committee consists of 4 Supervisory Board members. During 2020, the Remuneration Committee held four meetings.

The implementation of the Remuneration Policy is subject to annual internal audit review from the Internal Audit Unit and Eurobank Group Internal Audit. Internal Audit's findings and proposals for potential revision of the Remuneration Policy are reported to the Remuneration Committee.

This Remuneration Policy of the Bank has established a competitive remuneration framework in order to attract, engage and retain its employees. Its basic principles are to:

- ✓ Safeguard that remuneration is sufficient to retain and attract executives with appropriate skill and experience.
- ✓ Monitor that internal equity between all Units is applied.
- ✓ Avoid excessive risk taking.
- ✓ Link remuneration with long-term performance.

The continuous monitoring of market trends and best practices in domestic and global level, ensures a competitive Remuneration Policy that is governed by transparency and internal equity.

The Bank has adopted a remuneration framework based on a two dimensional banding structure for each position:

- ✓ Job Family, depending on the nature of business (for example IT, Finance).
- ✓ Band, which is linked to position requirements, range of responsibilities and professional experience.

Remuneration policy covers all levels of the organization and all categories of employees of the Bank, in compliance with Ordinance №4 of the Bulgarian National Bank and complies with all the principles regarding this Ordinance. In this respect, Remuneration policy is accessible to all employees. Every newly appointed employee gets acquainted with the criteria for appraisal and their connection with remuneration during their initial Induction Training Course.

The employees who have a material impact on the Bank's risk profile according to the EU Regulation 604/2014 are the following:

(I) Qualitative Criteria

1. Members of the Management Board;
2. Members of the Supervisory Board;
3. Senior Managers:
    - **(i)** Members of Executive Committee (ExCo) of the Bank

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

4. Heads of the following:

- **(i)** Risk Management;
- **(ii)** Internal Audit Division;
- **(iii)** Compliance Division;

5. Heads of Risk Management within material business units ("material business unit" is the unit as defined in the Article 3 of EU Regulation 604/2014);

6. Heads of material business units;

7. Employees that have managerial responsibility in one of the units referred to in point (4) or in a material business unit and report directly to the Heads of points (4) or (5);

8. Employees that have managerial responsibility and report directly to the Heads of material business units;

9. Heads of the following units and their direct reports that have managerial responsibility:

- **(i)** Finance Sector;
- **(ii)** Human Resources Division;
- **(iii)** IT Division;
- **(iv)** Legal Division;

10. Employees who are responsible for, or are members of Committees responsible for the management of a risk category other than credit risk and market risk:

- **(i)** Counterparty Risk;
- **(ii)** Residual Risk;
- **(iii)** Concentration Risk;
- **(iv)** Securitization Risk;
- **(v)** Interest Risk arising from non – trading book activities;
- **(vi)** Operational Risk;
- **(vii)** Liquidity Risk;
- **(viii)** Risk of excessive leverage;

11. With regard to credit risk exposures of a nominal amount per transaction which represents 0.5% of the Bank's Common Equity Tier 1 capital and at least € 5 million:

- **(i)** Employees who are responsible for initiating credit proposals or structuring credit products which can result in such credit risk exposures; or
- **(ii)** Employees who have authority to take, approve or veto a decision on such credit risk exposures; or
- **(iii)** Employees who are members of Committees to take the decisions referred to in points (i) or (ii);

12. Employees who individually or, as members of Committees, have authority to take, approve or veto a decision on transactions on the trading book which in aggregate meet one of the following thresholds:

- **(i)** where the standardized approach is used, an own funds requirement for market risks which represents 0.5% or more of the Bank's Common Equity Tier 1 capital; or
- **(ii)** where an internal model-based approach is approved for regulatory purposes, 5% or more of the Bank's internal value-at-risk limit for trading book exposures at a 99% ;

13. Employees with managerial responsibility for a group of employees who have individual authorities to commit the Bank to transactions and either of the following conditions is met:

- **(i)** the sum of those authorities equals or exceeds a threshold set out in point 11(i), point 11(ii) or point 12(i);
- **(ii)** where an internal model-based approach is approved for regulatory purposes those authorities amount to 5 % or more of the Bank's internal value-at-risk limit for trading book exposures at a 99%. Where the Bank does not calculate a value-at-risk at the level of that employee the value-at-risk limits of personnel under the management of this employee shall be added up;

14. Employees who have the authority or, are members of Committees that have the authority to approve or veto the introduction of new products;

15. Employees who have managerial responsibility for employees who meet one of the criteria set out in points (1) to (14);

(II) Quantitative Criteria

16. Employees who have a material impact on the Bank's risk profile whose:

- **(i)** Employees who have a material impact on the Bank's risk profile whose:total remuneration was more than € 500.000 in the preceding year;
- **(ii)** total remuneration is within the 0.3 % of the employees, rounded up to the next integer, who have been awarded the highest total remuneration in the preceding financial year;
- **(iii)** total remuneration was in the preceding financial year equal to or greater than the lowest total remuneration awarded in that financial year to an employee who meets any of the criteria in points (1), (3), (5), (6), (8), (11), (12), (13) or (14)

Point 16(iii) does not include the following employee categories:

- **(i)** employees who only carry out professional activities and have authorities in a business unit which is not a material business unit; or
- **(ii)** employees who have no material impact on the risk profile of a material business unit through the professional activities carried out.

Remuneration mechanisms incorporate principles that take into account employees' skills and performance while supporting at the same time long term business objectives.

Employees' total remuneration consists of fixed and variable components.

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

Fixed Remuneration General Principles

Fixed remuneration reflects the educational level, experience, accountability, position evaluation in comparison with peers, and the position's functional requirements. In addition, fixed remuneration does not provide incentives for risk assumption.

Individual increases proposals are based on market data and employee's performance.

Variable Remuneration General Principles

The Bank may provide variable remuneration in order to reward employee performance in alignment with unit and / or Bank performance taking into consideration the general principles set below.

The amount of variable remuneration awarded appropriately reflects changes of the performance of the employees, the business unit and the Bank overall. In such variable remuneration schemes, the Bank specifies how the variable remuneration reacts to performance changes and the performance levels. This also includes performance levels where variable remuneration decreases down to zero. Variable remuneration component does not depend on the number and percentage of submitted credit proposals and approvals.

As a result, it is upon Bank's discretion to award variable remuneration to employees as long as financial sustainability is maintained. The Bank has the right to partly or fully revoke the distribution of variable remuneration to its employees.

The total variable remuneration pool, as well as, the distribution parameters used for its allocation among different business units, should be determined after taking into consideration the following parameters:

➢ Eurobank's, the Bank's and business units' profitability.

➢ The cost of tied-up capital which is associated to risks undertaken (credit risk, market risk, operational risk) spread over a period of time, and is calculated based on the existing regulatory framework.

➢ Key developments in terms of credit risk, liquidity risk and market risk which further adjust the Bank's total variable remuneration pool.

➢ Additional criteria for measuring the effectiveness and efficiency of employees which include qualitative factors (qualifications, skills, compliance with Bank's policies, contribution to the unit's performance, and personal competencies such as continuous improvement, customer orientation, team spirit, change leadership and people management) as well as factors related to the management of risks undertaken.

The variable remuneration pool allocated to each business unit, should be further adjusted through additional unit specific risk parameters (such as provisions from nonperforming loans, Value at Risk, credit, market & liquidity risk, losses incurred by fraud, etc.) thus stressing the importance of the prudent management of such risks.

In case that the Bank grants variable remuneration to its employees the appropriate risk alignment process should be followed as per the respective EBA's "Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013".

In cases where variable remuneration is awarded to identified employees according to the EU Regulation 604/2014 additional requirements are applied to the variable remuneration amounts.

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

Ratios

Provided that variable remuneration is awarded to employees, the following rules should apply:

➢ The variable component cannot exceed 100 % of the fixed component of the total remuneration.

➢ The Bank's Annual General Meeting may approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided the overall level of the variable component shall not exceed 200% of the fixed component of the total remuneration for each individual and according to the process described under the clauses of L. 4261/2014 and Art. 3a of Ordinance No. 4 of 21 December 2010 on the Requirements for Remunerations in Banks issued by the governor of Bulgarian National Bank.

➢ The effective ratio is calculated as the sum of all variable components of remuneration that have been awarded for the last performance year as set out in this Remuneration Policy, including amounts awarded for multi-year accrual periods, divided by the sum of fixed elements of remuneration awarded for the same performance year. For multiyear accrual periods that do not revolve annually, the Bank alternatively takes into account in each year of the performance period the maximum amount of variable remuneration that is awarded at the end of the performance period divided by the number of years of the performance period.

➢ The ratio between the variable and fixed remuneration components is set independent of any potential future ex post risk adjustments or fluctuation in the price of instruments.

The variable component is subject to deferral in accordance with principles set in the Remuneration policy.

The Bank has developed a remuneration framework that is based on total remuneration ranges that differ among hierarchical levels and nature of business. Total remuneration ranges are reviewed annually taking into consideration market trends and current legal requirements.

Additionally, the Bank has in place incentive schemes addressed to employees employees aiming at supporting the goals of the organization by aligning employee goals with them, motivating employees to increase individual / Unit performance, improving retention and emphasizing the importance of teamwork in achieving Group goals. It should be noted that incentive schemes parameters ensure that employees are not rewarded in a way that constitutes a conflict to the Bank's Policy to protect its customers. More specifically, employees are not provided with incentives that would encourage them to propose to customers specific financial instruments instead of other instruments that would best serve the customers' needs.

The Incentive Schemes' payouts are directly linked to the Business Units' profitability results (for example lending balances and profitability, liquidity, portfolio quality) or NPE's reduction as well as operating expenses' containment cascading down to the individuals' targets and in line with the Bank's principles on variable remuneration as stated in this document..

It should be noted that employees engaged in control functions are independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

In order to ensure adequate transparency to the market of the remuneration structures and the associated risks, the Bank discloses the remuneration policies and practices. For reasons of confidentiality, the Bank delivers aggregated amounts for those members of the management body, whose professional activities have a material impact on the risk profile of the Bank.

The number of people, covering the definition of "employees who have a material impact on the Bank's risk profile" for year 2020 is 64. The annual gross amount to be disclosed, (connected with these people and corresponding to the requirements Regulation (EU) No 575/2013, art. 450), is five millions one hundred and fifty four thousand euro and is described in detail in the table below. Deferred variable remuneration included in variable remuneration is fourteen thousand euro and remuneration in the form of shares or other instruments included in variable remuneration is one hundred and eight thousand euro. In a row fixed remuneration column two of the table should be reported twenty five thousand euro employers contributions to the private pension scheme.

	MB and SB members	Other Committee members	Investment Banking	Retail Banking	Asset Management	Corporate Functions	Independent Control Functions	All Other
Members	13	3						
Identified Staff			3	28	0	8	8	1
Fixed Remuneration (€ thousand)	1 151	13	181	1 848	0	572	446	62
Variable Remuneration (€ thousand)	300	0	55	335	0	118	58	15

In general, the Policy is in line with the business strategy and risk tolerance of the Bank and Eurobank Group, their objectives, values and long-term interests, as well as with all indicated norms and rules of the Bulgarian National Bank and the European structures concerning local remuneration policies.

XIII. Operational risk

Eurobank Bulgaria AD applies the Basic Indicator Approach for calculating the capital requirements for operational risk. The Bank has in place adequate policies and processes to evaluate and manage the exposure to operational risk, including low-frequency high-severity events. The Bank maintains and regularly updates contingency and business continuity plans in order to ensure its ability to operate on an ongoing basis and limit losses in the event of severe business disruption. In applying the Basic Indicator Approach, Eurobank Bulgaria AD calculates the amount of regulatory capital for covering operational risk impact by multiplying the Bank's average annual gross income by a coefficient of 0.15. The average annual gross income is calculated on the basis of the last three year average sum of net interest income and net non-interest income, derived from audited Financial Statements. The average annual gross income is calculated as the average amount of the positive values of the annual gross income. The annual gross income is calculated before the deduction of any impairment charges for credit losses and operating expenses. Fees paid for outsourcing services rendered by intragroup entities are not deducted from the calculation of the gross income. However, expenditure on the outsourcing of services rendered by third parties reduces the annual gross income if the expenditure is incurred by a regulated undertaking subject to equivalent supervision. The calculation of the annual gross income does not include:

1. Realized profits/losses from the sale of banking book securities;
2. Income from extraordinary or irregular items;
3. Income derived from insurance.

Capital requirements for operational risk

The Bank uses the Basic Indicator Approach, representing 15% of the annual average gross income for 2017, 2018 and 2019. The amounts of the annual gross income for the last three years, which form the capital requirements for operational risk, are as follows:

- ✓ 2017 – BGN 349,985 thousand;
- ✓ 2018 – BGN 381,332 thousand;
- ✓ 2019 – BGN 414,440 thousand.

The capital requirements for operational risk as of 31 December 2020 that Eurobank Bulgaria AD allocate equal BGN 57,288 thousand.

XIV. Exposures in equities not included in the trading book

Accounting techniques and valuation methodologies used by the Bank

The Bank may make an irrevocable election to designate an equity instrument at Fair Value through Other Comprehensive Income (FVOCI). This designation, if elected, is made at initial recognition and on an instrument by instrument basis. Gains and losses on these instruments, including when derecognized, are recorded in OCI and are not subsequently reclassified to the income statement. Dividends received are recorded in the income statement. The Bank has no equity instruments designated at FVOCI.

Balance sheet value and fair value of the equity instruments in the banking book

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

The fair values of quoted investments in active markets are based on current average market prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using commonly accepted valuation techniques. These include the use of recent arm's length transactions, net asset value per share, discounted cash flow analysis and other valuation techniques consistent with the specific features of the securities market in Bulgaria.

The balance sheet value and fair value of the equity instruments in the banking book as of 31 December 2020 are represented in the table below:

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

Equity instruments in the banking book	Balance sheet value	Fair value
Shares	-	-
Participations	22 124	22 124
Total:	**22 124**	**22 124**

Type, disposition and amount of the exposures in listed instruments and private equity investments

The equity instruments reported in the banking book of the Bank as of 31 December 2020 are presented in the table below:

Equity instruments in the banking book	Reported with 100% risk weight in exposure class "Equity exposures"
Listed equity instruments	-
Non-listed equity instruments	22 124
Items belonging to regulatory high-risk categories	-
Total:	**22 124**

XV. Exposure to interest rate risk on positions not included in the trading book

Nature, Measurement and Key Assumptions Regarding Interest Rate Risk Arising from Non-Trading Activities (IRRBB)

Interest rate risk management (including interest rate risk from non-trading activities) is based on the general rules for market risk management defined in the Market & Counterparty Risk Policy of the Bank, which has been developed in line with the market risk guidelines of the Group, and the related procedures that define the detailed implementation of the Policy.

Interest rate risk in the banking book (IRRBB) is the current or prospective risk to earnings (Net Interest Income) and capital arising from adverse movements in interest rates affecting the banking book positions. It also includes re-pricing risk, yield curve risk, basis risk and option risk.

The Bank is exposed to the effects of market risks through all of its assets, liabilities, off-balance sheet positions, trading and non-trading activities. Changes in the interest rate levels may have effect on the Bank's financial position and result in two major ways:

- ✓ income effect / earnings perspective – the impact of market rate changes on current reported earnings. There are two main channels for this effect:

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

  - the effect of changes in interest rates on net interest income or fee-based and other non-interest earnings;
  - the effect of the restatement, at market rates, of the value of securities held for trading or for resale.
- ✓ value effect / economic perspective – the impact of changes in market interest rates on the Bank's current net worth. The market interest rates used for discounting the present value of the future cash flows would influence the economic value of the Bank's assets, liabilities, off-balance sheet positions and therefore its net worth.

For positions that are marked-to-market for accounting purposes, these two effects are equivalent.

One of the goals of the established independent market risk management and control function in the Bank is to control and monitor the effects of interest rate risk on the income and economic value. The measurement, monitoring, reporting and control of interest rate risk are carried out by an independent unit – Market Risk Department, part of Risk Division. The Bank's interest rate risk appetite is also expressed in terms of nominal limits set on the exposure to interest rate risk, approved by the Risk Committee. The levels of these limits are consistent with the loss-bearing capacity and risk appetite of the Bank and the regulatory requirements.

The Bank's market risk measurement system includes all positions that are exposed to market risks and measures all material aspects of market risk. This also includes the measurement of the Bank's exposure to interest rate risk, arising from non-trading positions and activities. The risk measurement methods include a set of risk factors corresponding to interest rates in each of the currencies in which the Bank has material interest rate sensitive positions. For each currency, the yield curve is divided into a number of maturity segments in order to capture the variation in volatility of interest rates at different points on the curve. At least one risk factor is used for each maturity segment. The Interest Rate Gap Report (IR Gap) is the main tool used for identification and management of interest rate risk on a bank-wide level. In the IR Gap the balance sheet and off-balance sheet positions are analyzed by transforming them into interest rate risk equivalent instruments and by distributing the cash flows of these instruments into a predefined set of time-bands. It is produced separately for each specific currency and in total BGN and EUR equivalent. It is produced by Market Risk Department on a weekly basis and as of each end-of-month date and is presented to the management at Bank and Group level. The report is based on Group guidelines, while the underlying assumptions are constantly reviewed and updated to ensure their adequate reflection of any local specifics.

The report represents a maturity/re-pricing schedule that distributes all of the Bank's assets, liabilities and interest-sensitive off-balance sheet positions into time-bands according to their maturity (if fixed rate) or time remaining to their next re-pricing (if floating rate), combined with the calculation of two duration equivalent measures: 1-year and 10-year duration equivalents. There are Risk Committee approved nominal limits for the two duration equivalent measures, set to ensure that the overall Bank exposure to interest rate risk is acceptable and in line with the Bank's risk appetite. The utilization of these limits is monitored on a weekly basis by Market Risk Department and any excesses are escalated to the management bodies of the Bank and the Group. In 2020, the 10Y limit was temporarily exceeded between 15.05.2020 and 31.05.2020 while a proposal for limit increase was subject to review and respective approval. There have been no other limit excesses. The gap analysis is supplemented by calculation of risk indicators such as duration analysis of the bond portfolios and calculation of interest rate sensitivity to specific interest rate and credit spread shocks. Monthly stress tests are performed to assess the impact of interest rate changes on the Bank's profit & loss and economic value.

The time-band distribution of assets and liabilities in the IR Gap report is based on certain assumptions, especially concerning the positions without clearly defined maturity or interest rate profile and the ones where actual maturity may deviate from the contractual one. These assumptions are regularly re-assessed in order to ensure their accuracy and adequacy. For the purposes of calculating interest rate risk equivalent instruments for current and savings accounts, on the basis of specific assumptions approved by the Group Risk Management, these are distributed in the closest time-band (1 month). For instruments with fixed interest rate, the principal payments are distributed into time-bands according to their repayment schedule at the respective payment dates, while floating rate instruments are distributed according to their next interest re-pricing date. The Bank's capital is first allocated to cover the fixed assets, participations and other positions without a clear interest rate profile and the remainder (i.e. the cash portion of capital) is allocated to the 1-month time bucket. With relation to early prepayments on loans, the majority of the loans are floating-rate ones and respectively are distributed into closer time-bands based on their re-pricing date and not on their repayment schedule. In the case of instruments with embedded options, these options determine the time-band distribution of the respective instrument.

The interest rate risk exposure arising from non-trading activities increased in 2020 as the Bank built substantial investment portfolio consisting of high-quality liquid assets (fixed income sovereign and covered bonds) in order to support both its liquidity buffer and net interest income, while complying with the restrictions on exposures to foreign institutions and governments, imposed by BNB as part of its COVID-19 related measures. The fixed income bond portfolios are the main source of interest rate risk for the Bank, but a material part of them has been hedged against this risk through asset swaps. The interest rate risk exposure from the other on- and off-balance sheet positions is relatively low, given the short re-pricing periods and tenors of most assets and liabilities and the large share of floating rate ones.

The Bank's strategy is directed at actively managing interest rate risk exposure through utilization of available market instruments. The main technique used for managing interest rate risk is interest rate risk hedging, including fair value and cash flow hedges. This is done in compliance with the Bank's Hedging Policy, which outlines the procedure for assessing hedge effectiveness according to international standards requirements, defines the roles of the different units of the Bank in the assessment and accounting process, and the potential hedging instruments that can be used. The Bank also aims to match the re-pricing characteristics of assets and liabilities whenever that is possible.

IRRBB Stress-testing

On a monthly and quarterly basis various stress tests are performed to assess the impact of interest rate changes on both income (short-term) and economic value (long-term). The stress tests are based on yield curve shifts, with separate shift parameters for each currency, in which the Bank has a material interest rate risk exposure. The stress tests may also include the effects of possible changes in other relevant variables such as credit spreads for bond positions. Besides parallel shifts, the effects of other, non-parallel changes in the interest rate curves (tilt – long and short term, pivot, etc.) can also be analyzed. The stress test results are presented to the senior management at Bank and Group levels, where they are being reviewed and considered as a base for making management decisions together with all the other relevant information.

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

The main stress test scenario for interest rate risk that the Bank runs on a regular monthly basis estimates the effects of parallel yield curve shifts with separate parameters for each currency. Additionally is presented the potential effect of an increase in credit spreads for foreign currency denominated bonds. Key behavioral and modelling assumptions used should always be taken into consideration. For this scenario, the most important ones are:

- ✓ Run-off balance sheet assumption;
- ✓ Cash flow bucketing – assets and liabilities cash flows are projected onto monthly time buckets up to 1-year and yearly time bucket above 1 year based on interest reset dates for floating rate instruments or contractual repayment schedule for fixed rate instruments. The 1-month time bucket is further broken down into overnight, 2d-8d and 9d-1m buckets. Future interest flows have been excluded;
- ✓ Non-maturity deposits (NMDs) – all NMDs have been treated as non-core deposits, i.e. have been considered as overnight deposits;
- ✓ Revolving loans – credit cards, overdrafts and other loans with similar characteristics have been mapped into the 9d-1month time bucket;
- ✓ Fixed rate loans subject to prepayment risk – no loan prepayment options have been taken into account for the calculation. Fixed rate loans represent only a small portion of total loan portfolio;
- ✓ Term deposits subject to early redemption risk – no early termination of term deposits has been factored in the calculations. The weighted average remaining maturity of term deposits is significantly less than one year;
- ✓ Treatment of own equity – net equity, after covering for fixed assets, net NPLs and other non-interest bearing assets, has been included in the calculation with an overnight duration.

<u>EVE (Economic Value of Equity)</u>

Starting from Q1 of 2017, the Bank also measures on a monthly basis the ΔEVE (change in economic value of equity) and on a quarterly basis the ΔNII (change in net interest income) under the prescribed interest rate shock scenarios set out in the EBA/GL/2018/02 (and previously in the BCBS Standards on IRRBB).

The six shock scenarios for EVE reflect currency-specific absolute shocks based on historical time series and include:

- ✓ parallel shock up;
- ✓ parallel shock down;
- ✓ steepener shock (short rates down and long rates up);
- ✓ flattener shock (short rates up and long rates down);
- ✓ short rates shock up; and
- ✓ short rates shock down.

The calculation assumptions used for these six scenarios differ from the monthly scenario in the treatment of own equity – equity has been completely excluded from the calculations, along with fixed assets, NPLs and any other non-interest bearing assets and liabilities. For the aggregation of the calculation results for all currencies, positive changes are weighted by a

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

factor of 50% as per paragraph 115(m) of EBA/GL/2018/02. A maturity-dependent post-shock interest rate floor in accordance with paragraph 115(k) of EBA/GL/2018/02 is also applied.

NII (Net Interest Income)

Further to the effects on EVE, the Bank also calculates the effects on Net Interest Income from parallel shock up and parallel shock down scenarios under a constant balance sheet assumptions – assets and liabilities are assumed to be replaced like for like, over a 12-month time horizon. A maturity-dependent floor in line with par. 115(k) of EBA/GL/2018/02 (0% for all customer loans and deposits) is applied along with any existing contractual floors.

IRBBB Capital Requirements

The interest rate risk in the banking book carries no Pillar I capital requirements. The amount of capital, required for IRRBB under Pillar II, is determined by the Bank quarterly based on the calculation of the potential negative impact on the economic value of equity from a parallel yield curve shift of +/- 200 bps in all currencies. The calculated amount as of 31.12.2020 is BGN 72 637 thousand (translating to RWAs of BGN 907 963 thousand under a capital requirement of 8%), broken down by currency as follows:

Currency	+200 bps	-200 bps (applying maturity-dependent floor)
BGN	-7 233	1 701
EUR	-63 721	12 079
USD	-1 815	983
CHF	-2	-2
GBP	276	-150
Other	-5	1
Total:	**-72 637**	**7 229**

The results from the full set of IRRBB stress test scenarios described above are also taken into consideration when estimating IRRBB capital requirements, and should there be material difference between the calculated potential negative changes in economic value in any of those scenarios and the calculated internal capital for IRRBB, the Bank assesses the need to modify or change the methodology it uses for determining the amount of required capital for IRRBB.

The assessment of the Bank's Management is that currently interest rate risk in the banking book is at completely acceptable levels and well within the approved limits for interest rate risk exposures, in line with the Bank's business and strategic planning.

XVI. Exposure to securitization positions

Eurobank Bulgaria AD does not apply securitization as of 31 December 2020.

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

XVII. Leverage ratio

The leverage ratio is calculated as the Bank's Tier I capital divided by its total exposure and is expressed as a percentage. The leverage ratio should not be less than 3%. Total exposure includes all assets and off-balance sheet items not deducted from the calculation of Tier I capital.

CRR Leverage Ratio — Disclosure Template:

CRR Leverage Ratio	
Leverage Ratio - using a fully phased-in definition of Tier 1	10.67%
Leverage Ratio - using a transitional definition of Tier 1	11.29%
Minimum requirement	3.00%

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures:

		Applicable Amount - transitional definition	Applicable Amount - fully phased-in definition
1	Total assets as per published financial statements	12 103 849	12 103 849
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0	0
4	Adjustments for derivative financial instruments	15 483	15 483
5	Adjustment for securities financing transactions (SFTs)	0	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	609 152	609 152
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0	0
7	Other adjustments	-93 819	-182 273
8	Leverage ratio total exposure measure	12 634 665	12 546 211

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

Table LRCom: Leverage ratio common disclosure:

		CRR leverage ratio exposures - transitional definition	CRR leverage ratio exposures - using a fully phased-in definition of Tier 1
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	12 102 497	12 102 497
2	(Asset amounts deducted in determining Tier 1 capital)	-93 819	-182 273
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	12 008 678	11 920 224
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	1 352	1 352
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	15 483	15 483
EU-5a	Exposure determined under Original Exposure Method	0	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0	0
8	(Exempted CCP leg of client-cleared trade exposures)	0	0
9	Adjusted effective notional amount of written credit derivatives	0	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
11	Total derivatives exposures (sum of lines 4 to 10)	16 835	16 835
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
14	Counterparty credit risk exposure for SFT assets	0	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0	0
15	Agent transaction exposures	0	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0	0
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	0	0
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	1 823 020	1 823 020
18	(Adjustments for conversion to credit equivalent amounts)	-1 213 868	-1 213 868
19	Other off-balance sheet exposures (sum of lines 17 and 18)	609 152	609 152
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)			
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0	0
Capital and total exposure mesure			
20	Tier 1 capital	1 426 870	1 338 416
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	12 634 665	12 546 211
Leverage ratio			
22	Leverage ratio	11.29%	10.67%
Избор на преходни разпоредби и стойност на отписаните доверителни дейности			
EU-23	Choice on transitional arrangements for the definition of the capital measure		
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013		

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

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures):

		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	12 102 497
EU-2	Trading book exposures	40 672
EU-3	Banking book exposures, of which:	12 061 825
EU-4	Covered bonds	442 142
EU-5	Exposures treated as sovereigns	2 781 509
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	1 764
EU-7	Institutions	526 826
EU-8	Secured by mortgages of immovable properties	2 574 711
EU-9	Retail exposures	1 898 584
EU-10	Corporate	2 906 509
EU-11	Exposures in default	213 885
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	715 895

XVIII. Use of the Advanced Measurement Approaches to operational risk

Eurobank Bulgaria AD does not apply advanced measurement approaches to operational risk as of 31 December 2020.

XIX. Use of Internal Market Risk Models

Eurobank Bulgaria AD does not apply internal models for market risk as of 31 December 2020.

XX. Internal Capital Adequacy Acessment Process (ICAAP)

In the context of the ICAAP performed at Eurobank Bulgaria, the objective is to identify and assess risks that are inherent in the Bank's business model, determine their materiality and allocation, evaluate risk monitoring and risk mitigation processes and quantify the relevant internal capital charge where appropriate so as to ensure the ongoing capital adequacy of the Bank versus its risk profile.

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

In order to accomplish these objectives, the ICAAP leverages upon and integrates the Bank's well-established activities on risk, capital and performance management, including in particular planning and monitoring, while also continuously refining its approach to ensure high standards of capital assessment and management.

The Bank's Management Board has the ultimate responsibility for the ICAAP both in terms of its design and its results. The ICAAP is also presented to the Risk Committee and the Supervisory Board. The Risk Committee also ensures that the Bank has a well- defined Risk Strategy and Risk Appetite Framework. Prior to its approval, the Management Board and the senior management discuss and challenge the ICAAP in an effective way.

Moreover, acting as an evaluation mechanism of the Bank's entire risk management framework, an integral component of ICAAP is the identification, assessment and quantification of current and emerging risks in terms of their materiality for the Bank, thus allowing the organization to focus its resources and management attention to those risks that could potentially threaten its business or capital standing and ensuring that all material risks are properly managed and monitored.

Material risks are evaluated qualitatively and quantitatively, as appropriate. The aggregation of the individual capital charges comprises the Bank's total internal capital requirement, meaning the amount of capital the Bank needs to hold for the purpose of absorbing unexpected losses deriving from its risk profile.

All categories of material risks are appropriately managed and the relevant frameworks are regularly evaluated in order to identify ways of strengthening the risk management structure, enhance existing policies, establish new mitigation techniques and improve the internal calculation of capital requirements. Risk and capital management responsibility, including compliance with regulatory requirements and corporate policies, lies with the Bank's senior management.

The Bank uses the regulatory capital requirements as a starting point for the internal determination of its capital requirements ("internal capital"), adjusting for additional capital where appropriate. Compared to regulatory capital requirements, "internal capital" takes into account a wider range of risks and utilizes more sophisticated calculation approaches.

All key risks are captured within the ICAAP and provide sufficient information for the review, adjustment and development of the appropriate policies, controls, methodologies, monitoring and governance frameworks.

Regular scenario-based simulations and stress tests are also used in order to assess specific risks as well as the overall risk profile.