

# FINANCIAL AND SUSTAINABILITY REPORT

# 2020

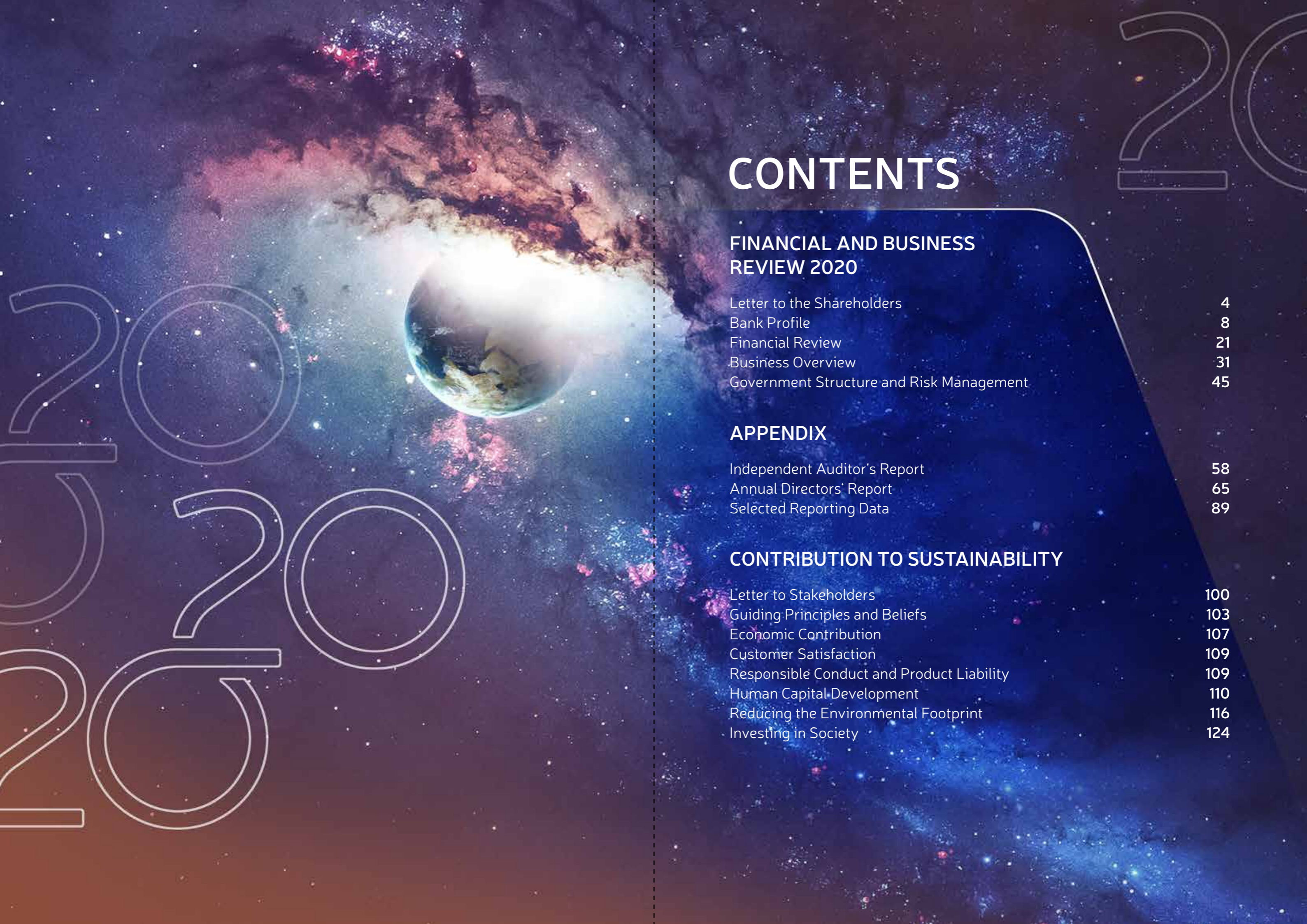
An astronaut in a full space suit is floating in the center of the image, positioned between the two '0's of the year '2020'. The astronaut is facing forward with arms slightly out. The background is a deep blue space filled with stars and nebulae. A large, reddish planet is visible in the upper left, and another reddish planet is in the lower right. At the bottom, a bright sun or star is rising over a horizon, creating a lens flare effect.

A BANK ON  
A MISSION



Postbank





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# FINANCIAL AND BUSINESS REVIEW

2020

WE ARE  
DISCOVERING  
**BETTER**  
FINANCIAL SPACE



**Dear Shareholders,**

*In 2020 we all faced a very unexpected and challenging situation, created by the COVID-19 pandemic. It grasped the whole world, causing an unprecedented in recent years economic collapse and global recession. The change had a serious effect on all aspects of our life and economy – strict restrictions imposed, drastically changing our habits and way of work. The new reality made many of us work and study from home, shop more online and organize virtual events. The crisis had its effect on our business, but luckily the negative effect was relatively limited due to the timely measures governments and regulators implemented. Thanks to them, a deeper recession was avoided, many businesses and jobs were supported, which allowed for the crisis to not spread.*

*Our most important goal for the year was to guarantee the health and safety of our employees and customers. Staff working in the headquarters switched to a rotational work regime and in branches the organization*

*was set up to ensure business continuity, if necessary. Branches remained open and customers continued receiving the speedy high-quality service they are used to. In the meantime, the pandemic changed the way we work and was a catalyst for consumer attitudes. Digitalization received a great boost – customers started using more digital services and channels and we were well prepared to cater to that demand, continuing offering innovative banking products and services, developing our digital banking channels, providing benefits and convenience to our customers, further establishing our leading position in the field. We created digital express banking zones, allowing for greater speed and convenience for customers. The new service started in 32 of the bank's offices in 15 cities in the country, where special devices with a modern design, intuitive navigation and many functionalities are located. The new digital express banking zones give customers the possibility of carrying out themselves almost all transactions available in a bank branch. Following the increasingly active use of digital channels by the bank's customers, the total share of online transactions annually has reached 78% towards the end of the year.*

*We introduced an entirely distance process for issuing credit and debit cards, allowing customers to receive them at a desired address with the entire procedure happening without visiting a bank branch. And with the credit program Now, customers can receive an express service for a consumer or housing loan or for a new debit or credit card.*

*We also offered a new and convenient option for online consultation for a housing loan through the EVA Postbank mobile app. We also opened our first unique Online Center for Housing Lending, introducing a new model for fast and convenient customer servicing. Thus, we upgraded the online housing loan application service, meeting as much as possible customer expectations for long-distance consultation and communication with the bank throughout the process of granting the loan, transferring the process to a digital environment.*

*We also introduced 6 software robots in the Loan administration's activity, with which the pilot project for automating 20 different processes with the help of RPA (Robotic Process Automation) technologies was successfully finalized. By introducing this innovation, the activity of one of the busiest departments was optimized and the daily tasks of employees were eased, transferring a huge amount of their work to so-called robots.*

*Despite the pandemic, thanks to our shared efforts and the trust of our customers, for another year in a row we achieved impressive results. We started the year in a good position to realize the positive effects of the successful acquisition and integration of Piraeus Bank Bulgaria in the end of 2019. Net of the one-time effects of the acquisition of BPB, the total operating income increased by almost 8% to BGN 470 million. The realized net profit amounted to BGN 152.7 million, which corresponds to a 9.9% return on capital.*

*In the beginning of the crisis, we realized how important it is for our customers to continue having access to liquid funds and we never stopped lending throughout the year. This allowed us to increase our gross loans by 8.6% (BGN 642 million) to BGN 8.06 billion, improving our market shares in key segments like consumer and corporate banking. Consumer loans grew at the highest rate – 20% annually up to BGN 1.24 billion, while corporate loans grew 8.5% to BGN 3.83 billion.*

*All our loan customers in temporary difficulty due to the pandemic received the opportunity to take advantage of the moratorium on payments, which allowed many of them to continue to regularly service their debts. More specifically for small and medium enterprises hard hit by the pandemic, lockdowns and recession we managed to provide the possibility to receive additional funding by joining all guarantee support programs. Thanks to the measures implemented and the active work of the responsible department, the ratio of non-performing exposures was significantly improved from 8.4% to 6.7% in the end of last year.*

*The past year was another record-breaking year in terms of new deposits in the system and we manage to take maximum advantage of that. Customer deposits with the bank grew by 8.4% to BGN 10,23 billion, securing us a market share of 10.2%.*

*The pandemic set many challenges before us, related to how to communicate when we're not together in the office. This is why we became the first bank on the Bulgarian market to add to its portfolio of digital solutions the Digital Office mobile app for quick and easy internal communications with our employees.*

*Abiding by the principles of better environmental, social and corporate governance is becoming an increasingly important part of the business model of any large organization. We are the only bank in Bulgaria with its own Green Board and an Environmental Office department in its organizational structure, working for environmental protection – both in terms of lowering resources used by the bank and in terms of its funding activity. Furthermore, the Board members organize different open-air activities that the other employees also participate in. In September 2020, volunteers from Postbank continued transforming the forest path in the Zlatni Mostove area of Vitosha National Park. The Green Stories in the Open Air initiative that started in 2019 is part of the company's environmental policy, showing how with our joint efforts we*

can change the surrounding environment for the better, strengthening our image as the most active bank. In the past year we became one of the signatories of the Principles for Responsible Banking (PRB) of the United Nations Environment Programme Finance Initiative (UNEPFI). This major step made our bank the only financial institution in Bulgaria that chose to be led by the single framework for sustainable development in the banking sector in all aspects of its activity. The framework is developed through innovative partnership between leading banking institutions globally and the Programme's Finance Initiative, therefore we are proud that the Group we are a part of is also a member.

We also contributed to the fight against COVID-19 by supporting with a total of more than BGN 170,000 in donations to the specialized maternal and childcare hospital – Maychin Dom in Sofia, Saint Ekaterina University Multiprofile Hospital for Active Treatment, Hadzhi Dimitar Multiprofile Hospital for Active Treatment in Sliven, N. I. Pirogov University Multiprofile Hospital for Active Treatment and Emergency Medicine and Sofamed University Multiprofile Hospital for Active Treatment.

All these efforts were highly appreciated, and the bank received two international awards from the prestigious World Finance Digital Banking Awards 2020 competition of the renowned World Finance Magazine. We were awarded in the Best Consumer Digital Banks, Bulgaria and Best Mobile Banking Apps, Bulgaria categories. The competition distinguishes the best banks in providing digital services to customers and implementing innovative governance models.

In 2020 we received the greatest and most significant awards for Bank of the Year and Development Dynamic at the 29th edition of the Annual Bank Awards of the Bank of the Year Association. We are extremely happy with the awards we received as they are a token of high esteem and appreciation of our efforts over the past year and oblige us to continue developing, becoming bigger, more dynamic and more efficient in the products and services we offer our customers.

As a leading employer, assessing our success through the satisfaction of our employees, the bank has always strived to develop the skills of people in the team and providing an environment for them to unleash their potential. Thanks to our active policy in this aspect, in the beginning of 2020 we received two gold awards from the annual Employer Branding Awards, organized by b2b Media. Postbank was among the most desired employers at the first of their kind Virtual National Career Days. We continued developing our joint project with SoftUni in support of Bulgarian Education, which started in 2018. It includes various activities preparing young people for the jobs of the future and for professional realization in Bulgaria.

Throughout the year we carried out several socially important projects in education, environmental protection, sports and corporate donations. Postbank is an active member and works in support of initiatives of the Confederation of Employers and Industrialists in Bulgaria (KRIB), AmCham, the Hellenic Business Council in Bulgaria (HBCB), the Association of Banks in Bulgaria, Borika AD, the Endeavour Bulgaria community, the Bulgarian Business Leaders Forum, the Bulgarian Donors Forum, Atanas Burov Foundation, the UN Global Compact Network Bulgaria, the Bulgarian Association of Advertisers and the Bulgarian Fintech Association.

We did not forget our responsibility towards our employees. Throughout the past year, the internal donation platform for supporting colleagues with life-threatening health problems Together, which started in the end of 2018, once again, just like in 2019, managed to be of great help. Thanks to the initiative, two colleagues of ours received support in their fight against severe illnesses.

#### **Dear Shareholders,**

We should most of all thank your employees for our results, who despite the challenging environment managed to once again prove their professionalism and show that nothing can stop us when we work as a team. I would like to express my gratitude towards the colleagues in Eurobank and to you, the Shareholders, for your trust and support.

We expect the year to be better in every aspect. We are looking forward with faith in the medical capacity of humanity, hoping that in 2021 there will be vaccines and medicines to reach the highly anticipated turning point in the fight against the pandemic. By the end of the year, Bulgaria's economy is expected to return to its pre-crisis levels, which would help us achieve new record-breaking results. We will continue our strategy of balanced growth, focusing on the quality of our portfolio and keeping the solid levels of capital and liquidity buffers.

We will continue investing in new digital solutions and a modern branch network as we believe that the future belongs to banks that can offer their customers the best of both worlds and complete solutions for their needs.

We also look forward to the next challenges ahead of us. Bulgaria is already a part of European Exchange Rate Mechanism (ERMII) and the Banking Union, which is an important step towards the main goal – introducing the Euro.

Next year is very special for us as we will celebrate our 30th anniversary. Throughout all these years we have strived to be among the leaders on the market – a trend-setting bank, not one that merely follows suit. Our ambitions for the next 30 years are even bigger because we know that ahead of us stands a universe of new opportunities!

**Sincerely,**

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

## BANK PROFILE

### IMPORTANT EVENTS DURING THE FINANCIAL YEAR



**Postbank**, legally named Eurobank Bulgaria AD, is the fourth largest bank in Bulgaria with a broad branch network across the country and a significant client base of citizens, companies and institutions. It has been a leading factor in innovation and trends in the banking sector in the country in recent years and has been awarded many times for its innovations. The financial institution holds a strategic place in retail and corporate banking in Bulgaria. The

Bank is one of the leaders on the market of credit and debit cards, mortgage and consumer lending, savings products, as well as in terms of products for corporate clients – from small companies to large international companies operating in the country. The financial institution has one of the most well-developed branch networks and modern alternative banking channels, paying special attention to the quality of customer service. In 2021, the Bank celebrates its 30-year presence among the leaders on the Bulgarian banking market.

2020 is the year of Postbank's overall transition to a long-term innovative way of work. The financial institution's strategy is to rely on a good service, modern products and services, implementation of new solutions in the internal work processes and convenient ways of internal communication with the Bank's team.

In November 2020, Ms. Petia Dimitrova, CEO and Chairperson of the Management Board of Postbank, was honoured with the special Banker of the Year 2020 Award for her leadership skills and for the dynamic development of the Bank for the second year in a row and for the fifth time in her career. In October, the financial institution received two awards – Bank of the Year, and Dynamics of Development, which were handed at the 29th Annual Bank Awards, organized by the Bank of the Year Association. Earlier this year, Mr. Dimitar Shoumarov, Executive Director, Chief Financial Officer and Member of the Management Board of Postbank, won the prestigious Burov Award 2019 for Bank Management.



In June 2020, the Bulgarian Credit Rating Agency (BCRA) affirmed Postbank's long-term credit rating at BBB-, with a positive outlook.

In July 2020, Postbank also received the Deal of the Year award in the 6th annual Company of the Year Awards, organized by the Bulgaria Business Review group. The latter distinguishes the best companies in different industries by making more visible their achievements and focusing public attention on their innovative and successful management models. The accolade came shortly after Postbank received the Business Deal of the Year award in the 6th b2b Media Annual Awards 2020 contest. The financial



institution also received the Innovative Project award for the complete redesign of its branch network conducted in line with the main strife to create excellent customer experience. This way, the Bank boldly steps on the threshold of its 30th anniversary as one of the leaders in the sector, ready to seek the best solutions for its customers and partners.

As a leading employer, which evaluates its success through the satisfaction of its employees, Postbank has always strived to develop the skills of its team members and to provide an environment for unlocking their potential. Due to its active policy in this direction, in early February 2020, Postbank received two golden awards from the annual Employer Branding Awards organized by b2b Media. The Bank's focus in this area involves activities for optimization of the working environment, continuous professional development and training, and engaging employees in corporate social responsibility projects with high added value for the society. Postbank was among the most sought-after employers at the first-of-its-kind Virtual National Career Days.

The financial institution is the first company on the Bulgarian market, which added to its portfolio of digital solutions the Digital Office mobile app for fast and easy internal communication with its employees. This way, it solidified its position as a preferred employer on the Bulgarian market. The Digital Office app saves time and resources by providing a modern solution for comprehensive management and digitalization of internal processes through online communication within the Bank's team.

In August 2020, the Bank introduced six robots in the operations of Loan Administration, which successfully finalized a pilot project for the automation of 20 different work processes with the help of the so-called RPA (robotic process automation) technology. Introducing the innovation, the Bank optimized the operations of one of its busiest units and reduced the daily workload on its employees by transferring a huge amount of their work to the so-called robots.



Postbank strengthened its position as a socially responsible company by joining the institutions that signed the Principles for Responsible Banking (PRB) within the framework of the United Nations Environment Programme Finance Initiative (UNEP FI). This significant step makes Postbank the only financial institution in Bulgaria that has chosen to be guided in all aspects of its operations by a single framework for sustainable development in the banking sector developed through the innovative partnership between worldwide leading banking institutions and the Financial Initiative.

Putting the interest of its customers first, Postbank offered deferral of liabilities to clients who were experiencing or expecting difficulties in servicing their loans due to the Covid-19 pandemic and the restrictions introduced through the Measures and Actions Act during the state of emergency declared with a decision of the National Assembly of 13 March 2020, as well as the consequences of these restrictions. Driven by its desire to provide the best financial solutions to its customers, Postbank implemented a number of measures and proposals aimed at its affected borrowers, both individuals and legal entities.

The financial institution joined as an active partner the programmes of the Bulgarian Development Bank (BDB), which support citizens and micro-, small and medium enterprises affected by the state of emergency and the Covid-19 epidemic. Postbank also signed a guarantee agreement with the Fund Manager of Financial Instruments in Bulgaria (Fund of Funds), as well as with the European Investment Fund to participate in the JEREMIE and COSME guarantee programmes.

As a key partner of the Bulgarian business, Postbank joined the Rediscover Bulgaria initiative. The online platform offers attractive opportunities for accommodation and reservations in restaurants on the Black Sea coast and the Bulgarian mountains, which comply with safety standards and use primarily Bulgarian products in their meals.



Postbank took another step towards expanding its innovative services by launching express banking digital zones that offer more speed and convenience to customers. The new services are available in 32 branches, in 15 cities in Bulgaria, providing specialized devices with modern design, intuitive navigation and numerous functions. The new express banking digital zones allow customers to perform almost all bank office operations and to bank conveniently during non-working hours.



Since January 2021, more than 120 ATMs and self-service devices in Postbank's express banking digital zones across the country have been providing new contactless functionality that facilitates transactions by bringing the card close to the contactless reader of the device.

Postbank won two international prizes at the prestigious World Finance Digital Banking Awards 2020 competition organized by the reputable World Finance magazine. The awards are in the categories, Best Digital Banking Apps, Bulgaria, and Best Mobile Banking Apps for consumers in Bulgaria. The contest distinguishes the best banks in providing digital services to consumers and the introduction of innovative management models.



Through its partnership with Eurobank Private Bank Luxembourg and its 100% specialized and strictly personalized private banking services, Postbank continued to develop its modern Private Banking Centre. The Bank's clients can benefit from a range of investment services in trust management, asset management and business consulting.

In 2020, Postbank continued to develop the innovative mobile service, which saves time and money for consumers and employers. It includes a special corner, which is located in business centres and malls upon prior request and provides an easy opportunity for free expert consultation on various financial products and current offers. One of the strongest advantages of the service, in addition to time-saving and the convenience of having the Bank „visit“ your office, is the opportunity for clients to receive an individual, flexible solution for their needs. After an on-site consultation, they can go through the product application process together with an expert.

In the interest of its customers, the Bank continued its strategic partnership with ClaimCompass, a Bulgarian technology company that professionally protects passengers' rights in the event of problems with their flights. The Bank credit cardholders may benefit from the innovative service, which is the only one offered on the market.

In 2020, Postbank continued to offer its modern and convenient Mobile Bankers service. The service is a free professional consultation with experts who provide solutions tailored to clients' specific needs and assisting in filling out the necessary documents and submitting them at a bank branch. Mobile bankers answer all questions related to consumer and mortgage loans, overdrafts and credit cards at a convenient and pre-arranged time and place, according to clients' preferences.



Postbank continued its partnership with Booking.com, the world's leading provider of accommodation, thanks to which all Postbank Mastercard and Visa credit card holders received an additional 3% discount on each booking through the Bank's Booking.com website in Bulgaria or abroad.

In 2020, the financial institution, which has traditionally been a leading partner of the business in the country, supported the unique Dare to Scale growth programme – the first of its kind in Bulgaria aimed at businesses with a potential for extensive growth. Twelve local companies were selected in the project of the Bulgarian office of the global network Endeavor due to the great interest this year. Selected entrepreneurs underwent training and interactive sessions led by successful practitioners and leaders from the Endeavor network, as well as experts from Postbank.

The Dare to Scale growth programme will continue in the upcoming years to encourage the growth of even more new local businesses," this was announced during the closing event (Demo Day) where all companies from the second season presented their projects and ideas to established business leaders in the country.

By participating in the Dare to Scale programme, Postbank is actively contributing to the development of both promising scale-up companies and the business environment in Bulgaria. This is another expression of its strong intent to foster bold ideas, support innovation and competitiveness for businesses and the economy. For the second time, Endeavor's Dare to Scale programme, with Postbank as a main partner, became the winner in CESAwards Bulgaria 2020's prestigious Best Accelerator Programme category. The programme was also distinguished in the Annual Golden Hearth Awards for charity and corporate social responsibility, organized by Business Lady magazine and Bulgaria Business Review.



In 2020, the financial institution was a major partner of a series of online discussions, part of Imoti.net's Annual Awards project, which promotes good practices in the real estate sector. This is the only forum where the achievements, honesty and good reputation of companies and experts in the real estate sector are evaluated. During the online meetings with representatives of the real estate business, the Bank's experts discussed the market trends and, as leaders in the lending sector, presented their analysis of the market, the profile of consumers and the most current conditions for mortgage loans by Postbank in the challenging year.

The fifth edition of the Entrepreneurs of the Future conference took place with the Bank's support. The popular forum, which was held in an online format, answered a number of key questions entrepreneurs face today – "Which are the sectors with potential for starting a business right now?", "What changes do companies need to make to be ready for the new reality after the Covid-19 pandemic?", "What are the tools for access to initial and additional capital to finance a start-up business project?"

For the sixth consecutive year, Postbank was the main partner of the competition for successful small businesses of the year - The Big Small, organized by 24 Chasa Daily. The competition gives an opportunity to small and innovative Bulgarian companies to present their ideas, which they have successfully transformed into a product or service on the market.

## NEW PRODUCTS

Postbank introduced more innovative products and services in 2020, focusing on offering convenience and added value to customers. As a result of the Covid-19 pandemic, companies had to be faster in implementing solutions for customer convenience in order to continue to be successful.



Postbank once again solidified its position as an innovation leader in the sector, successfully implementing the most modern and effective solution for managing communication with its customers. The introduction of the Salesforce platform is a strategic step that will allow the Bank to optimize its relations with customers, reaching a new level of service and ensuring their maximum satisfaction. The implementation of the system makes Postbank the first banking institution in Southeastern Europe with a high-tech solution of this class. Using artificial intelligence, the platform

analyses with absolute precision the behaviour and expectations of customers, thus facilitating an individual approach in the communication with them.



In February 2021, on the eve of its 30th anniversary, Postbank launched a next-generation credit card. The credit institution is the first bank in Bulgaria to launch a Mastercard UNIVERSE metal credit card. Once again, the Bank proved its position as an innovator in the sector and offered its customers a top-of-the-range product. The new card is designed to meet customers' highest expectations and requirements. It features a stylish design and as a product, brings cardholders many privileges and additional convenience along with all the

advantages of credit cards.

In June 2020, the Bank introduced a process for remote issuance of credit and debit cards, which enables clients to not only to order their cards online, but also to receive them at an address of their discretion, without having to visit a bank office.

The Now credit programme is one of Postbank's latest financial solutions, with which customers can request an express service for a credit product of their choice. It combines three product categories and provides the opportunity to quickly get a consumer loan, pre-approval for a mortgage loan, and a new debit or credit card. Postbank's new programme gives a key advantage to the credit institution's customers because it relies on a comprehensive approach that provides exceptional customer experience. With the Now credit programme, they can not only order products tailored to their individual needs, but can also take advantage of them quickly – a highly important factor in the current dynamic environment, which requires fast and adequate solutions.





Postbank offered its customers a consumer loan with promotional terms and an option for interest-free overdraft in the first 12 months. The loan can be used both to cover current needs and to consolidate liabilities, as customers can opt for additional preferential terms of the loan if they meet the Bank's requirements.

Postbank continued to offer a targeted consumer loan for business training worldwide, that is unparalleled on the Bulgarian market. It can be used to cover fees of various programmes such as Master of Business Administration, Executive Master of Business Administration, Advanced Management and more. The product was created in response to the growing interest the Bank observed in recent years in financing one's training, which

would pave the way for career growth and development.



In response to the growing consumer interest in the use of digital banking services, Postbank provided a new and convenient option for online consultation for mortgage loans through the EVA Postbank mobile app. The innovative service facilitates access to information about mortgage loans, as well as the application procedure. Thanks to EVA Postbank, clients receive a personal consultation, get acquainted with the main steps in the process of buying and financing a new home, as well as with the documents required to apply for a mortgage loan. The addition of new functions in the mobile app is part of Postbank's strategy for complete digitalization of its processes and its drive to communicate with its customers in the most convenient way for them.

Postbank's innovative digital services – the EVA Postbank application and the EVA chatbot on Facebook – are gaining more and more popularity among customers. In the two months since the launch of the service for free online mortgage loan consultations via the EVA Postbank app, it was downloaded 3,200 times and was used to conduct about 2,000 consultations.

In February 2020, Postbank launched the new Super Mortgage Loan on the Bulgarian market – the first mortgage loan with a fixed rate for the entire repayment period. The product provides customers, who plan to buy a property, with long-term security and predictability for the future. The up to EUR 250,000 loan can be used for the purchase, repair, construction or finishing of a home, as well as for refinancing



an existing mortgage loan. The creation of the innovative product was prompted by consumers' demand for security and easy planning of expenses.

The Bank reported growing interest in mortgage loans. For the first eight months of 2020, Postbank's experts reported an increase of 11% in the average loan amount to EUR 72,300. In addition to the larger average loan amount, the requests for mortgage loans increased by 13% in 2020 compared to 2019. Home demand was the highest in Sofia, Varna and Plovdiv, which account for 80% of the new mortgage loan applications in the Bank.



In October, the financial institution introduced even more attractive terms for its mortgage loans and launched a special initiative called Mortgage Lending Month. Clients had the opportunity to take advantage of excellent financing conditions, saving up to BGN 700 from their initial loan-related costs. The initiative was held for the fourth consecutive year, and its launch was in line with consumer attitudes and the traditionally higher demand for mortgage loans in the last quarter of the year.

In end-2020, Postbank opened its first Online Mortgage Lending Centre, which introduced a new model of fast and convenient customer service. The new digital mortgage lending solution is a continuation of the services offered by the Bank in its specialized mortgage lending centres. This way, the Bank upgraded the online mortgage loan application service in order to meet as much as possible consumers' expectations for remote consultations and communication with the Bank in the process of granting loans, transferring the process to a digital environment.

## SUSTAINABLE DEVELOPMENT

In addition to its core business, Postbank continued to focus on the needs of the local community, supporting programmes and initiatives, working together with established institutions and organizations. The Bank strives to teach both its employees and consumers and the public of a responsible attitude to everything that surrounds us. It aims not only to create competitive advantages by incorporating increasing added value into its products, but also to reduce its negative impact on the environment by using every opportunity to contribute to nature conservation.

In 2020, the Bank implemented a number of socially significant projects in the fields of education, environmental protection, sports and corporate donation. Postbank is an active member and works in support of CEIB, AmCham, HFCB, Association of Banks in Bulgaria, Borica AD, Endeavor Bulgaria Association, Bulgarian Business Leaders Forum, Bulgarian Donation Forum, Atanas Burov Foundation, the Bulgarian Network of the UN Global Compact, the Bulgarian Advertisers Association and the Bulgarian Fintech Association.

As a responsible company, Postbank joined the fight against Covid-19 and supported with over BGN 170,000 donations Maichin Dom Specialized Hospital for Active Treatment in Obstetrics and Gynecology, St. Ekaterina University Multiprofile Hospital for Active Treatment, Hadzhi Dimitar Multiprofile Hospital for Active Treatment in Sliven, N. I. Pirogov University Multiprofile Hospital for Active Treatment and Emergency Medicine, and Sofamed University Multiprofile Hospital for Active Treatment. The Bank joined the Hot Lunch for Medics initiative and donated 30 computers to disadvantaged students from Ivan Vazov High School in the town of Mezdra.



The education of the children and young people of Bulgaria has been a constant part of the corporate social responsibility projects that Postbank develops and supports. That is why the Bank continued to develop its joint project with SoftUni in support of Bulgarian education, which started in 2018. It includes various activities for the preparation of young people for the jobs of the future and their career in Bulgaria. Through a strategic partnership, the two organizations aim to encourage students to develop their potential as IT and digital leaders, prepared for the rapidly changing environment and emerging banking trends. Postbank provided 15 scholarships for trainings at SoftUni. They were for the winners

of the game Brain Games, which took place on the financial institution's Facebook page and had two categories – programming and design. Brain Games is a game for smart and creative people.

IT specialists from Postbank once again participated in the IT Journey online career seminar, presenting the attractive job and career development opportunities in the company to the young SoftUni students. As a leader on the Bulgarian market, Postbank has a rich and diverse infrastructure based on dynamically developing high-tech services and solutions, and provides huge opportunities for specialization and development in various technological areas. This is why the financial institution is a preferred, top employer by young software professionals who are at the beginning of their career.

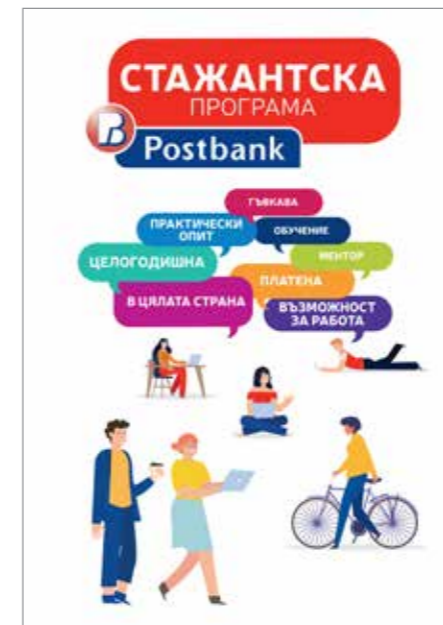
The Bank joined the My Profession – My Future initiative, organized by the Bulgarian municipalities portal, kmeta.bg, under the auspices of the Ministry of Labour and Social Policy. The aim of the initiative is to connect young professionals, who are finishing their higher education, with local companies and businesses that are looking for qualified employees. The Bank awarded one of the students who created a project on the previously announced topic „The future favours the bold: Provoke it with your idea of a next-generation digital banking product“.

For the fifth year in a row, Postbank joined the most recognizable initiative of the Bulgarian Network of the UN Global Compact, called Proud of My Parents' Work. This time the meeting with employees' children was entirely virtual. Even remotely, the children had the opportunity to learn about their parents' professions, to understand exactly what people do in the Bank and why their work is so important. Thanks to the Bank's experts, they realized that there is a place for people with many different interests and skills in Postbank.



In 2020, the financial institution once again supported the National Trade and Banking High School in Sofia, and committed to becoming a mentor to one of the training banks. The young bankers from the 11th grade at the Postbank Next School training bank won the honourable 2nd place in the Multimedia Presentation category during the 21st traditional fair organized by the National Trade and Banking High School. The heated contest included 58 training companies, training banks and training insurance companies, as well as about 800 students from the 10th, 11th and 12th grades of the high school. The development and modern trends in the segment of card payments were just some of the topics of the online discussions, held

as part of an educational programme in which experts from Postbank presented the main business processes in the banking sector to the young people from the National Trade and Banking High School.



Within its traditional year-round internship programme, Postbank once again provided talented and motivated students and young people with the opportunity to prove their skills and start their professional careers in one of the biggest and innovation-leading banks in the market. The internship programme has been part of Postbank's Corporate Social Responsibility Policy in support of young people for over 13 years.

For the fifth year in a row, Postbank, as a member of the Association of Banks in Bulgaria (ABB), has joined a European campaign combating money mules.

In October 2020, Postbank was once again a major partner of the charity relay run Postbank Business Run, organized annually by Begach Club. It included 183 teams from 70 companies from different sectors, which competed in support of two causes. The race raised over BGN 8,000, which was donated to projects of For Our Children Foundation for providing professional social services to the most vulnerable children at an early age and to Water Way Foundation for supporting children with special needs through kinesitherapy, water rehabilitation and modified swimming so that they can grow as independent adults and get a chance for a full life.



Postbank is the only bank in Bulgaria which has a Green Board and an Environmental Office Unit within its organizational structure that works to protect the environment, both in terms of limiting the resources used by the Bank and in terms of its financing activities. In addition, members of the board organize various outdoor initiatives involving other employees.



In September 2020, volunteers from Postbank continued the transformation of a forest track in the area of Zlatnite Mostove (Golden Bridges) in Vitosha Nature Park. The Outdoor Green Stories initiative is part of the company's sustainable environmental policy, which shows how, with a concerted effort, we can change the environment around us for the better. This year's event was joined also by the founder of the first zero-waste restaurant in Bulgaria, Blazhka Dimitrova, who inspired the Bank's employees to be greener and more responsible.

On the occasion of World Environment Day, the Bank joined a photo contest on Biodiversity, organized by the Bulgarian Network of the UN Global Compact, it is a member of. The Bank won four awards thanks to photos taken by its employees.



In 2020, Postbank launched an innovative information format in partnership with Bloomberg TV – the Finance in Focus podcast. The podcast had seven episodes, in which experts from the Bank talked about modern banking solutions, innovative banking products and services, and the various opportunities in the sector, which modern technologies provide. The initiative continues in 2021 with new episodes.

Postbank supports the talented children of Bulgaria and continued its long-term partnership with the Bon-Bon vocal group, and encouraged the premiere of the children's musical, Cinderella.



The employees of Postbank are also regular donors to the National Centre for Transfusion Haematology and participate in blood donation events organized and held at the Head Office.

Throughout the year, the Bank continued its long-standing support for and work with disadvantaged groups and the promotion of their active role in society. Support was provided to disadvantaged children in the town of Kazanlak, the elderly in the city of Ruse, the national Easter for Everyone campaign, called Give a Gift to Grandma and Grandpa, as well as many other smaller initiatives throughout the year.

Postbank traditionally joined in the festive decoration of Sofia. Following its established values, the financial institution believes that the overall well-being and development of society depends on everyone's efforts to improve our environment. This is why along with other socially oriented projects, the Bank has been contributing to the capital's festive splendour during the Christmas and New Year holidays for several years.

## AWARDS

- Two international awards from the prestigious World Finance Digital Banking Awards 2020 competition organized by the reputable World Finance magazine;
- For the third year in a row, Postbank was named best retail bank in Bulgaria. The award is from the prestigious World Finance Banking Awards 2020, organized by World Finance magazine, a reputable media outlet that covers and analyses the financial industry, international business and economy. The Bank was recognized for its numerous innovations, excellent results and sustainable retail banking model, combined with modern products and services to the benefit of consumers;
- For the ninth consecutive year, Postbank was named the top trustee in Bulgaria by Global Custodian magazine, the world's most prestigious trust services magazine, known for its annual surveys, which are considered a benchmark in the sector. Once again, the Bank received the highest score in all categories;
- Two prizes in the 29th Annual Banking Awards of Bank of the Year Association - Bank of the Year, and Development Dynamics;
- Petia Dimitrova, CEO and Chairperson of the Management Board of Postbank, was honoured with the Special Banker of the Year 2020 Award for leadership skills and dynamic development;
- Dimitar Shoumarov, Executive Director, Chief Financial Officer and Member of the Management Board of Postbank, won the prestigious Burov Award 2019 for Bank Management;
- First place in the Services Website category of the annual Site of the Year competition;
- Deal of the Year Award in the 6th annual Company of the Year Awards, organized by Bulgaria Business Review group;
- Two awards in the Business Deal of the Year, and Innovative Project categories of the 6th b2b Media Annual Awards 2020;
- Award in the Best Employer in Banking category of the Career Show Awards 2020;



- Prize for the Green Together initiative in the Green Practices category of the Career Show Awards 2020;
- First prize in the Green Project category of b2b Media's 10th national Greenest Companies in Bulgaria competition;
- First prize in the Green Idea category of b2b Media's 10th national Greenest Companies in Bulgaria competition;
- Two first prizes in the Innovations in Talent Management, and Employer Branding Project categories of the prestigious Employer Branding contest, organized by b2b Media in January 2020;
- For the second year in a row, Endeavor's Dare to Scale Growth Programme, with Postbank as its main partner, has become the winner in the prestigious Best Accelerator Programme category of CES Awards Bulgaria2020, organized by the Association of Bulgarian Leaders and Entrepreneurs (ABLE);
- Award in the Corporate Communication Campaign category of PR Prize 2020 for the Forward Together campaign;
- Award in the Internal Communications Project category of PR Prize 2020 for the Forward Together – One Team, One Bank project;
- Prize in the Employer Branding Communication Campaign category of PR Prize 2020 for the Forward Together campaign;
- Award in the Internal Communication Department of the Year category of PR Prize 2020;
- Award in the Employer Branding Communication Campaign category of PR Prize 2020 for the Digital and Successful Together project.



## FINANCIAL REVIEW

### FINANCIAL HIGHLIGHTS

#### BALANCE SHEET

(All figures in '000 BGN)

	2020	2019
Net Loans and Advances to customers	7 798 875	7 111 741
Core Client Deposits	10 234 485	9 438 085
Shareholders' Equity	1 623 547	1 473 294
<b>Total Assets</b>	<b>121 038 49</b>	<b>11 183 700</b>

#### STATEMENT OF COMPREHENSIVE INCOME

(All figures in '000 BGN)

Net Interest Income	361 865	336 478
Net Fee and Commissions Income	103 399	94 012
Net trading Loss/Gain	3 421	5 518
Other operating income	1 063	582
Bargain gain		78 690
<b>Total Operating Income</b>	<b>469 748</b>	<b>436 590</b>
<b>Total Operating Expense</b>	<b>188 483</b>	<b>198 633</b>
Deposit Insurance Fund	(28 043)	(19 501)
Provisions for impairment	(83 403)	(66 067)
<b>Profit Before Tax</b>	<b>169 819</b>	<b>231 079</b>
Income tax	(17 143)	(17 380)
<b>Profit After Tax</b>	<b>152 676</b>	<b>213 699</b>

#### KEY FINANCIAL RATIOS

<b>Total Capital Adequacy Ratio</b>	<b>20.91%</b>	<b>16.82%</b>
<b>Net Interest Margin</b>	<b>3.0%</b>	<b>3.0%</b>
<b>ROA (after tax)</b>	<b>1.36%</b>	<b>2.34%</b>
<b>ROE (after tax)</b>	<b>9.86%</b>	<b>15.78%</b>
<b>Earnings per Share</b>	<b>0.27</b>	<b>0.38</b>
<b>Total funding</b>	<b>10 272</b>	<b>9 492</b>
<b>Fees &amp; Commissions/OPEX</b>	<b>54.86%</b>	<b>47.33%</b>
<b>Provisions/Loans</b>	<b>1.07%</b>	<b>0.93%</b>
<b>Provisions/Operating income</b>	<b>17.75%</b>	<b>12.8%</b>
<b>Cost/Income Ratio</b>	<b>40.12%</b>	<b>38.5%</b>
<b>Net Loans/Deposits ratio</b>	<b>76%</b>	<b>75%</b>

## WORLD ECONOMY

2020 was dominated by the Covid-19 pandemic. The crisis swept throughout the world causing an economic collapse unseen in recent years and a global recession. Very few countries managed to avoid the recession, most notably China, but even their economic output was severely dented.

The pandemic had a huge impact on all aspects of life and economy – the rising number of infections forced governments to impose strict lockdowns which changed profoundly people's work and lifestyle habits. People adapted fast to the new reality – working and studying from home, shopping more online and organizing virtual events. All this had a significant impact on other industries such as sport, entertainment and tourism.

In the present crisis the authorities worldwide responded swiftly by introducing various measures (both fiscal and monetary) aiming to alleviate the economic impact of the pandemic on companies and households, to avoid a more severe collapse, to preserve the structure of economies and to allow for a fast recovery once the crisis is over. This approach was successful at the beginning and as a result, the GDP of many of the major economies outperformed expectations in the third quarter of 2020. Meanwhile, several vaccines were approved raising hopes for a quick end of the crisis. However, surging infections (including from new variants of the virus) renewed lockdowns and logistics problems with vaccine distribution, and at the end of 2020 and at the beginning of 2021, raised new concerns about the projected recovery in 2021.

In 2020, the global economy was expected to contract by 3.5% before rebounding in the next two years by 5.5% and 4.2% respectively. The pace of recovery will vary across countries, depending on the availability of vaccines, vaccination plans, additional policy support and dependence on other economies.

Prominent downside risks include a new surge of infections, delay in production of vaccines and vaccination plans. In case the supportive policy measures are withdrawn before the recovery is on a firm footing, 2021 prospects might also dampen. The rising debt levels would likely also be a topic of discussion once the crisis is over. On the upside, a faster easing of the pandemic is expected to trigger a rise of consumer confidence and a sharp increase in consumption and investments.

The European Union was amongst the most severely impacted by the pandemic both in terms of economic output and a number of infections and loss of human life. The latest forecasts show that the EU economy contracted by 6.2% in 2020, while the drop is expected to be even double-digit in some countries, such as Greece and Spain, whose economies heavily depend on tourism. The tourism industry is still in shock and the prospects for the most important summer season are unclear, depending on the pandemic development and the speed of execution of vaccination plans. Renewed lockdowns in many European countries will delay the recovery until the second half of 2021 when it will be supported by private consumption and revived global trade. According to forecast for the next two years, the economy of the EU will grow by 3.7% in 2021 and 3.9% in 2022, while in the eurozone will see a 3.8% increase in both years. On the positive side, the EU-UK Brexit agreement eliminated a major risk and reduced the cost of UK leaving the Single Market and Customs Union.

The monetary policy during 2020 was supportive, with central banks extending or announcing new asset purchase programmes, new lending facilities and interest rate cuts. The ECB in particular extended its net asset purchase programme to March 2022 and increased it by EUR 500 billion to EUR 1.850 billion. It also prolonged its long-term refinancing operations and announced new similar programmes, especially with a view on easing the pandemic effects. The ECB also extended all bilateral and temporary swap and repo lines set up with EU central banks outside the eurozone.

## ECONOMIC SITUATION IN BULGARIA

Bulgaria's economy was one of the less affected by the pandemic in the EU probably due to the fact that the lockdown measures in the country were one of the lightest in Europe. On the other hand, Bulgaria is a tourist destination and the external sector constitutes a big share of the GDP, so any slowdown in the economies of its main trading partners create a spillover effect in the local economy. Compared with the countries in Western Europe, the first wave of local infections in the spring of 2020 was contained and relatively mild. The restrictions were loosened in May, which boosted consumption in the second and the third quarters of the year. However, the next much stronger wave of infections in the fourth quarter caused a second lockdown and another drop in the economic activity.

The GDP declined by 4.2% in 2020 according to the preliminary data by the National Statistical Institute. Consumption grew by 1.8% YoY, while all other GDP components declined. Investments dropped by 11% YoY, while exports and imports declined by 11.3% and 6.6% respectively.

In nominal terms, Bulgaria's exports went down by 6.9% in 2020 to BGN 54.5 billion. The decrease in the imports was even higher – 9.6% YoY to BGN 59.7 billion. As a result, the trade deficit shrank by more than 30% to BGN 5.2 billion. Bulgaria's export to the EU countries was relatively good – the decrease of the trade was just 4.4% YoY, while the exports to non-EU countries dropped by 11.3% YoY. Regarding imports, the difference in the decrease of imports from EU member states and third countries was much smaller – 9.2% YoY and 10.2% YoY respectively. There was some good news in the last month of the year when the trade with EU countries rose, compared with the last month of 2019 – exports jumped by 10.3%, while imports rose by 0.9% YoY.

The biggest factor for the drop of the trade with third countries was the lower prices of oil and gas. In the first 11 months of 2020, Bulgaria's import of mineral fuels and oil shrank by 44% to BGN 4.7 billion. Since most of these are imported from Russia, the country dropped one place in the ranking and is now the third largest trading partner, outside the EU countries, after Turkey and China.

The foreign direct investments in 2020 stood at just EUR 560 million (0.9% of GDP) – the lowest since 2014 and just half of those in the previous year. Data shows an outflow of nearly EUR 1 billion equity investments, a considerable part of which is due to the finalization of the sale of one of the biggest Bulgarian telecommunication companies in the summer of 2020. The outflow was almost fully compensated by the inflow of foreign debt (EUR 925 million), while the reinvested profit was EUR 620 million – almost a quarter below the level a year earlier. The latter is an informal indicator of the effect of the crisis on companies' financial results since the biggest Bulgarian banks, usually significant dividend payers, did not distribute any dividends in 2020. The biggest net inflow of investments came from Austria (EUR 303 million), Germany (EUR 295 million) and Switzerland (EUR 207 million).

Bulgaria was on the brink of deflation at the end of the year with a consumer price index (CPI) growing by just 0.1% YoY as at December 2020. The last time the CPI was this low was in December 2016. Although most of the price groups saw an increase in 2020, they were counterbalanced by the significant decrease of the prices of transport and clothing (-9.4% and -4.9% respectively).

Partially, this can be attributed to the lower prices of natural gas negotiated between Gazprom and Bulgargaz but the pandemic is another major factor. Oil prices also decreased significantly in 2020, which affected fuel prices, while the lockdowns and the closed shopping centres shrank the demand for new cars and clothing. Food prices also calmed down and their increase decelerated from a peak of 8% YoY in January 2020 to a more modest level of 1.9% YoY in December.

The unemployment rate in the country rose by 1.1 percentage points (pp) to 5.3% in 2020, according to data by the National Statistical Institute. The number of unemployed people stood at 171 thousand – an

increase of 36 thousand, compared to the end of 2019. The unemployment rate peaked to 6% in the second quarter of the year but went back to 4.9% in the third quarter due to the increased demand for seasonal workers. The employment ratio in the age group 15-64 years declined to 68.8% by 1.2 pp vs. the previous year (94 thousand people). However, a large portion of the decrease (ca. 60 thousand) was attributed to the worsening demographic structure of the population rather than to discouraged workers. The government support programmes (60/40 and 80/20) also helped the labour market, helping maintain up to 250 thousand working places throughout the year.

The number of long-term unemployed people (unemployed for more than two years) remained almost unchanged at around 55 thousand people. The number of unemployed people with primary or no education, who made up one-third of all also remained unchanged. The northwestern part of the country still had the highest unemployment rate of 13% (10.9% in 2019), while the unemployment rate was 3.8% in southwestern Bulgaria (which includes Sofia) although it was no longer the one with the lowest unemployment rate. The first place now belongs to the southcentral region (around Plovdiv) where the unemployment rate was just 3.3% at the end of 2020.

Despite the weaker labour market, the average salary rose by 9% in 2020 to BGN 1,468. Salaries rose by double digits in several sectors, most notably those of the state employees, medical staff and teachers (the first two groups saw a 20% annual increase and the third group – a 17% hike). On the other extreme were the salaries in the entertainment and the tourism sectors where the average salary was 20% lower than in December 2019. Data about both sectors showed a sharp drop in the last month of 2020, which was related to the second lockdown and the support programmes rather than to structural reasons. The IT and communications remained the highest-paid sectors with an average salary of BGN 3,502 (8% annual increase), while the production of energy and gas replaced the financial sector as the second best-paid sector with an average salary of BGN 2,431 (9% YoY).

The consolidated budget saw a deficit of BGN 3.5 billion (3% of GDP), which is lower than the government's projection of BGN 5.25 billion (4.4% of GDP). Despite the crisis, tax and social security revenues were 1.6% (BGN 570 million) higher than in 2019. A large part of the additional revenues came from the personal income taxes and social security contributions because of higher salaries and minimum social security thresholds. In 2020, the government spent BGN 5 billion more on salaries, procurements, subsidies and pensions, most of which was presented as anti-crisis measures such as the government support programmes, additional payment to pensioners (BGN 50 per month), increase in pensions, medical supplies and vaccines purchases and higher governmental employees' salaries. To some extent this increase was counterbalanced by the BGN 2.5 billion (33%) drop in capital expenditures but it should be noted that in 2019, the government spent around BGN 2.1 billion on acquiring new fighter jets for the air force. Given that many of the 2020 expenses were not one-off, balancing the budget in the next years will become more difficult and will require taking on additional debt.

In order to finance the budget deficit, the government issued a new debt of EUR 2.5 billion in September 2020 (split equally between 10 and 30 year notes) with record low yields. In total, the government debt increased by BGN 5.4 billion to BGN 28.97 billion and as a share of GDP – from 19.7% to 24.3% at the end of 2020.

In November 2020, rating agency Moody's raised the credit rating of the country by one notch to Baal both in local and foreign currency with a stable outlook. The other two major agencies – S&P and Fitch Ratings confirmed the rating of the country (to BBB both in local and foreign currency) with a stable outlook.

In 2021, the Bulgarian economy is expected to grow by 4.5% if the lockdown measures had been lifted at the end of March 2021, vaccination plans would have been swiftly implemented in the following months, tourism would have recovered in the most important summer season and consumption and exports

would have picked up in the second half of the year. In 2022 and beyond the economy is planned to return to its pre-crisis trajectory and gradually converge to its long-term potential GDP growth rate. Any of the above assumptions not holding true poses a downside risk to the forecast and will impact the economic recovery.

## BULGARIAN BANKING SYSTEM

The pandemic influenced the results of the banks in Bulgaria but for the time being the banking system is weathering the crisis rather well. Banks preserved their core sources of income but had to set aside additional provisions for impairments. Their net profit halved to BGN 815 million and the return on equity dropped from 11.9% in 2019 to 5.5% in 2020 but the capital and liquidity buffers improved even further and the system is well prepared for potential worsening of the macroeconomic framework.

The uncertainty in the first months of the pandemic and the slowdown in the economic activity dented the demand for loans. Companies scaled back their plans for expansion, households were hesitant to take new consumer loans and only the real estate market remained relatively unscathed. After the initial shock, the situation normalized in the second half of the year but did not fully return to the pre-crisis levels. Total loans increased by 4.8% to BGN 69.5 billion in 2020. In nominal terms, the net increase was BGN 3.2 billion which is around 60% of the level in 2019. The corporate loans rose by BGN 1.5 billion (3.6% YoY) to BGN 43.6 billion – less than half the new loans granted a year ago. The net delta of consumer loans was just BGN 455 million (3.7% annual increase) – around a fifth of 2019's delta. The only exception was the mortgage lending segment – it grew by BGN 1.27 billion (10.1% YoY), or just 20% lower than in the previous year.

Average interest rates on newly granted BGN denominated loans remained rather stable in the corporate segment, increasing from 2.86% at the end of 2019 to 2.8% a year later. Consumer loans fell in the first half of the year from 9% to 7.65% in June but reversed the trend in the second half and returned to 9% in December. Mortgage loan rates fell by another 20 bps to 2.8% during the year.

Having fewer options to spend on and invest in, households and companies were left with more money in their accounts. Deposits reached a new record high of BGN 100.7 billion as at yearend, increasing by BGN 8.8 billion (9.6% YoY) and breaking the BGN 100 billion mark. The nominal growth was 20% higher than in the previous year. Corporate and consumer deposits increased by BGN billion 3.8 (11.1% YoY) and BGN 5.0 billion (8.7% YoY) respectively, both of which are by far the highest levels in history. The loans-to-deposits ratio fell by more than 3 pp to 69% and the liquidity buffer rose by 20% to BGN 36 billion with the LCR being just below 280%.

The excess liquidity put pressure on banks' margins due to the limited options for investment. Banks paid almost BGN 70 million to the BNB and other credit institutions in the form of negative interest rates during the year – BGN 16.4 million more than in 2019, while at the same time banks saved BGN 23.5 million YoY from deposit interest expenses. The average deposit interest rate was just 7 bps (2 bps lower than a year ago) as at end-2020.

Banks preserved most of their core interest income. Loan interest rates declined marginally by 1.2% (BGN 31 million) to BGN 2.61 billion. However, the income on placements to other banks shrank by almost two-thirds (BGN 68 million) to just BGN 36 million at the end of 2020 due both to negative interest rates and regulatory restrictions on banks' foreign exposures. The crisis took its toll on the net fee and commission income, which decreased by 6% (BGN 85 million) to BGN 1.04 billion. Banks also suffered from the volatility on the financial markets – their income from financial instruments not measured at fair value dropped by almost BGN 170 million to BGN 164 million. Costs were kept under control – administrative expenses, excluding depreciation and other provisions, increased by less than 1% (BGN 13 million) to BGN 1.68 billion. While other administrative expenses decreased, the pressure

on the labour market forced banks to increase their personnel costs by 2.6% (BGN 23 million) to BGN 910 million. There were also other one-off factors, which account for around a fifth of the drop in the net profit of the banks in Bulgaria between 2019 and 2020. In 2019, Postbank posted a BGN 78.7 million gain from a bargain purchase as a result of the merger with Piraeus Bank Bulgaria. In 2020, one of the banks posted BGN 107 million extraordinary provision on guarantees. However, main reason for banks' lower net profit in 2020 was the impairment charge, which more than doubled from BGN 431 million to BGN 876 million. Although the volume of the nonperforming exposures (NPE) fell in 2020, banks acted in accordance with IFRS 9 requirements and regulatory prescriptions, incorporating foresight information into their models and building up buffers for the future.

Portfolio credit quality improved in 2020 – the NPE ratio fell by 1 pp to 8.2% as a result of the private moratoria on debt payment deferral adopted by the banks in Bulgaria in April 2020 and banks' proactive NPE management strategy. Throughout the year, the NPE volume decreased by nearly BGN 410 million to BGN 5.7 billion. Loans overdue more than 180 days fell by BGN 460 million to a little over BGN 3 billion but still accounted for more than 50% of the entire NPE stock. The NPE coverage ratio reached 62.6% – the higher year-end level in the last six years since data is being published. As at the end of the year, the active loans under the private moratoria had a total outstanding balance of nearly BGN 8.1 billion (11.6% of all loans).

One of the measures announced by the BNB in March 2020 was a ban on dividend distribution. The entire net profit for 2019 (BGN 1.67 billion) was retained and added to banks' own funds. The move and the adoption of Regulation 2020/873 in June 2020 in response to Covid-19 pandemic, significantly strengthened the capital buffers. The capital adequacy ratio rose from 20.2% in December 2019 to 22.7% in December 2020 (CET 1 ratio – 21.7%).

In March 2020, the BNB implemented a package of measures in relation to the Covid-19 pandemic. The measures included, among others, a ban on dividend distribution in 2020, cancellation of the increases of the countercyclical capital buffer scheduled for 2020 and 2021 (keeping it at a level of 0.5%), and reducing commercial banks' foreign exposures.

In April 2020, the Governing Council of the BNB approved the draft Procedure for Deferral and Settlement of Liabilities Payable to Banks and their Subsidiaries – Financial Institutions in relation of the state of emergency declared by the Bulgarian Parliament in March 2020. After its approval, the document became a private moratorium within the meaning of the Guidelines of the European Banking Authority on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis (EBA/GL/2020/02). The approved private moratorium provided opportunities for changes in the principal and/or interest payment schedule of liabilities, without changing any key parameters of loan agreements, e.g. the already agreed interest. Deadlines for application were extended twice – in July 2020 and in December 2020. The period for receiving loan liability deferral requests was extended until 23 March 2021 and the deadline for deferring loan liabilities of banks' customers – until 31 December 2021 but not longer than nine months.

In June 2020, a new capital adequacy regulation (Regulation (EU) 2020/873) entered into force in response to Covid-19, introducing a number of relief mechanisms for banks such as transitional treatments for public debt issues in the currency of another member state, IFRS9 first time adoption impact, exemption of certain software assets from capital deductions, lower capital requirements for non-defaulted SME exposures and others.

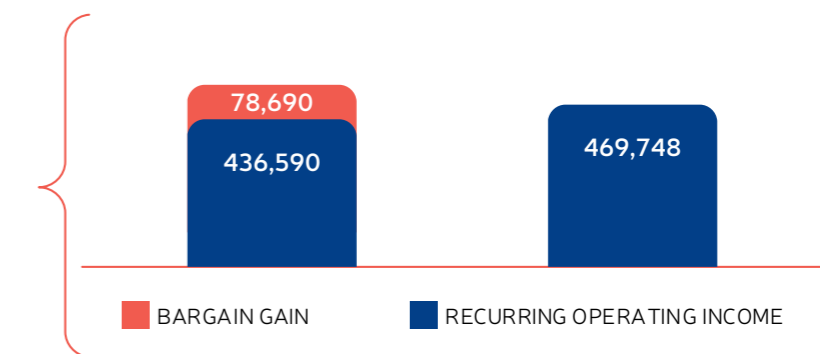
In July 2020, Bulgaria was formally accepted in the ERM II, "the eurozone waiting room". The Bulgarian government reconfirmed its decision to keep the fixed exchange rate until the euro adoption. The country will spend at least two years in the ERM II, while continuing to implement the specific policy measures as described in the action plan from 2018. As part of the agreement for being accepted in

the ERM II on 1 October 2020, Bulgaria also joined the Single Supervisory Mechanism and the Single Resolution Mechanism, and established a close cooperation between the Bulgarian National Bank and the European Central Bank (ECB). As of that date, the ECB has become the supervision authority of five banks in Bulgaria – UniCredit Bulbank AD, DSK Bank AD, United Bulgarian Bank AD, Eurobank Bulgaria AD, and Raiffeisenbank Bulgaria EAD. The ECB will also be responsible for the oversight of the less significant institutions, which remained subject to direct supervision by the BNB, and for the common procedures concerning all supervised entities.

## POSTBANK PERFORMANCE AND KEY INDICATORS

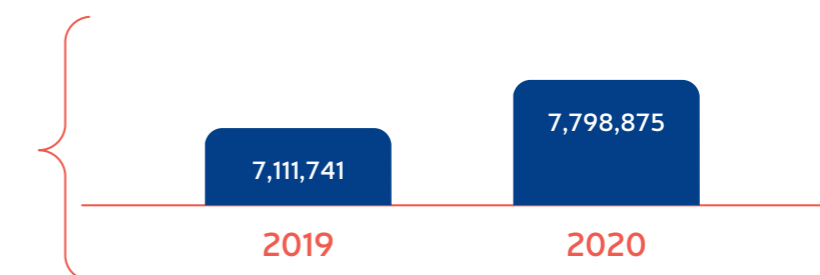
In 2020, Postbank was well-positioned in order to benefit from the successful acquisition and integration of Piraeus Bank Bulgaria back in 2019 and to deliver outstanding financial results for another year. Postbank's total operating income saw an almost 8% increase to BGN 470 million in terms of the net value of the one-off effects from the acquisition of Piraeus Bank Bulgaria (bargain gain), while the pre-provision profit was up by 17% to BGN 254 million.

### OPERATING INCOME



In 2020, Postbank offered attractive lending products to its customers and boosted its gross loans by 8.6% (BGN 642 million) to BGN 8.06 billion, increasing its lending market share by 40 bps to 11.6%. The growth was balanced between the corporate and retail segments – corporate loans rose by 8.5% to BGN 3.83 billion, while retail loans went up by 8.8% to BGN 4.23 billion. Consumer loans saw the highest increase – 20% YoY to BGN 1.24 billion. The Bank capitalized on the strong market demand in the mortgage lending segment and increased its volume by 8.7% to BGN 2.28 billion. Small business banking (SBB) loans shrank by 5.7% (BGN 43 million) to BGN 717 million as a result entirely from the write-offs during the year. Small businesses were significantly hit by the pandemic, the lockdowns and the recession, and were in the greatest need for support. In response, Postbank took part in all programmes in support of SMEs, signing agreements with the Bulgarian Development Bank, the Fund Manager of Financial Instruments in Bulgaria, and the EIF (JEREMIE and COSME programmes) although their true potential is likely to be realized in 2021.

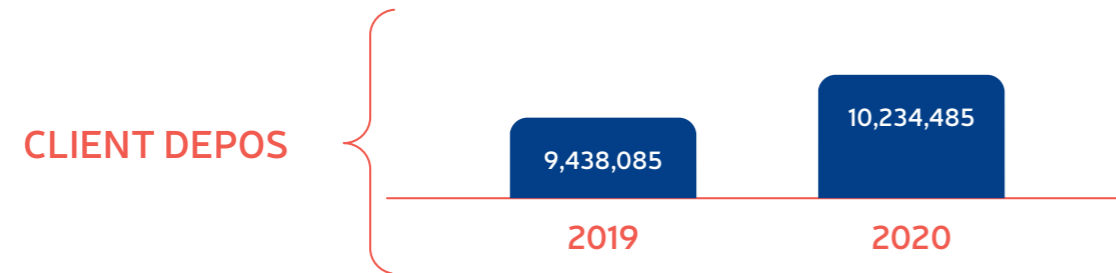
### NET CLIENT LOANS



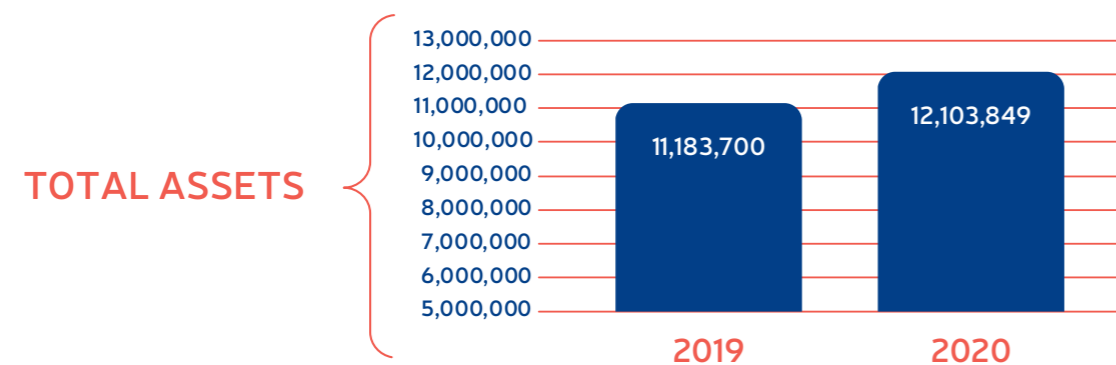
2020 was record-breaking year for the banking industry in terms of new deposits and Postbank had its fair share. Deposits rose by 8.4% to BGN 10.23 billion, corresponding to a market share of 10.2%. In nominal terms, the annual delta was close to BGN 800 million, more than BGN 100 million above



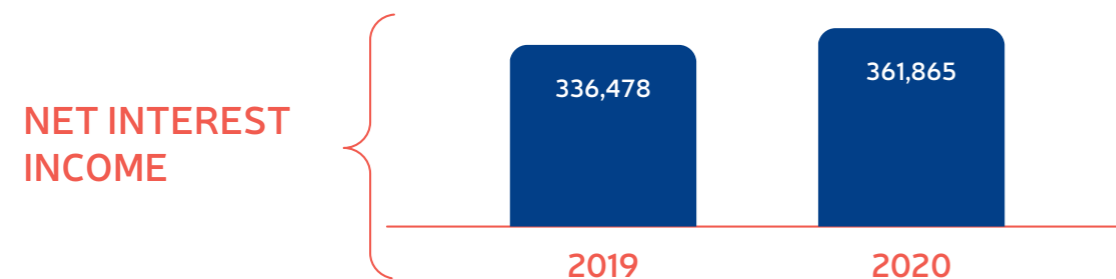
the nominal growth of net loans, allowing Postbank to keep its liquidity buffers and to maintain a comfortable net-loan-to-deposit ratio of 76%. The Bank continued to rely largely on retail deposits, which constituted 75% of all deposits, growing by 10% in the last year to BGN 7.67 billion. Corporate deposits rose by 4.6% to BGN 2.56 billion.



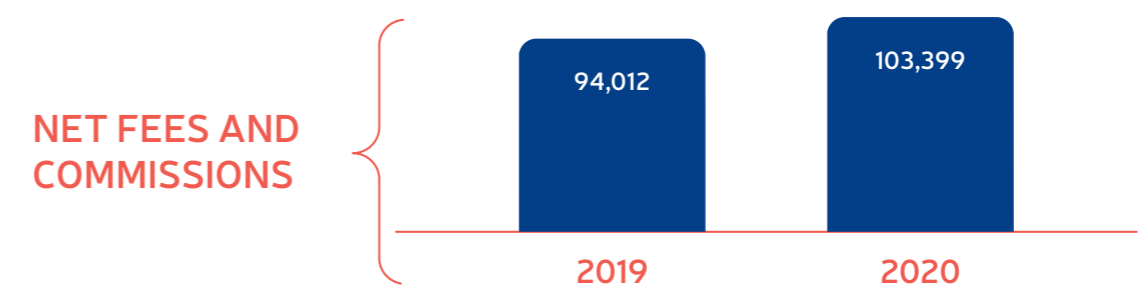
Loans and deposits growth contributed to the overall annual increase of 8.2% in the total assets.



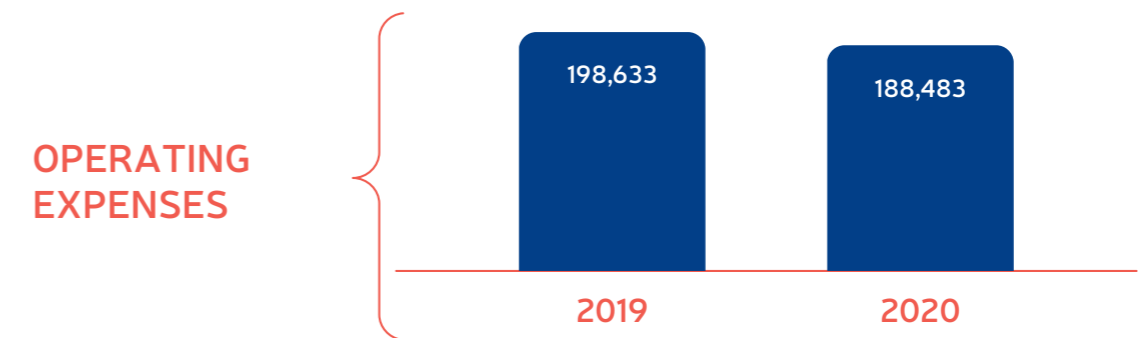
Postbank's net interest income was up by 7.5% YoY to BGN 362 million. Interest income grew by 7.8% on an annual basis to BGN 375 million, while interest expenses rose by BGN 1.8 million (16% YoY) to BGN 12.7 million. Costs went up almost entirely due to the charges on excess liquidity held in the BNB, higher cost for deposits from banks and other borrowed funds which made up a quarter of all interest costs. Despite the 10% increase in customer deposit volumes, the Bank managed to keep the respective interest expenses flat.



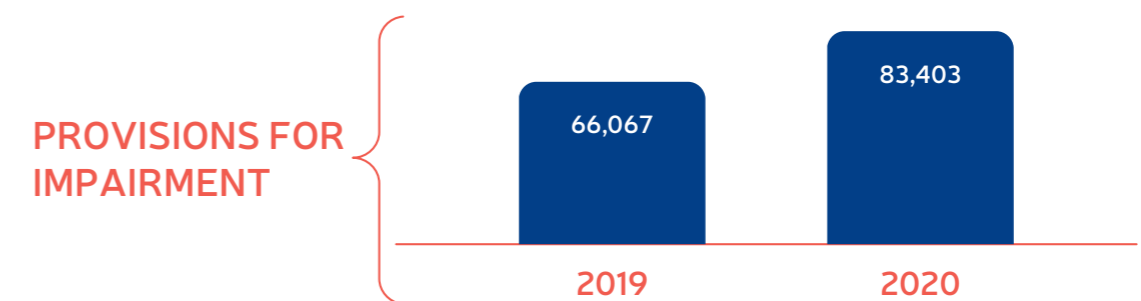
Net fee and commission income increased by 10% YoY to BGN 103.4 million. In almost all segments, the fee and commission income rose by a double-digit figure on an annual basis due to the larger client base resulting from the merger with Piraeus Bank Bulgaria, tariff changes and a higher number of transactions. The only exception were the money transfer fees, which declined by 12%. At the end of 2019, the fees for money transfers within European Economic Area in foreign currencies were equalized to those in local currency. This step and the effects from pandemic, such as the slowdown in client business transaction turnover and the active promotion of transactions through non-physical digital banking channels, led to lower fee income for the Bank.



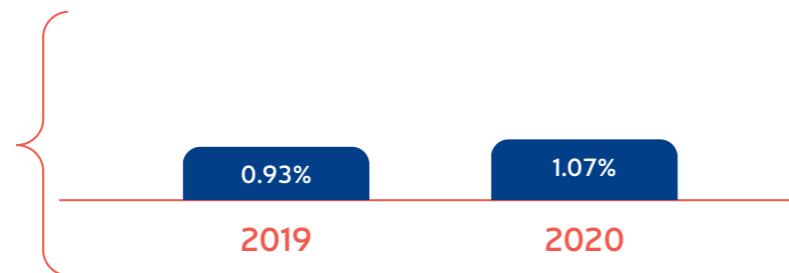
Other operating expenses went up by 5% YoY to BGN 188.5 million but in 2019 there was a one-off spending of BGN 20.5 million related to the integration of Piraeus Bank Bulgaria. Some of the business as usual cost items increased YoY as a result of the enlarged post-acquisition headcount and branch network, the continuing branch transformation project as well as the investments which the Bank made to implement its digitalization programme. The cost-to-income ratio stood at the enviable 40.1% as at the end of 2020, one of the lowest among the Bank's rivals.



The Bank set aside BGN 83 million in 2020 for expected credit loss charges addressing key areas of concern such as the uncertainty in macro forecasts, the impact of moratoria deals on the quality of Bank's books and the implicit higher credit risk in exposures to industries most severely hit by the pandemic, as well as building up buffers for possible future losses related to the pandemic. Risk cost remained at 1.1%, which was in line with the market average. The NPE volume in the meantime decreased by BGN 90 million to BGN 535 million at the end of 2020 and the NPE ratio improved by 180 bps to 6.7%. The inflow of new NPEs was relatively low due to the strict monitoring and collection measures, as well as the use of the deferral mechanisms under the moratorium. Although throughout the year loans with total outstanding balance of nearly BGN 124 million were written off, the coverage ratio was stable at 49%.

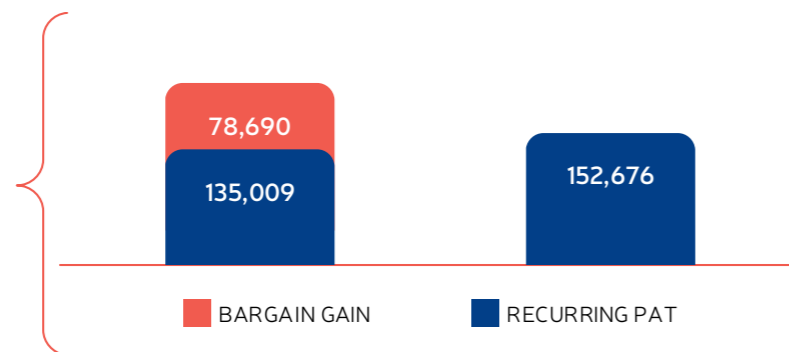


PROVISIONS/  
LOANS

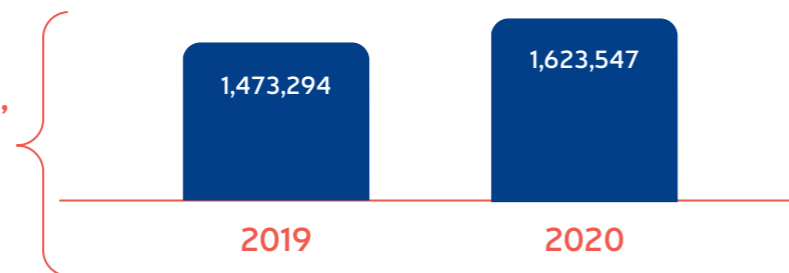


Postbank posted a net profit of BGN 152.7 million, the third highest in the banking system, in end-2020. Return on equity and return on assets also saw impressive figures given the challenging year – 9.9% and 1.4% respectively. The net profit for the year will be maintained complying with the BNB’s decision from January 2021 on non-distribution of dividends, further strengthening the capital adequacy of the Bank.

NET PROFIT

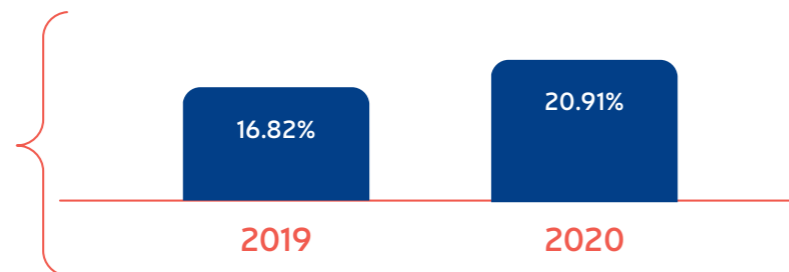


SHAREHOLDERS’  
EQUITY



The capital adequacy ratio (CAR) as at the end of 2020 was 20.91% - over 4 pp higher than a year before and is projected to remain above 20% in 2021.

CAPITAL  
ADEQUACY  
RATIO



EVENTS AFTER THE BALANCE SHEET DAT

There are no significant post-balance sheet events with effect on the financial statements as at 31 December 2020.

BUSINESS OVERVIEW  
RETAIL BANKING SECTOR

BRANCH NETWORK DIVISION

Despite the Covid-19 pandemic, Postbank’s branch network continued to operate successfully, maintaining a high level of customer service in 2020. The Bank’s branch network is very well developed, positioned and accessible. The Bank’s 192 branches in 80 cities (67 locations in Sofia and 125 outside the capital) cover more than 75% of the population in the country. In 2020, the Bank continued to develop the new outlook of its branches with innovative design with the future in mind. The process was accelerated at the end of 2020 and beginning of 2021.

During the year, the Bank continued to focus on building relations with customers by improving, further developing and strengthening the quality of its customer service and cross-sales ratio.

The digitalization of the branch network during the year was one of the main priorities of the Bank with clear vision for the future. Regarding digital transformation, several projects were implemented or were in the process of development. During the year, the number of teller cash recyclers (TCR) in the branches reached 41, which helped decrease customer service time for cash transactions and improve cross-selling. In 2020, 32 self-service zones (SSZ) were installed in the branches in Sofia and other cities. 21 of them provide 24/7 access, as the operations, that can be performed independently by clients, were mostly related to cash deposits, transfers in BGN, WU transfers, payment of utility bills, online application for credit cards, consumer and mortgage loans. All this improved the experience of the customers, who visited the Bank’s branches, and the processes related to customer service.

E-signing in basic teller transactions and account opening was successfully deployed in the entire branch network, decreasing the use of paper, shortening service time and allowing customers to store their transaction documents digitally.

Against the background of the serious challenges and the large number of restrictions imposed by the Covid-19 situation in 2020, Postbank maintained its focus on high level of customer satisfaction and service quality. In order to build and develop long-term relationships based on partnership and trust with its clients, the Bank is constantly working to increase the level of consultations and service. For this purpose, it constantly monitors its customers’ feedback.

In 2020, the Bank upgraded customer satisfaction projects launched in previous years. In addition to daily monitoring of the cash desk service, it also started tracking clients’ assessments of the quality of consultations and service provided by various specialized units in the Bank.

The high ratings and positive customer comments confirm that the Bank continues to maintain its position as a leading and preferred credit institution among consumers.

## STRATEGIC DEVELOPMENT INDIVIDUAL BANKING DIVISION

### HOUSEHOLD LENDING

In the first quarter of 2020, the development of the Bulgarian economy was marked by a positive trend observed in the last few years. The situation changed at the end of March when people inevitably found themselves on the path of the coming wave of the Covid-19 pandemic, which left behind serious difficulties for the economy and the banking sector, and disturbed the normal rhythm of people's lives. The entire tourism industry, restaurants and large retail chains were seriously affected, which had a major impact on the macroeconomic environment in the country. On the other side, some sectors, such as online sales, courier services, the IT sector, a part of the manufacturing sector, trading with food and household goods, remained unaffected and even grew due to increased demand for their services and products in the new environment. In terms of household lending, the pandemic had a major influence on commercial banks' lending appetite. As a precautionary measure, some of the largest banks in the country chose a strategy of tightening and even, for a short time, suspension of lending during the period of uncertainty about Covid-19. This did not last for long and banks changed their approach from fully tightened to selectively restricted lending only in certain sectors, which suffered the most in the pandemic. The state assistance to business through various measures aimed to preserve jobs and employees', as well as the provision of interest-free loans to households had a positive impact on mitigating the consequences. In addition, a moratorium was imposed at European and national level on loan instalments for borrowers who were facing difficulties in paying them as a result of Covid-19. Thanks to these measures, the risk of a free fall of the economy was successfully eliminated and the structure of the economy was preserved in general although with some limitations on the function of certain sectors.

In 2020, lending rate expectedly slowed down compared to 2019, as according to the official data of the Bulgarian National Bank it fell by 2.4% for newly granted loans to households. The highest drop was observed in the consumer loans section where new volumes were 12.1% less compared to the previous year. Following the opposite trend, the mortgage market remained almost unaffected, stimulated by low interest rates and the belief of households that the current crisis is temporary and there is no risk for their income in the long run. Many businesses, including banks increased their efforts to digitize their services and make them more remotely accessible to people. Consumers changed their habits overnight by looking to obtain goods and services remotely and investing more money in repairing their homes and even proceeded to buy more spacious homes to feel more comfortable at home. As a result, the increase in new mortgage loans reached 12.3% compared to the previous year, almost compensating the drop in consumer loans.

Amid the declines in the banking sector in terms of consumer loans and limited market opportunities due to the pandemic, Postbank managed to maintain and even improve its market position, continuing to generate new business volumes and high profitability, keeping risk at rational levels. The main factors contributing to the positive results included its proactive approach, timely decision-making, agile response to the new environment, distinctive business initiatives and strong marketing campaigns. The year was also quite successful in terms of new, customer-oriented solutions – Postbank introduced several unique product concepts – „Consumer loan with pre-approved overdraft with 0% interest for the first year“, „Super mortgage loan with a fixed interest rate for 30 years“, Mastercard Universe credit card. These offers once again positioned Postbank as a leader and a trendsetter in the market and helped it achieve excellent sales results, improve cross sales and attract many new payroll clients.

Thanks to Postbank's focused sales strategy and proactive approach the Bank posted several records in terms of new volumes of consumer and mortgage loans, increasing its market share in household lending, according to official BNB statistics. Postbank also won the Bank of the Year 2020 award.

### Consumer Lending

After years of constant growth, in 2020, as a result of the Covid-19 pandemic, the consumer lending market declined in terms of new business volumes. After several months of uncertainty about the consequences for the economy, expectedly, banks reoriented their approach from full tightening of the lending, to selective lending with restrictions in these sectors that suffered the most in the pandemic.

Against this background and unlike most competitors, Postbank managed skilfully to adapt to the situation thanks to its balanced and flexible policy, appropriate marketing strategy and adequate product offers. It not only maintained its leadership position on the market, but also improved it, realizing an increase in new business volumes by 35% compared to 2019. The Bank posted growth also in its balances portfolio of BGN 1 092 million, or up by 24%, in end-2020, compared to end-2019, which ranked it second on the market with a 10.54% market share as per the official statistics of the Bulgarian National Bank.

Postbank's main goal for 2020 was to accelerate the growth in the consumer lending business, which was a major step towards achieving the strategy of the Bank to position itself ahead of its main competitors. In the market environment, characterized by strong competition and increased customer demand, the main focus was on attractive offers and financial solutions. Various campaigns and initiatives were launched, maintaining a higher average margin against major competitors, which was achieved through price differentiation based on customer profiles and customers' relationship with the Bank.

The year started strongly with improved conditions in Postbank's product offers, backed by the Now Is the Time communication platform, which proved to be extremely successful last year and promised big potential for success in 2021. Considering the increased expenses of households immediately after the winter holidays, a promotional product for refinancing and consolidation of debts was launched in response to the increased demand for solutions aimed to optimize costs by reducing monthly loan instalments. This was a successful strategy, as a result of which at the end of Q1 2020 Postbank reported a 30% increase in new volumes compared to the same period last year. The Bank overachieved the targeted high levels of new business and managing to enter the Top 3 of banks in terms of market share in consumer lending, which is an all-time record for the Bank.

In the following months of the year we found ourselves in a completely different and unknown market environment, as a result of the Covid-19 pandemic and the subsequent restrictive measures that affected almost every aspect of the economic and social life in Bulgaria. The shrinking market and the changed economic environment required to offer new attractive solutions focused on the changing needs of customers and providing real benefits related to the current situation. In addition, the passive approach of Postbank's main competitors to the new consumer loan offers and the limited TV presence at that moment presented the Bank with a great opportunity to stand out from the competition and attract customers through a strong and memorable marketing campaign. This way, we were able to absorb most of the shrinking consumer lending market.

During this period, Postbank introduced a consumer lending offer to meet the changing needs of customers. It was supported by a massive marketing campaign focused on a powerful emotional message of unity, solidarity and the need to move forward to the new „normal“ life. The Bank's efforts were focused on attracting high-profile clients with payroll from the sectors not affected by the pandemic through a strong social message and an attractive offer. Given the growing need for flexible financial solutions, Postbank offered to its customers an attractive consumer loan offer bundled with an additional product with high added value, namely a pre-approved overdraft with 0% interest for the first year. The product met the expectations of the market for free financial products in the current situation. Following the goal of increasing the volume of consumer and overdraft loans, Postbank achieved impressive results in a very limited and turbulent market environment.

During the months of the state of emergency, Postbank focused its efforts on expanding the range of its digital services by providing remote access to its products and services. The Bank offered the option of signing of almost all types of consumer loan products through a remote digital service, which eliminated the need for customers to go to a bank office for contract signing.

At the end of August 2020, Postbank re-launched the successful campaign, for a consumer loan bundled with an overdraft with 0% interest rate, adding completely new videos and messages in line with the new reality on TV and social media.

As a result of all this the Bank registered a 37% increase in new business volumes compared to 2019.

The last quarter of the year was highly dynamic and challenging, considering the restrictive measures due to the pandemic and the dynamic competition environment. Postbank's main goal was to continue the positive trend focusing the Bank's efforts on developing innovative and attractive offers for its customers, which would distinguish it from the competition and provide a great opportunity to increase new sales volumes in all retail lines.

Considering the above, Postbank provided a unique express service, which provides express assessment and granting of consumer loans in just three hours. The express service, called Programme Now, could be added to all standard consumer products, as well mortgage loans and credit cards. The new attractive opportunities were supported by a completely new marketing concept, including attractive and eye-catching videos, widely broadcasted on the most popular TV channels and social media.

Thanks to its innovative products, far-sighted solutions, balanced policy and numerous sales channels, Postbank strengthened its position as a leader in the segment and continued to offer high quality services to its customers with a view to even more impressive results in the future.

### Mortgage Lending

The mortgage market trends of a sustainable increase in volumes and a decrease in the average interest rates, reaching historically lowest levels, continued in 2020. Postbank maintained its position in Top 3 on the Bulgarian mortgage lending market despite the strong competition. Thanks to the focus on innovative lending products, new digital solutions, high quality customer service and pro-active sales approach, in 2020 Postbank's mortgage portfolio grew by 9% in line with the market.

The mortgage portfolio of Postbank reached BGN 2.28 billion at the end of 2020 compared to BGN 2.09 billion as at 31 December 2019. In terms of new mortgage volumes, Postbank had yet another successful year with a 26% annual growth of new business volumes compared to a 20% increase in 2019, overachieving the targeted new business levels. In 2020, Postbank's major priority was to introduce flexible and innovative financial solutions to customers, tailored to their needs and the current market environment. In this regard, Postbank was the first bank on the market which managed to launch a new unique credit product – Super Mortgage Loan, which comes with a fixed interest rate for up to 30 years. Especially in the pandemic environment, thanks to the Super Mortgage Loan Postbank's clients are able to rest assured about their future and from the very beginning to be able to clearly and precisely plan their budget for the entire loan period.

In view of the changing customer behaviour, the increasing expectations, the transformation of business in general and the accelerated digitalization as a result of Covid-19 pandemic, Postbank embraced digitalization and set it as a strategic priority for the next years. In 2020, a one of the key tasks of Postbank's mortgage business line was a successful upgrade and further development of the digital sales channels. In line with this, in 2020, Postbank implemented another successful digital project, launching the first Digital Mortgage Lending Centre. The Bank tailored an innovative digital

solution in the field of mortgage lending, aiming to meet the changing expectations, needs and lifestyle of customers. With the new service customers have the option to get a professional, real-time video consultation, exchange documents, apply and get pre-approval for a mortgage loan entirely online, relying on a fast and user-friendly process.

The upgrade of the services offered via Postbank's mobile application, EVA One, was another step further on the Bank's way to digitalization. It developed an option of digital consultation, a live chat function, and mortgage loan application via the app. Postbank will continue to prioritise the enhancement of its digital solutions in 2021, aiming to attract more clients and open up new revenue channels, as well as to position itself as a trendsetter in the digital mortgage business in Bulgaria.

While a seamless digital experience is highly important to Postbank as a modern financial institution, mortgage lending clients still appreciate professional face-to-face communication with their mortgage expert. Personal consultations and individual approach remain key to forming meaningful relationships and building loyalty. Aiming to get the right balance between delivering great digital experiences and being a trusted advisor, the Bank's physical branches continued to develop, as well. Postbank is the only bank in Bulgaria that has an extensive network of 31 Mortgage Lending Centres, which provide high quality professional services for all aspects related to mortgage lending. The efficiency of this specialized sales channel was improved and its share in the total new mortgage loans volume reached 60% in 2020 vs. 53% in 2019.

In terms of marketing positioning and brand awareness, Postbank is among the top of mind banks for mortgage business. The marketing campaigns and PR initiatives during 2020 boosted new mortgage loans and fostered the image of Postbank as a customer-oriented and reliable financial institution.

### Cards Business

The credit card market maintained a stable trend despite the turbulent environment in 2020, as Postbank strengthened its position at the end of the year with an up to 19% market share.

In 2020, the Bank focused mostly on the quality and uniqueness of its products and services. Postbank credit card holders had the opportunity to take advantage of many attractive and money-saving promotional offers. The Bank continued to develop its cooperation with card organizations by signing agreements with them to boost card sales, activation and usage.

As a leader in the card business, Postbank created a unique for the Bulgarian market banking product – the first metal credit card – Mastercard UNIVERSE. It has a unique metal design and offers special privileges to its holders such as premium services, VIP benefits and best loyalty scheme. Mastercard UNIVERSE is a new-generation credit card, which is a Mastercard credit card of the highest class – Mastercard World Elite. It is designed to fit perfectly into the lifestyle of and meet the highest expectations of premium customers. The package of services and benefits that credit card holders receive is tailored to meet the highest standards and offers a unique combination of added value and exclusive experience. Despite the huge market supply of a variety of card solutions, Mastercard Universe quickly became a recognizable brand for style and prestige. In 2020, the Bank was a major partner in the Re-discover Bulgaria initiative, organized by one of the biggest retail stores in Bulgaria in support of local businesses. Postbank has always been a responsible company, both to its employees and customers and society, so this initiative is in line with its corporate values and is a part of its overall philosophy of responsible business.

Postbank is also among the leaders in the digitalization of banking services and in 2020, it offered several innovative services in this area. The Bank launched the Express Card Issuance service for credit cards, which gives customers the opportunity to receive their card just a few minutes after ordering it

in a branch. A service that none of Postbank's main competitors offer. Remote issuance of debit and credit cards is another service with which the Bank once again strengthened its leading position on the Bulgarian financial market. It makes possible ordering, issuing and distributing debit and credit cards without the need for clients to visit an office of the Bank.

All implemented initiatives led to an increase in the total turnover from credit cards and in the number of newly issued credit cards in 2020 vs. 2019. The same and even higher results (especially in turnover) were achieved in debit cards key business indicators as well.

## DEPOSITS AND ACCOUNTS

In the first months of 2020, the main factor determining the global economic activity was the unprecedented measures to limit the rapid spread of the Covid-19 pandemic. This is why, the growth of attracted funds from individuals started at a slower pace but in the second half of the year, due to the intensified anti-crisis measures aimed at stimulating the economy, the deposit market caught up and by 31 December 2020 reported a record growth of BGN 4.23 billion on an annual basis (an 8.7% increase compared to 2019).

The main focus of the Bank's deposit strategy in 2020 continued to be its portfolio increase through a properly established communication and product policy, as well as the retention of existing customers in an environment of uncertainty caused by the anti-epidemic measures in the country. Despite the complicated economic situation, the Bank achieved a net growth of BGN 472 million resulting in a market share of 10.52% as at end-2020.

Postbank continued to be a market leader, offering a variety of solutions and excellent customer experience. With the introduction of near-zero interest rates on most savings products, the already existing trend of increasing relative share of accounts that provide free access to funds at the expense of the share of term deposits continued. Payment and savings accounts saw a 10.4% hike during the year to a 56.1% share of the total portfolio of attracted funds from individuals.

Customers preferred the Standard term deposits with a shorter term of three and six months, which allow additional depositing, as well as our unique product, Deposit 30, which features additional depositing and withdrawal of up to 30% from the deposited amount. The already well-established through the years Mega Plus savings account also remained in focus. The Bank added an option to issue debit cards, thus making it an equal member of its family of transaction products.

During the year, Postbank prioritized highly the acceleration of digitalization and focused on customer relations. New options for digital document signing were introduced, as well as the option to digitally open an account. This way, Postbank once again took timely measures and concrete actions in support of its customers by providing them with quick and easy access to its products.

## PACKAGE PROGRAMMES FOR DAILY BANKING

The package programmes for daily banking aim to provide an optimal combination of financial services, adapted to individual customers' needs, which leads to achieving maximum customer satisfaction and, at the same time, to optimization of customers' expenses. Flexible value-added products continued to be the preferred option for everyday transactional banking by our customers. The high customers' appreciation is confirmed by the constantly growing number of package programmes, such as My Banking, My Family, and Super @ccount, which in 2020 reported an 18% increase on an annual basis, compared to 13% in the previous year.

The two package programmes for everyday banking, designed for the Premium segment, which was

established in 2019, proved to be optimal solutions, covering to the maximum extent customers' needs for complete banking services. The Premium, and the Premium Extra programmes are among the main drivers of the development of the segment. Customers' preference was evidenced by the several-fold increase in the number of package programmes in 2020.

## BANCASSURANCE AND CROSS SALES

Изминалата 2020 was a very challenging, yet successful year for the Bancassurance business. The positive trends continued for most of the insurance products lines (loan- and non-loan related) despite the global Covid-19 pandemic. Postbank's long-term strategy for development of meaningful insurance products in a partnership with insurance market leaders, and sales-oriented efforts helped the Bank reach its 2019's level of insurance business income and even to slightly increase it.

Postbank's main task during the complex situation we were in was to help and support its customers in every possible way in tackling the difficulties. Together with its insurance partners, the Bank revised the conditions for insurance premium payments in order to help customers who found it hard to service their loans from the Bank. As part of the loan moratorium mechanism, the Bank ensured adequate options for its clients to maintain the protection provided by their insurances and benefit from it if needed.

The next step was to meet the needs of Postbank's customers and provide the proper insurance protection in the dynamic situation. The Bank launched two new individual insurance products in cooperation with its partners, specially designed to cover key risks – Income Protection and Safe Day insurances. The new products provide innovative insurance solutions in case of unemployment, temporary disability, taking care of a family member, etc. at an affordable price. They were structured to suit payroll customers, as well as self-employed ones. The sales in the first months after the launch showed that the products were very well accepted and appreciated by the Bank's clients.

Postbank expanded the sales channels of My Plan saving insurance and included all branch network experts and mobile experts, which led to a significant sales increase of more than 250%. Postbank believes the product has additional potential and is constantly working on its further development through proper sales and training activities.

As a result of all these activities, the individual insurance business generated an over 20% income increase compared with 2019.

The mortgage-related insurance income increased following to the good results of the core business itself and the stable level of penetration of the new business, the proper product positioning and sales strategy over the last years.

At the end of the year, Postbank adapted the existing insurance products related to consumer loans by providing new services and risk coverage, especially to pensioners. Pensioners are a significant market segment with a lot of potential for additional sale of products and services, in which the Bank strives to increase its strategic presence. This is why, its efforts were focused on expanding the provision of specialized insurance products with high added value in order to decrease the risks for the Bank, generate additional income and ensure the peace of mind of its clients.

The extraordinary situation Postbank is facing is proving again that its long-term efforts to be close to its customers and provide added value and innovative products are making the Bank their preferred partner. The success of Postbank's strategy is clearly visible in its sales results and income increases. The Bank will continue to strive to assure the security and protection its customers need by developing and upgrading various and innovative insurance products.

## CUSTOMER SERVICE CONTACT CENTRE

The significant increase in the number of customers looking for alternative customer support channels was mainly due to the larger client base, the acquisition of Piraeus Bank Bulgaria, which took place at the end of 2019, and the negative effects of the Covid-19 pandemic. The introduction of social distancing rules and anti-pandemic measures at the end of the first quarter led to a continuous increase in the number of customers who requested support from Contact Centre. The deferred loan payment moratorium introduced as a measure to support the borrowers affected by the Covid-19 pandemic, also led to more incoming calls in 2020. The development of remote banking products and services, the options to request renewal of bank cards by phone are considered as another reason as well.

In order to offer high quality service to our premium customers, at the beginning of 2020, the Bank launched a new service – a specialized phone line for support of premium customers available 24/7.

In 2020, the Contact Centre continued to be one of the main customer support channels for Postbank's clients who had inquiries related to online banking. In 2020, 83 thousand customers contacted the Contact Centre for support related to this service.

Despite the increase of incoming calls and the demand for support in 2020, the Contact Centre continued to provide high quality service to Postbank's clients.

## SMALL BUSINESS BANKING

2020 was an extremely turbulent year for the Small Business Banking Segment. The Covid-19 pandemic had a very negative impact on the segment where some of the most affected companies operate. The Bank was forced to change its strategy and focus more sales activities on business sectors that were not heavily affected by the pandemic such as agriculture, food and FMCG, transport, e-commerce, etc.

The national and European guarantee programmes in support of business, which allowed Postbank to maintain active lending, were really useful in this situation. To customers in the sectors affected by the pandemic, such as owners of restaurants, hotels, travel agencies, etc., we proposed various measures, including a moratorium on payments, individual repayment plans and financing under guarantee schemes, which helped them go through difficult times more easily. The quick „switch“ helped to a large extent to adhere to the new business and portfolio goals, and to achieve Postbank's profitability goals.

At the same time, the Bank maintained high customer satisfaction by responding to all requests from affected companies for changing debt payment, which allowed them companies to operate without major shocks in 2020.

## SALES DIVISION

### Specialized Centres Department

As a leader on the mortgage lending market, Postbank's major goal is to constantly increase its competitiveness by offering better customer experience through innovative products, new sales channels and digital technologies.

In the last seven years, Postbank has managed successfully to strengthen and develop 32 Specialized Mortgage Centres in the cities of Sofia, Plovdiv, Varna, Burgas, Stara Zagora, Pleven, Russe, Veliko Tarnovo, Blagoevgrad, providing to its customers the highest quality of service, solutions based on clients' needs and full support in the mortgage lending process.

As systemic bank, Postbank provides agile solutions in order to better address the changing needs of its customers and their increased demand for digitalized services. Following these objectives, the Bank took up the challenge of implementing an innovative digital project – First Online Mortgage Centre by Postbank. It adapts to customers' needs, provide the Bank's clients and key partners an innovative and comprehensive digital mortgage lending service, which includes all the steps from the initial consultation for a mortgage loan to the final approval of the mortgage loan application.

### Specialized consumer lending centers „Momento“

Driven by the desire to keep up with the needs of its customers and following the strategy for digitalization and innovation, in 2020 Postbank took steps to upgrade the model of its specialized centers for consumer lending Momento, in Momento Express Banking Centers that enable customers for a new experience. In addition to the express review and granting of the loan application within up to 40 minutes, customers will be able to quickly and conveniently take advantage of:

- Instant issuance of credit and debit cards, literally in a few minutes, without the need to wait for the card and a new visit;
- Innovative digital zone for express banking with modern design, intuitive navigation and functionalities, which allows for withdrawal, deposit, online application for credit products, transfers, payment of taxes;
  - Express consumer loans with approval in minutes;
  - Consultation and information on housing loans;
  - Various insurance products;
  - Savings and current accounts;
  - Transfers with Western Union.

The development of the innovative brand of Postbank Momento in a new generation express banking center is in response to its popularity among consumers. The success of the express consumer credit centers is due to the fact that they provide customers with fast financing, easy access to banking services, professional advice from highly qualified specialists and excellent service, following the best world practices.

In addition, Momento Express Banking Centers will offer new type of approved credit products with extended business hours, including Saturdays, Sundays and holidays, enriching the portfolio of services with information on mortgage loans, pension funds and house and property insurances.

Momento new generation center has a separate digital banking area with modern design, intuitive navigation and many functionalities, which allows customers to perform a wide range of banking operations and provides an excellent user experience.

Thanks to its innovative products and sales channels, Postbank has strengthened its position as a leader in the segment and continues to offer high quality services to its customers.

### Mobile network

Since its launch in 2016, the Mobile Banker Service has managed to prove itself as a sales channel, with important share in the Bank's results. The channel brings value to the bank, attracting mainly

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

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

In March 2020, as a result of Covid-19 and the unprecedented crisis caused by the business and labor market pandemic, we were faced with the dilemma of shutting down the Mobile Bankers Service or upgrading it according to „new normal“, looking for a lightning-fast and new sustainable work model. Literally up to 2 months we managed to reorganize the main processes and respond to very fast changing environment.

We have successfully developed and upgraded the existing main process and physical sales channel with new approaches and digital solutions of the bank. We have introduced a modern and secure way of communication and personal consultations of clients from our mobile bankers.

During the most challenging and difficult year for business 2020 - regardless of the deteriorating epidemiological situation and the specifics of working in a social distance and a number of restrictions we managed to achieve the best sales result for the last four years in the history of the Mobile bankers Service.

Also as a result of fast digitalization with the introduction of e-signature on a mass scale, we managed to reduce our paper costs by 43%, logistics by 30% and customer service time by 12%, and the most important achievement is that as result of all measures taken in 2020 only 1 mobile banker was infected with Covid-19 and successfully heals.

Our customers are satisfied because their expectations related to the service are met. At the same time, employees are satisfied, because thanks to the upgraded process with digitally based solutions, we have provided an alternative contactless and safe process that has allowed them to work comfortably, be more efficient and be able to spend more time consulting clients.

## Digital Banking

През 2020, almost all sectors faced the difficulty and challenge of continuing to thrive in a pandemic. For the first time, Postbank's staff had to work remotely, while at the same time strictly continuing to follow the chosen strategic direction aimed at strengthening the image of the Bank of a modern and digitally-oriented financial institution.

The new challenges greatly accelerated the development of the digital business not only in the banking sector, but also in all others. Customers became more inclined to use digital solutions, as a result of which the Bank achieved new highs in almost all business indicators.

Despite the significant growth achieved in the previous few years in terms of the number of new registrations for the service, in 2020, Postbank again posted a 13% annual increase. In the second and third quarters of the year, the number of newly registered customers went up by 18% and 26% respectively, which is an outstanding achievement in a period of social isolation and a global pandemic.

More and more customers became aware of the advantage of remote banking at a convenient time for them and with significantly better conditions. The number of active customers (with at least one login in their accounts a month) increased by 26%. They saw a 40% hike in the first three quarters compared to the same period of 2019.

The number of customers performing payment transactions via the Internet and mobile banking apps increased by 48% on an annual basis and by over 54% in the third quarter of the year compared to the same period of 2019.

The increase in customer activity also leads to an increase in the volume of transactions initiated electronically, as well as the amounts of transactions.

In 2020, Postbank reported a 51% annual increase in transactions conducted via mobile banking apps, as well as a 62% hike in the volume of operations initiated through this channel.

During this period, the results in the online banking app, e-Postbank, were as follows: 38% more transactions and a 39% increase in the amounts of payments initiated online compared to 2019.

Mobile banking is becoming an increasingly popular channel, which is indicated not only by the volume of operations initiated through this channel, but also by the 44% increase in the number of customers who use this channel to manage their personal finances on a monthly basis.

Due to the higher number of new registrations and the increased activity of the clients, as well as due to their more digitally oriented views, the share of the payments initiated in a digital environment went up compared to those in a physical location of the Bank. 74% of all payments in 2020 were initiated through a digital channel, compared to 64% in 2019.

In 2020, Postbank also introduced a new digital channel – express banking digital zones. The Bank started in May with 17 locations where the service is offered and reached 33 at the end of 2020. The service is a digital alternative to the services at the cash registers in Postbank's branches.

At the very beginning, the service offered customers unique functionalities for the Bulgarian market such as access not only to cards, but also to accounts, transfers, online loan applications, receiving transfers via Western Union and others. At the start, only 8% of the operations performed at cash registers passed through the express banking digital zones, reaching 18% by the end of the year.

All these results were supported by improvements, initiatives and new functionalities. In 2020, Postbank also increased security when paying utility bills and taxes by adding software token confirmation for these transactions as well.

Postbank expanded the options and the available functionalities for the clients who register online for the service by providing them with the opportunity to pay their household bills and taxes, as well as to receive messages from the Bank in case of novelties and planned initiatives.

The removal of the separate limit for mobile banking, which was 3,000 currency units before the change, had a great impact on the development of this channel and made it preferred by individual customers for daily operations.

## WHOLESALE BANKING SECTOR

2020 was again a very successful year for the Corporate Banking and Capital Markets Sector. Some of Postbank's most important achievements are:

- Despite having a very tough year, both for the business and the banking sectors, Postbank posted again one of the highest growths in corporate lending volumes among all others banks operating in the country. The Bank ranked third in business volumes, right after UniCredit Bulbank and DSK Bank;
- Transactional banking and Factoring also reported record-high achievements in terms of volumes and revenue. For the eighth year in a row Postbank was the leader in Bulgaria in terms of factoring services with an approx. 50% market share, according to FCI;
- In the last 10 years – from 2011 to 2020 – Postbank was named the best custodian on the market by the prestigious world magazines Global Custodian and Global Investor.

### CORPORATE BANKING DIVISION

Postbank Corporate Banking Division provides financing to companies with annual sales turnover above BGN 3 million. The Division incorporates the departments for large and medium-sized corporate clients, as well as project financing and Greek- and international business. The Division provides specialized business solutions directly from the HQ of the Bank or through its well-developed network of 12 corporate business centres throughout the country, thus assuring optimal regional coverage for our customers. Corporate Banking Division services also international companies within the corporate segment, which operate in Bulgaria, as well as their subsidiaries throughout the country.

During the year, Corporate Banking Division distributed more than EUR 330 million new loans, EUR 146 million of which were disbursed by the Large Corporate Clients department to leading Bulgarian and international companies from different economic sectors and on a variety of projects, including financing of working capital needs.

EUR 134 million was granted in order to support the business of medium-sized companies. With the kind assistance of colleagues from the European Programmes section, in 2020 we granted loans to many clients under joint programmes and guarantee mechanisms of NGF, BDB, EIF, BEIA, FoF and others. Postbank actively participated in all Covid-19 anti-crisis measures by providing specialized loans in support of business, as well as rescheduled existing liabilities in line with the BNB's moratoria.

In 2020, the Project Financing department granted over EUR 50 million in loans. The experts of the department participated in some of the emblematic deals on project financing in Bulgaria.

Thanks to all these initiatives, as well as the high professionalism, motivation and proactive actions of its employees, Corporate Banking Division managed not only to maintain the volume and quality of its portfolio, but also to increase significantly its net profit after provisions with more than 10%.

### CORPORATE TRANSACTIONAL BANKING DIVISION

The main focus of the division is to provide solutions and daily support to non-credit corporate clients. Offering first-class service, modern, flexible and innovative approach, according to the specific needs of each client, Postbank is a preferred partner for transactional banking of over 2,000 companies from the country and abroad. In 2020, in a period of global pandemic and growing uncertainty, the stable growth of the customer base revenues was an indicator of the increasing trustworthiness. The trend of using digital channels was accelerated in the period of restricted physical contact, as Postbank's internet and mobile banking remained the main tools for conducting customer transactions. The division consists of four units that cover all aspects of the transaction business of Postbank's corporate clients.

#### DEPOSITS AND TRANSACTIONAL CLIENTS DEPARTMENT

Provides daily consultations and maintains a first-rate communication and customer service through physical and remote channels, always being available to our partners.

#### FACTORING DEPARTMENT

Carries out the entire process of the Bank's factoring business. From sales to contract management, the team continued to strengthen Postbank's leadership position in Bulgaria. The Bank's market share was nearly 50% (according to FCI) in 2020 and we are looking confidently forward to develop innovative approaches to our factoring services.

#### DIGITAL BANKING AND SERVICE QUALITY DEPARTMENT

Focused on digitalization and implementation of up-to-date technological solutions, the team of the department strives to constantly improve the customer experience and to contribute to meeting the specific needs of each corporate partner of Postbank.

#### CORPORATE BANKING OPERATIONAL RISK DEPARTMENT

Risk is a key part of Postbank's business and as a responsible institution, the Bank seeks to manage opportunities and threats as effectively as possible. Applying the necessary KYC control mechanisms and AML policies, its goal is to protect the interests of all stakeholders as best as possible.

### CAPITAL MARKETS DIVISION

In 2020, Capital Markets Division had a consecutive successful year and affirmed its leading position on the Bulgarian financial market. Despite the challenging environment caused by the Covid-19 crisis, the Bank managed to exceed its goals to optimize the excess liquidity, to substantially widen the investments in securities, to retain the stable volumes on the FX markets, to strengthen the focus of mutual funds in terms of their saving alternative status, to improve the quality of customer service in the field of investment banking and custody.

#### ASSET AND LIABILITY MANAGEMENT

For the consecutive year, the effective management of the assets, liabilities and liquidity of the Bank resulted in substantial improvement of its profitability, diversification of funding sources and optimization of liquidity buffers. As part of the measures aimed at strengthening banks' liquidity



implemented by the BNB in relation to the Covid-19 crisis, Postbank managed to successfully direct the excess liquidity to profitable instruments at a reasonable risk. Liquidity position and liquidity ratios were managed effectively and maintained significantly above the regulatory thresholds.

In 2020, Postbank continued its successful cooperation with local and international financial institutions in support of the small and medium businesses, and became a partner bank under five new guarantee programmes of the European Investment Fund, the Bulgarian Development Bank, the National Guarantee Fund, and the Fund Manager of Financial instruments in Bulgaria. The guarantee programmes proved to be a fundamental instrument for supporting not only the economic recovery from the Covid-19 pandemic, but also the lending growth of the Bank.

### TREASURY SALES

In 2020, Postbank strengthened its leading position both in FX operations and the provision of a variety of financial products.

The volume of the attracted deposits from institutional customers rose by around 20%, thus increasing the Bank's market share in this segment, while at the same time marking a significant decrease in the cost of the attracted funds.

The Brokerage section contributed to the stable position of the Bank as one of the active participants at the Bulgarian Stock Exchange and as one of the leading investment intermediaries amongst banks. In addition, customers of the Brokerage section have access to financial instruments on foreign stock markets of 26 countries in Europe, Australia, Asia and North America.

### TRADING AND INVESTMENT BANKING DEPARTMENT

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

The department actively managed the size and risk of the Bank's fixed income portfolio, boosting its interest income in 2020.

In 2020, the Bank managed to further strengthen the flows from foreign government and corporate bonds, leveraging on trading lines and contacts with leading international banks and brokers. This contributed to a 152% growth in the securities portfolio for the year. In addition, the department prepared an investment strategy for diversification by regions and instruments, which it will implement during the next year upon appropriate market conditions and better prices.

### CUSTODY

In 2020, the Bank affirmed its leading position as a depository bank for local mutual funds and remained on the first place among the leading banking institutions offering a full range of custodian services in accordance with international standards.

For 14 years, Postbank has been offering safekeeping and administration of all types of local and foreign securities with access to more than 100 international markets. Postbank remained the exclusive custodian and security service agent to the biggest European central securities depository, Clearstream Banking Luxembourg.

Operating income and assets managed by the Custody division increased by 10% in 2020. The customer base grew by nearly 3.5%, attracting new institutional customers.

For the tenth consecutive year, Postbank won the Best Custodian Award and was named the top rated custodian on the market by the reputable Global Custodian magazine.

### PRIVATE BANKING AND MUTUAL FUNDS DEPARTMENT

In 2020, Private Banking section achieved a solid 30% annual growth in the assets managed by the Bank. The client base was further enlarged and successfully developed thanks to financial solutions provided by the private banking teams of two leading financial institutions – Postbank and Eurobank Private Bank Luxembourg S.A.

In terms of Mutual Funds business, 2020 was marked by record-high results. There was increased interest in low and medium risk profile Luxembourg mutual funds, which Postbank successfully has been distributing since 2008, due to their saving alternative status and attractive risk/return profile. Net assets increased by 31% throughout the year.

The department maintained good positioning among institutional clients with some new investments by pension funds and insurance companies.

On 2020, Private Banking and Mutual Funds Department expanded and improved the list of investment products related to mutual funds with key focus on the Regular Investment Plan.

## GOVERNANCE STRUCTURE AND RISK MANAGEMENT

### MANAGEMENT AND REPRESENTATIVE BODIES

Eurobank Bulgaria AD (The Bank) is a stock company that has three bodies: the General Shareholders' Meeting, the Supervisory Board and the Management Board. Their duties and authorities derive from the Commerce Act, the Bank's Statute and each respective board Terms of Reference.

Shareholders, as the owners of the Bank's business and assets, exercise their rights at the General Shareholder's Meeting. Each of the shareholders has the right to participate either in person or by a proxy.

The General Shareholder's Meeting is the only corporate body entitled to decide on issues such as: amendments to the Statutes of the Bank, capital increase and decrease, appointment of the members of the Supervisory Board, appointment of external auditors, approval of the Annual Financial Statements, it resolves on payment of dividends, releases from liability the members of the boards, etc.

The General Meeting shall be considered regular if shareholders hold more than the half of the shares of the Bank attend it and/or are represented, if the non-attending and unrepresented shareholders have been duly invited. In the absence of a quorum, a new session shall be scheduled within one month and it shall be considered legal regardless of the capital represented therein. The date of the new session may be indicated in the invitation to the first meeting.

Resolutions are reached by simple majority. Exceptionally, with regard to certain significant decisions such as amendment and supplement of the Bank's Statute, decisions related to share capital, termination of the Bank, resolutions are reached by two-thirds majority. Decisions on the transformation of the Bank require positive vote of three-fourths of the represented number of shares.

The Regular General Meeting is held every year, within the first six months of the year. An Extraordinary

General Meeting may be convened by the Management Board or by the Supervisory Board when they consider it necessary or when required by law. The General Meeting may also be convened at the request of shareholders who have been holding shares representing at least 5 percent of the capital for more than three months in compliance with the procedure laid down in the Commerce Act.

The minutes of the General Meeting shall be signed by the Chairperson and the Secretary of the General Meeting and by the vote tellers and shall be stamped with the seal of the Bank.

For each General Meeting, the Bank arranges for the detailed notice, including date, place, issues on the agenda, related papers to be available to shareholders at least 30 days before the meeting, including the proposed resolution on each issue.

According to the applicable legislation, the members of the boards are elected upon preliminary approval procedure before the Bulgarian National Bank which thoroughly examines their qualifications, professional experience, reliability and suitability for occupying the position.

## MANAGEMENT BOARD

The Bank is managed and represented by Management Board, a permanent collective body, exercising its responsibilities under the control of the Supervisory Board. The Management Board holds regular meetings and its foremost duty and responsibility is to manage the business in accordance with the best interest of the Bank's shareholders, customers and employees, to deliver sustainable growth in shareholder value and to safeguard the Bank's interest, to report and keep the Supervisory Board informed on all significant matters regularly, promptly and comprehensively, to prepare the annual activity report and the annual financial statement and to submit them to the registered auditors and the Supervisory Board, as well as other functions and responsibilities provided by the law and the statutes.

The decisions of the Management Board shall be taken by simple majority of all members of the Board, insofar as no higher majority is provided for in these Statute or by the law. Minutes of Meeting shall be kept for each meeting of the Management Board, which shall be signed by all members attending the meeting and by the Corporate Secretary.

The Management Board consists of 3 to 9 members, appointed by the Supervisory Board. The Management Board, with the approval of the Supervisory Board, assigns the management and representation of the Bank jointly to two or more of the Management Board members – executive directors.

The Executive Directors carry out the current management of the Bank and their competence is determined in the Rules of Procedure of the Management Board. None of the Executive Directors may assign the overall management and representation of the Bank to one of them, but may authorize employees of the Bank or third parties to carry out separate actions in accordance with rules adopted by the Governing Council, the Statute and the applicable law.

The Bank shall be represented jointly by every two Executive Directors, or by a Procurator, together with the Executive Director.

As at 31 December 2020, the MB consisted of 4 (four) members following the release of Mr. Jordan Souvandjiev, effective as of 21.02.2020, and the appointment by the SB of Mr. Panagiotis Mavridis as a new member, effective as of 30.06.2020. Three of the MB members are appointed as Executive Directors. The MB assigns, with the approval of the SB, the responsibilities for the management and the representation of the Bank to Executive Directors elected amongst Board's members. The authorization

of the Executive Directors to represent the Bank can be withdrawn at any time by the MB, with the approval of the SB.

As at 31 December 2020 the members of the Management Board were::

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

In carrying out its duties, the MB is assisted by specialized committees, to which it delegates some of its responsibilities, and from which it receives regular and ad-hoc reports. The committees are:

### Assets and Liabilities Committee

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

The Committee consists of key management personnel both from Postbank and Eurobank S.A., including executive directors and key managers with functions in the Retail and Wholesale Business units.

ALCO has the following powers:

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

### Regional Credit Committee

The MB delegated to the Regional Credit Committee the functions to deal with customers with ratings below a certain level according to an internal credit rating system and following the approval levels as laid out in Postbank's Corporate Credit Policy Manual.

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

### Country Credit Committee

The MB delegated to the Country Credit Committee the functions to deal with customers with ratings below a certain level according to an internal credit rating system and following the approval levels as laid out in Postbank's Corporate Credit Policy Manual.

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

### Special Handling Committee I

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

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

### Special Handling Committee II

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

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

### Troubled Assets Committee

The MB delegated to the Troubled Assets Committee (TAC) the supervision and control of troubled asset management.

The Committee consists of senior management personnel from Eurobank Bulgaria AD, including the Chief Financial Officer and Executive Director, and other key management personnel in the area of troubled asset management, risk and strategic planning.

The main duties and responsibilities of TAC are the following:

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

### Operational Risk Committee

The Operational Risk Committee (ORC) oversees the actual operational risk exposure and management, and the processes of assessing, monitoring and mitigating operational risk. The ORC consists of key management personnel in the areas of risk, operations, IT, finance, troubled asset management, retail and corporate lending. It includes also a non-voting member from Internal Audit Division.

### Country Procurement Committee

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

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

### Related Employees Committee

The Related Employees Committee (REC) is responsible for monitoring the proper implementation of

the Bank's Relatives Employment Policy and for deciding on cases, which deviate from the Policy.

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

### Environmental and Social Steering Committee

Environmental and Social Steering Committee (ESSC) is a MB Committee which provides all strategic decisions within the scope of the Environmental Policy of the Bank.

The Committee consists of key management personnel in the areas of operations, legal affairs, risk, corporate communications and marketing, retail and wholesale lending.

### Special Handling Monitoring Committee

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

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

### Комитет по наблюдение на проблемни експозиции

Комитет по наблюдение на проблемни експозиции е комитет на УС, който осигурява стратегически решения във връзка с проблемните експозиции на Банката.

Комитетът е съставен от висш ръководен персонал, в т.ч. Главен изпълнителен директор и представители на други ключови управленски функции от областта на Човешки ресурси, Правно и други.

### CEO Management Committees

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

### Executive Committee

The Executive Committee (ExCo) is responsible for the day-to-day management of the Bank. It reviews all issues pertaining to the current activities of the Bank and adopts decisions on them in order to manage the implementation of the Bank's strategy. It plans, manages and controls the Bank's activities to ensure high level of performance and customer satisfaction. It establishes adequate systems of internal control and ensures they are properly maintained, and also reviews the Bank's monthly financial reports before their submission to the MB.

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

### Ethics Committee

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

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

## SUPERVISORY BOARD

The overall control over the bank's activities is granted to the Supervisory Board, which also controls the compliance of the Bank's activities with the applicable law, with this Statute and with the decisions of the General Meeting of Shareholders in the best interests of shareholders, customers and employees. The Supervisory Board shall elect and dismiss the members of the Management Board.

The Supervisory Board Members shall be appointed by the General Meeting of the Shareholders. The exact number of the members of the Supervisory Board shall be determined by the General Meeting of the Shareholders; however, the Supervisory Board shall consist of at least 3 members at all times. Members of the Supervisory Board may also be legal entities, which should appoint their representatives. These representatives may not be members of the Management Board or the specialized internal control units.

The SB consisted of 9 (nine) members as at 31 December 2020, as the GMS appointed as new members Mrs. Ivi Vigka, Mrs. Iasmi Ralli and Mr. Oliver Ellingham for a term of office equal to the term of office of the rest of the Supervisory Board members, effective as of the announcement of the appointment in the Commercial Registry on 21 August 2020

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

As at 31 December 2020, the members of the Supervisory Board were as follows:

- Georgios Provopoulos – Chairman of the Supervisory Board;
- Theodoros Karakasis – Deputy Chairman of the Supervisory Board;
- Stavros Ioannou – Member of the Supervisory Board;
- Michalakis Louis – Member of the Supervisory Board;
- Anastasios Nikolaou – Member of the Supervisory Board;
- John David Butts – Member of the Supervisory Board;
- Ivi Vigka – Member of the Supervisory Board;
- Iasmi Ralli – Member of the Supervisory Board;
- Oliver Ellingham – Member of the Supervisory Board.

The Chairman, the Deputy Chairman and four of the Members are independent members.

The following Committees are established to assist the Supervisory Board in discharging its responsibilities:

## Risk Committee

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

The members of the RC are appointed by the SB. Currently, the RC consists of 5 (five) members.

The RC convenes at least quarterly. The RC meeting is effective when three members are present but in any case including a majority of independent non-executive Members, one of whom is the Chairperson. In 2020, the RC held 4 (four) regular meetings and 8 (eight) extraordinary meetings.

## Audit Committee

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

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

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

The AC shall comprise of at least three members. As at December 2020, the AC consisted of three members who are appointed for three years with the option to renew their appointment but in any case the service in the Committee should not be more than twelve (12) years in total. In 2020, two of the AC members were replaced due to expiry of their maximum term of office. The AC members' term of office was renewed until June 2021.

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

The AC convenes at least 4 (four) times per year or more frequently, as circumstances require, and reports on its activities and submits the minutes of its meetings to the SB on a quarterly basis. During 2020, the AC held 4 (four) regular and 6 (six) extraordinary meetings.

## Remuneration Committee

The Remuneration Committee (RemCo) is a SB Committee which provides specialized and independent advice on matters related to:

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

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

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

In 2020, the RemCo consisted of four members. During 2020, the RemCo held 4 (four) meetings.

### Nomination Committee

The Nomination Committee (NomCo) is responsible for considering and making recommendations to the SB on matters related to the adequacy, efficiency and effectiveness of the Management Board, and to the appointment of key management personnel as per the provisions of Art. 73c, para 1 of the Credit Institutions Act and Art.12 of Ordinance № 20 of 28 April, 2009, on the Issuance of Approvals to the Members of the Management Board (Board of Directors) of a Credit Institution and Requirements for Performing their Duties (issued by the Bulgarian National Bank).

In 2020, the NomCo consisted of four members. During 2020, the NomCo held 3 (three) meetings.

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

### Internal Audit

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

The Bank's Management is responsible for establishing a system of internal controls that is adequate for the size and the complexity of the organization. IAD is responsible for reporting on the adequacy and effectiveness of the system of internal controls.

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

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

- To provide reasonable assurance in the form of an independent opinion as to the adequacy and effectiveness of the internal control framework of the Bank. In order to form an opinion, IAD carries out audits based on an audit plan approved by the Audit Committee. The required frequency of audits depends on the level of risk in each business unit and/or process;

- To provide proactive support to the Management of the Bank in the promotion of internal controls and risk management through recommending the best practices in internal control;
- To assist the Management in the prevention of fraud and unethical practices;
- To follow-up in order to ascertain that an appropriate action is taken on reported audit findings within agreed deadlines.

### Compliance Division

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

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

Compliance Division duties and responsibilities indicatively include:

- The development of the Bank's methodology for assessment of the compliance, risk to which the Bank might be exposed, and assurance of its proper implementation;
- The verification that all new products and new procedures comply with the law and the applicable regulations;
- Handling issues related to combating financial crime in accordance with the applicable laws and regulations, as well as existing sanctions. The Division is responsible for the development of the necessary policies and procedures related to anti-money laundering and combating the financing of terrorism, as well as for monitoring the adherence to them. Moreover, it is responsible for the provision of relevant training and guidance to the staff, as well as for the cooperation with the relevant authorities;
- The provision of timely and accurate responses to requests from regulatory bodies and other authorities, as well as the co-operation with them in order to facilitate their work;
- The preparation of internal documents related to staff business and internal conduct, such as code of conduct, external business activities, conflict of interest and anti-bribery, as well as the monitoring of staff's adherence to such internal rules;
- The monitoring of the compliance with legislative and regulatory provisions related to financial markets;
- The monitoring of the compliance of the Bank with the legal and regulatory requirements applicable to the Bank;
- Informing the Management, as well as providing advice on the impact of the changes in the regulatory framework falling under the Division's scope of responsibilities.

## RISK MANAGEMENT

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

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

A consistent and effective framework for risk identification, assessment, monitoring and control has been fully documented by the Bank's Risk Management Unit, forming the basis for a consistent definition of strategies, policies and procedures across all risk taking units within the Bank. The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The Supervisory Board of the Bank (SB) delegated to the Risk Committee the role of approving all strategic risk management decisions. The Risk Committee is in charge of monitoring the quantitative and qualitative aspects of all credit, market, liquidity and operational risks. Risk Division, which performs the Risk Function, supports and complements the activities of the Risk Committee. In addition, Internal Audit is responsible for the independent review of risk management and the control environment.

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

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

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

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

### Credit Risk

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

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

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

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

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

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

### Market Risk

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

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

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

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

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

Upon senior management's decision in the future, the Bank may introduce additional value-at-risk analysis.

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

**a) Interest rate risk**

Banking is related to maintenance of positions sensitive to the fluctuations in the prevailing levels of market interest rates, which influences the Bank's financial position and cash flow dynamics. Interest rate risk is the probability for potential change of the net interest margin which may increase as a result of such changes but may also reduce or create losses in the event of unexpected movements. Interest rate risk may include re-pricing risk, yield curve risk, basis risk, spread risk, option risk, volatility risk. The Management reviews the interest rate gaps, the interest rate mismatch and the necessary re-pricing on a monthly basis;

**b) Foreign exchange risk**

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

**c) Equity price risk**

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

**Liquidity risk**

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

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

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EUROBANK BULGARIA AD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

## Opinion

We have audited the accompanying financial statements of Eurobank Bulgaria AD (the Bank) as set out on pages 46 to 173, which comprise the statement of financial position as at 31 December 2020 and the income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

## Basis for Opinion

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

## KEY AUDIT MATTERS

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

We have determined the following key audit matter:

### Expected credit losses ("ECL") related to loans and advances to customers

As at 31 December 2020, the financial statements include:

- Gross loans and advances to customers of BGN 8,063,843 thousand (31 December 2019: BGN 7,422,527 thousand) and ECL allowance of BGN 264,968 thousand (31 December 2019 ECL allowance: BGN 310,786 thousand), as presented in note 18 to the financial statements.
- Impairment charge for credit losses recognized in the income statement of BGN 82,719 thousand (2019: BGN 66,370 thousand), as presented in note 12 to the financial statements.

Also refer to the following notes to the financial statements:

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

## KEY AUDIT MATTER

As described in the notes to the financial statements, the expected credit losses have been determined in accordance with the Bank's accounting policies based on the requirements of IFRS 9 Financial Instruments ("IFRS 9"). As required by IFRS 9, the Bank estimates the expected credit losses considering a stage allocation of the loan exposures.

We focused on this area because of the magnitude of the related balances as well as the complex accounting requirements of IFRS 9 including assumptions made to assess and measure the ECL (e.g. macro- economic inputs, ECL risk modelling) which require significant judgement to determine the expected credit losses.

The Management Board is required to make judgements as to whether there is any significant increase in credit risk since initial recognition or any objective evidence of impairment, based on the assessment of the borrower's debt service and probability of default, and as to the future cash flows expected from the borrower.

For stage 1 and stage 2, as well as stage 3 exposures not exceeding specific thresholds set for different segments as per the Bank's "Accounting policy for impairment of lending exposures", the expected credit losses are determined based on statistical models using the Bank's historical data and also forward-looking information (e.g. gross domestic product growth) and macroeconomic scenarios, taking into account similar credit risk characteristics.

The Management Board's key assumptions in this area are the probability of borrower's default and the assessment of the amount non-recoverable from the borrower in the event of a default ("loss given default"), considering as well the impact of COVID-19 and related moratorium measures (such as payment deferrals) on the borrower behaviours, unlikelihood to pay and underlying significant increase in credit risk.

For Stage 3 exposures in excess of specific thresholds set for different segments as per the Bank's "Accounting policy for impairment of lending exposures", expected credit losses are determined on an individual basis by means of a discounted cash flows analysis. The process involves subjectivity and reliance on a number of significant assumptions, including those in respect of the expected proceeds from the sale of the related collateral and minimum period for collateral disposal.

In the wake of the above factors, coupled with the significantly higher estimation uncertainty stemming from the impact of the COVID-19 global pandemic on multiple sectors of the economy, we considered expected credit losses to be associated with a significant risk of material misstatement in the financial statements.

Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.



## HOW THIS KEY AUDIT MATTER WAS ADDRESSED IN OUR AUDIT

Our audit procedures performed where applicable with the assistance of our financial risk management specialists, included among others:

- Evaluating the appropriateness of the accounting policies and impairment methodology based on the requirements of the relevant accounting standard, our business understanding and industry practice. As part of the above, we challenged the Management Board on whether the level of the methodology's sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors;
- Making relevant inquiries of the Bank's risk management, internal audit and information technology (IT) personnel in order to obtain an understanding of the ECL calculation process, IT applications used therein, key data sources and assumptions used in the ECL model. Also, assessing and testing the Bank's IT control environment for access and program change, assisted by our own Information Risk Management specialists;
- Assessing and testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of loans, including, but not limited to, the controls relating to the appropriateness of the classification of exposures into performing and impaired, calculation of days past due, stage allocation and calculation of the ECL;
- For a sample of loans and advances to customers selected based on specific items testing, critically assessing, by reference to the underlying documentation (updated financial indicators, repayment pattern, default events, forbore status) and through inquiry with the loan officers and credit risk management personnel, the existence of any triggers for classification to Stage 2 or Stage 3 as at 31 December 2020;
- For those loans where triggers for classification in Stage 3 were identified, challenging key assumptions applied in the Management Board's estimates of future cash flows used in the impairment calculation and collateral values and, where relevant, with the assistance from our own valuation specialists;
- Obtaining the relevant macroeconomic forecasts of the Bank and critically assessing the Bank's assessment of the forward-looking information and macroeconomic scenarios used in the calculation of the ECL. Independently checking the information by means of comparing factors used by the Bank to publicly available information;
- Recalculating the probability of default and loss given default for a selection of the Bank's portfolios, including testing the completeness and accuracy of underlying historical data used in the Bank's process of calculating the above parameters;
- Testing material in-model and post-model COVID-19 related adjustments. Assessing the completeness of these adjustments and their appropriateness by considering the data, assumptions and methodology used in calculating the adjustments;
- Recalculating the expected credit losses as of 31 December 2020 based on the Bank's ECL model for a selection of the Bank's portfolios;
- Examining whether the Bank's ECL disclosures in the financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

## INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

### *Additional Matters to be Reported under the Accountancy Act*

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

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

Based on the procedures performed, our opinion is that:

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

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, and for such internal control as management determines

is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

We are jointly and severally responsible for performing our audit and for our audit opinion as per the requirements of the Independent Financial Audit Act, applicable in Bulgaria.

When accepting and performing the joint audit engagement, in relation to which we are reporting, we are also directed by the Guidelines for performing joint audit, issued on 13 June 2017 by the Institute of Certified Public Accountants in Bulgaria and by the Commission for Public Oversight of Statutory Auditors in Bulgaria.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

- KPMG Audit OOD and Baker Tilly Klitou and Partners OOD were appointed as statutory auditors of the financial statements of the Bank for the year ended 31 December 2020 by the general meeting of shareholders held on 20 August 2020 for a period of one year. The audit engagement was accepted by a Joint Audit Engagement Letter dated 14 October 2020.
- The audit of the financial statements of the Bank for the year ended 31 December 2020 represents a third total uninterrupted statutory audit engagement for that entity carried out by KPMG Audit OOD and a third total uninterrupted statutory audit engagement for that entity carried out by Baker Tilly Klitou and Partners OOD.

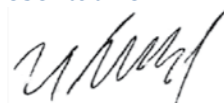
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the Bank's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained Independent of the Bank.
- For the period to which our statutory audit refers, KPMG Audit OOD has provided to the Bank, in addition to the audit, the following services which have not been disclosed in the Bank's the annual activity report of financial statements.
  - Audit of the special purpose financial information of Eurobank Bulgaria AD prepared as of and for the year ended 31 December 2020 in accordance with the accounting instructions of Eurobank SA Group to the components subject to consolidation;
  - Review of the special purpose financial information of Eurobank Bulgaria AD prepared as of and for the period ended 30 June 2020 in accordance with the accounting instructions of Eurobank SA Group to the components subject to consolidation;
  - Statutory audit of the financial statements ERB Leasing Bulgaria EAD prepared as of and for the year ended 31 December 2019.
  - Agreed-upon procedures in relation to the Bank's internal control environment in accordance with the requirements of article 76, par. 7, p. 1 of the Law of the credit Institutions and article 5 of Ordinance 14 of the Bulgarian National Bank for 2019.
- For the period to which our statutory joint audit refers, Baker Tilly Klitou and Partners OOD has provided to the Bank agreed-upon procedures in relation to the Bank's internal control environment in accordance with the requirements of article 76, par. 7, p.1 of the Law of the credit Institutions and article 5 of Ordinance 14 of the Bulgarian National Bank for 2019.

Sofia, 31 March 2021

For KPMG Audit OOD:

Ivan Andonov

Authorised representative



Sevdalina Dimova

Registered auditor, responsible for the audit



45/A Bulgaria Boulevard 5

Sofia 1404, Bulgaria

For Baker Tilly Klitou and Partners OOD:

Spyridon Gkrouits

Authorised representative



Galina Lokmadjieva

Registered auditor, responsible for the audit



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

Sofia 1000, Bulgaria

# ANNUAL DIRECTOR'S REPORT

## ANNUAL ACTIVITY REPORT

The Bank's Management presents the annual Activity Report as at 31 December 2020.

### BUSINESS DESCRIPTION

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

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

### BUSINESS OVERVIEW

#### Macroeconomic Environment

2020 was dominated by the Covid-19 pandemic. The crisis swept throughout the world causing an economic collapse unseen in recent years and a global recession. Very few countries managed to avoid the recession, most notably China, but even their economic output was severely dented.

The pandemic had a huge impact on all aspects of life and economy – the rising number of infections forced governments to impose strict lockdowns, which changed profoundly people's work and lifestyle habits. People adapted fast to the new reality – working and studying from home, shopping more online and organizing virtual events. All this had a significant impact on other industries such as sport, entertainment and tourism.

In the present crisis the authorities worldwide responded swiftly by introducing various measures (both fiscal and monetary) aiming to alleviate the economic impact of the pandemic on companies and households, to avoid a more severe collapse, to preserve the structure of economies and to allow for a fast recovery once the crisis is over. This approach was successful at the beginning and as a result, the GDP of many of the major economies outperformed expectations in the third quarter of 2020. Meanwhile, several vaccines were approved raising hopes for a quick end of the crisis. However, surging infections (including from new variants of the virus) renewed lockdowns and logistics problems with vaccine distribution, and at the end of 2020 and at the beginning of 2021, raised new concerns about the projected recovery in 2021.

In 2020, the global economy was expected to contract by 3.5% before rebounding in the next two years by 5.5% and 4.2% respectively. The pace of recovery will vary across countries, depending on the availability of vaccines, vaccination plans, additional policy support and dependence on other economies.

Prominent downside risks include a new surge of infections, delay in production of vaccines and vaccination plans. In case the supportive policy measures are withdrawn before the recovery is on a firm footing, 2021

prospects might also dampen. The rising debt levels would likely also be a topic of discussion once the crisis is over. On the upside, a faster easing of the pandemic is expected to trigger a rise of consumer confidence and a sharp increase in consumption and investments.

The European Union was amongst the most severely impacted by the pandemic both in terms of economic output and a number of infections and loss of human life. The latest forecasts show that the EU economy contracted by 6.2% in 2020, while the drop is expected to be even double-digit in some countries, such as Greece and Spain, whose economies heavily depend on tourism. The tourism industry is still in shock and the prospects for the most important summer season are unclear, depending on the pandemic development and the speed of execution of vaccination plans. Renewed lockdowns in many European countries will delay the recovery until the second half of 2021 when it will be supported by private consumption and revived global trade. According to forecast for the next two years, the economy of the EU will grow by 3.7% in 2021 and 3.9% in 2022, while in the eurozone will see a 3.8% increase in both years. On the positive side, the EU-UK Brexit agreement eliminated a major risk and reduced the cost of UK leaving the Single Market and Customs Union.

The monetary policy during 2020 was supportive, with central banks extending or announcing new asset purchase programmes, new lending facilities and interest rate cuts. The ECB in particular extended its net asset purchase programme to March 2022 and increased it by EUR 500 billion to EUR 1.850 billion. It also prolonged its long-term refinancing operations and announced new similar programmes, especially with a view on easing the pandemic effects. The ECB also extended all bilateral and temporary swap and repo lines set up with EU central banks outside the eurozone.

Bulgaria's economy was one of the less affected by the pandemic in the EU probably due to the fact that the lockdown measures in the country were one of the lightest in Europe. On the other hand, Bulgaria is a tourist destination and the external sector constitutes a big share of the GDP, so any slowdown in the economies of its main trading partners create a spillover effect in the local economy. Compared with the countries in Western Europe, the first wave of local infections in the spring of 2020 was contained and relatively mild. The restrictions were loosened in May, which boosted consumption in the second and the third quarters of the year. However, the next much stronger wave of infections in the fourth quarter caused a second lockdown and another drop in the economic activity.

The GDP declined by 4.2% in 2020 according to the preliminary data by the National Statistical Institute. Consumption grew by 1.8% YoY, while all other GDP components declined. Investments dropped by 11% YoY, while exports and imports declined by 11.3% and 6.6% respectively.

In nominal terms, Bulgaria's exports went down by 6.9% in 2020 to BGN 54.5 billion. The decrease in the imports was even higher – 9.6% YoY to BGN 59.7 billion. As a result, the trade deficit shrank by more than 30% to BGN 5.2 billion. Bulgaria's export to the EU countries was relatively good – the decrease of the trade was just 4.4% YoY, while the exports to non-EU countries dropped by 11.3% YoY. Regarding imports, the difference in the decrease of imports from EU member states and third countries was much smaller – 9.2% YoY and 10.2% YoY respectively. There was some good news in the last month of the year when the trade with EU countries rose, compared with the last month of 2019 – exports jumped by 10.3%, while imports rose by 0.9% YoY.

The biggest factor for the drop of the trade with third countries was the lower prices of oil and gas. In the first 11 months of 2020, Bulgaria's import of mineral fuels and oil shrank by 44% to BGN 4.7 billion. Since most of these are imported from Russia, the country dropped one place in the ranking and is now the third largest trading partner, outside the EU countries, after Turkey and China.

The foreign direct investments in 2020 stood at just EUR 560 million (0.9% of GDP) – the lowest since 2014 and just half of those in the previous year. Data shows an outflow of nearly EUR 1 billion equity

investments, a considerable part of which is due to the finalization of the sale of one of the biggest Bulgarian telecommunication companies in the summer of 2020. The outflow was almost fully compensated by the inflow of foreign debt (EUR 925 million), while the reinvested profit was EUR 620 million – almost a quarter below the level a year earlier. The latter is an informal indicator of the effect of the crisis on companies' financial results since the biggest Bulgarian banks, usually significant dividend payers, did not distribute any dividends in 2020. The biggest net inflow of investments came from Austria (EUR 303 million), Germany (EUR 295 million) and Switzerland (EUR 207 million).

Bulgaria was on the brink of deflation at the end of the year with a consumer price index (CPI) growing by just 0.1% YoY as at December 2020. The last time the CPI was this low was in December 2016. Although most of the price groups saw an increase in 2020, they were counterbalanced by the significant decrease of the prices of transport and clothing (-9.4% and -4.9% respectively).

Partially, this can be attributed to the lower prices of natural gas negotiated between Gazprom and Bulgargaz but the pandemic is another major factor. Oil prices also decreased significantly in 2020, which affected fuel prices, while the lockdowns and the closed shopping centres shrank the demand for new cars and clothing. Food prices also calmed down and their increase decelerated from a peak of 8% YoY in January 2020 to a more modest level of 1.9% YoY in December.

The unemployment rate in the country rose by 1.1 percentage points (pp) to 5.3% in 2020, according to data by the National Statistical Institute. The number of unemployed people stood at 171 thousand – an increase of 36 thousand, compared to the end of 2019. The unemployment rate peaked to 6% in the second quarter of the year but went back to 4.9% in the third quarter due to the increased demand for seasonal workers. The employment ratio in the age group 15-64 years declined to 68.8% by a 1.2 pp vs. the previous year (94 thousand people). However, a large portion of the decrease (ca. 60 thousand) was attributed to the worsening demographic structure of the population rather than to discouraged workers. The government support programmes (60/40 and 80/20) also helped the labour market, helping maintain up to 250 thousand working places throughout the year.

The number of long-term unemployed people (unemployed for more than two years) remained almost unchanged at around 55 thousand people. The number of unemployed people with primary or no education, who made up one-third of all also remained unchanged. The northwestern part of the country still had the highest unemployment rate of 13% (10.9% in 2019), while the unemployment rate was 3.8% in southwestern Bulgaria (which includes Sofia) although it was no longer the one with the lowest unemployment rate. The first place now belongs to the southcentral region (around Plovdiv) where the unemployment rate was just 3.3% at the end of 2020.

Despite the weaker labour market, the average salary rose by 9% in 2020 to BGN 1,468. Salaries rose by double digits in several sectors, most notably those of the state employees, medical staff and teachers (the first two groups saw a 20% annual increase and the third group – a 17% hike). On the other extreme were the salaries in the entertainment and the tourism sectors where the average salary was 20% lower than in December 2019. Data about both sectors showed a sharp drop in the last month of 2020, which was related to the second lockdown and the support programmes rather than to structural reasons. The IT and communications remained the highest-paid sectors with an average salary of BGN 3,502 (8% annual increase), while the production of energy and gas replaced the financial sector as the second best-paid sector with an average salary of BGN 2,431 (9% YoY).

The consolidated budget saw a deficit of BGN 3.5 billion (3% of GDP), which is lower than the government's projection of BGN 5.25 billion (4.4% of GDP). Despite the crisis, tax and social security revenues were 1.6% (BGN 570 million) higher than in 2019. A large part of the additional revenues came from the personal income taxes and social security contributions because of higher salaries and minimum social security thresholds. In 2020, the government spent BGN 5 billion more on salaries, procurements, subsidies

and pensions, most of which was presented as anti-crisis measures such as the government support programmes, additional payment to pensioners (BGN 50 per month), increase in pensions, medical supplies and vaccines purchases and higher governmental employees' salaries. To some extent this increase was counterbalanced by the BGN 2.5 billion (33%) drop in capital expenditures but it should be noted that in 2019, the government spent around BGN 2.1 billion on acquiring new fighter jets for the air force. Given that many of the 2020 expenses were not one-off, balancing the budget in the next years will become more difficult and will require taking on additional debt.

In order to finance the budget deficit, the government issued a new debt of EUR 2.5 billion in September 2020 (split equally between 10 and 30 year notes) with record low yields. In total, the government debt increased by BGN 5.4 billion to BGN 28.97 billion and as a share of GDP – from 19.7% to 24.3% at the end of 2020.

In November 2020, rating agency Moody's raised the credit rating of the country by one notch to Baa1 both in local and foreign currency with a stable outlook. The other two major agencies – S&P and Fitch Ratings confirmed the rating of the country (to BBB both in local and foreign currency) with a stable outlook.

In 2021, the Bulgarian economy is expected to grow by 4.5% if the lockdown measures had been lifted at the end of March 2021, vaccination plans would have been swiftly implemented in the following months, tourism would have recovered in the most important summer season and consumption and exports would have picked up in the second half of the year. In 2022 and beyond the economy is planned to return to its pre-crisis trajectory and gradually converge to its long-term potential GDP growth rate. Any of the above assumptions not holding true poses a downside risk to the forecast and will impact the economic recovery.

### Banking System

The pandemic influenced the results of the banks in Bulgaria but for the time being the banking system is weathering the crisis rather well. Banks preserved their core sources of income but had to set aside additional provisions for impairments. Their net profit halved to BGN 815 million and the return on equity dropped from 11.9% in 2019 to 5.5% in 2020 but the capital and liquidity buffers improved even further and the system is well prepared for potential worsening of the macroeconomic framework.

The uncertainty in the first months of the pandemic and the slowdown in the economic activity dented the demand for loans. Companies scaled back their plans for expansion, households were hesitant to take new consumer loans and only the real estate market remained relatively unscathed. After the initial shock, the situation normalized in the second half of the year but did not fully return to the pre-crisis levels. Total loans increased by 4.8% to BGN 69.5 billion in 2020. In nominal terms, the net increase was BGN 3.2 billion which is around 60% of the level in 2019. The corporate loans rose by BGN 1.5 billion (3.6% YoY) to BGN 43.6 billion – less than half the new loans granted a year ago. The net delta of consumer loans was just BGN 455 million (3.7% annual increase) – around a fifth of 2019's delta. The only exception was the mortgage lending segment – it grew by BGN 1.27 billion (10.1% YoY), or just 20% lower than in the previous year.

Average interest rates on newly granted BGN denominated loans remained rather stable in the corporate segment, increasing from 2.86% at the end of 2019 to 2.8% a year later. Consumer loans fell in the first half of the year from 9% to 7.65% in June but reversed the trend in the second half and returned to 9% in December. Mortgage loan rates fell by another 20 bps to 2.8% during the year.

Having fewer options to spend on and invest in, households and companies were left with more money in their accounts. Deposits reached a new record high of BGN 100.7 billion as at yearend, increasing by BGN 8.8 billion (9.6% YoY) and breaking the BGN 100 billion mark. The nominal growth was 20% higher than in

the previous year. Corporate and consumer deposits increased by BGN billion 3.8 (11.1% YoY) and BGN 5.0 billion (8.7% YoY) respectively, both of which are by far the highest levels in history. The loans-to-deposits ratio fell by more than 3 pp to 69% and the liquidity buffer rose by 20% to BGN 36 billion with the LCR being just below 280%.

The excess liquidity put pressure on banks' margins due to the limited options for investment. Banks paid almost BGN 70 million to the BNB and other credit institutions in the form of negative interest rates during the year – BGN 16.4 million more than in 2019, while at the same time banks saved BGN 23.5 million YoY from deposit interest expenses. The average deposit interest rate was just 7 bps (2 bps lower than a year ago) as at end-2020.

Banks preserved most of their core interest income. Loan interest rates declined marginally by 1.2% (BGN 31 million) to BGN 2.61 billion. However, the income on placements to other banks shrank by almost two-thirds (BGN 68 million) to just BGN 36 million at the end of 2020 due both to negative interest rates and regulatory restrictions on banks' foreign exposures. The crisis took its toll on the net fee and commission income, which decreased by 6% (BGN 85 million) to BGN 1.04 billion. Banks also suffered from the volatility on the financial markets – their income from financial instruments not measured at fair value dropped by almost BGN 170 million to BGN 164 million. Costs were kept under control – administrative expenses, excluding depreciation and other provisions, increased by less than 1% (BGN 13 million) to BGN 1.68 billion. While other administrative expenses decreased, the pressure on the labour market forced banks to increase their personnel costs by 2.6% (BGN 23 million) to BGN 910 million. There were also other one-off factors, which account for around a fifth of the drop in the net profit of the banks in Bulgaria between 2019 and 2020. In 2019, Postbank posted a BGN 78.7 million gain from a bargain purchase as a result of the merger with Piraeus Bank Bulgaria. In 2020, one of the banks posted BGN 107 million extraordinary provision on guarantees. However, main reason for banks' lower net profit in 2020 was the impairment charge which more than doubled from BGN 431 million to BGN 876 million. Although the volume of the nonperforming exposures (NPE) fell in 2020, banks acted in accordance with IFRS 9 requirements and regulatory prescriptions, incorporating foresight information into their models and building up buffers for the future.

Portfolio credit quality improved in 2020 – the NPE ratio fell by 1 pp to 8.2% as a result of the private moratoria on debt payment deferral adopted by the banks in Bulgaria in April 2020 and banks' proactive NPE management strategy. Throughout the year, the NPE volume decreased by nearly BGN 410 million to BGN 5.7 billion. Loans overdue more than 180 days fell by BGN 460 million to a little over BGN 3 billion but still accounted for more than 50% of the entire NPE stock. The NPE coverage ratio reached 62.6% – the higher year-end level in the last six years since data is being published. As at the end of the year, the active loans under the private moratoria had a total outstanding balance of nearly BGN 8.1 billion (11.6% of all loans).

One of the measures announced by the BNB in March 2020 was a ban on dividend distribution. The entire net profit for 2019 (BGN 1.67 billion) was retained and added to banks' own funds. The move and the adoption of Regulation 2020/873 in June 2020 in response to Covid-19 pandemic, significantly strengthened the capital buffers. The capital adequacy ratio rose from 20.2% in December 2019 to 22.7% in December 2020 (CET 1 ratio – 21.7%).

### Major Changes in the Regulatory Environment

In March 2020, the BNB implemented a package of measures in relation to the Covid-19 pandemic. The measures included, among others, a ban on dividend distribution in 2020, cancellation of the increases of the countercyclical capital buffer scheduled for 2020 and 2021 (keeping it at a level of 0.5%), and reducing commercial banks' foreign exposures.

In April 2020, the Governing Council of the BNB approved the draft Procedure for Deferral and Settlement of Liabilities Payable to Banks and their Subsidiaries – Financial Institutions in relation of the state of emergency declared by the Bulgarian Parliament in March 2020. After its approval, the document became a private moratorium within the meaning of the Guidelines of the European Banking Authority on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis (EBA/GL/2020/02). The approved private moratorium provided opportunities for changes in the principal and/or interest payment schedule of liabilities, without changing any key parameters of loan agreements, e.g. the already agreed interest. Deadlines for application were extended twice – in July 2020 and in December 2020. The period for receiving loan liability deferral requests was extended until 23 March 2021 and the deadline for deferring loan liabilities of banks' customers – until 31 December 2021 but not longer than nine months.

In June 2020, a new capital adequacy regulation (Regulation (EU) 2020/873) entered into force in response to Covid-19, introducing a number of relief mechanisms for banks such as transitional treatments for public debt issues in the currency of another member state, IFRS9 first time adoption impact, exemption of certain software assets from capital deductions, lower capital requirements for non-defaulted SME exposures and others.

In July 2020, Bulgaria was formally accepted in the ERM II, "the eurozone waiting room". The Bulgarian government reconfirmed its decision to keep the fixed exchange rate until the euro adoption. The country will spend at least two years in the ERM II, while continuing to implement the specific policy measures as described in the action plan from 2018. As part of the agreement for being accepted in the ERM II on 1 October 2020, Bulgaria also joined the Single Supervisory Mechanism and the Single Resolution Mechanism, and established a close cooperation between the Bulgarian National Bank and the European Central Bank (ECB). As of that date, the ECB has become the supervision authority of five banks in Bulgaria – UniCredit Bulbank AD, DSK Bank AD, United Bulgarian Bank AD, Eurobank Bulgaria AD, and Raiffeisenbank Bulgaria EAD. The ECB will also be responsible for the oversight of the less significant institutions, which remained subject to direct supervision by the BNB, and for the common procedures concerning all supervised entities.

### Eurobank Bulgaria Performance and Key Indicators

In 2020, Eurobank Bulgaria was well positioned to recognize the benefits from the successful acquisition and integration of Piraeus Bank Bulgaria back in 2019 and to deliver outstanding financial results for another year. The net amount of the one-off effects from the acquisition of Piraeus Bank Bulgaria (bargain gain), the total operating income rose by almost 8% to BGN 470 million, while the pre-provision profit was up by 17% to BGN 254 million.

In 2020, Eurobank Bulgaria offered attractive lending products to its customers and increased its gross loans by 8.6% (BGN 642 million) to BGN 8.06 billion, improving lending its market share by 40 bps to 11.6%. The growth was balanced between corporate and retail segments – corporate loans rose by 8.5% to BGN 3.83 billion, while retail loans increased by 8.8% to BGN 4.23 billion. Consumer loans grew with the highest pace – 20% YoY to BGN 1.24 billion, while in the mortgage lending segment the Bank was able to capitalize on the strong market demand and increased its volume by 8.7% to BGN 2.28 billion. Small business banking (SBB) loans shrank by 5.7% (BGN 43 million) to BGN 717 million entirely due to the write-offs performed during the year. Small businesses were significantly hit by the pandemic, the lockdowns and the recession, and were in most need of support. As a response, Eurobank Bulgaria took part in all programmes for supporting SMEs, signing agreements with the Bulgarian Development Bank, the Fund Manager of Financial Instruments in Bulgaria and the EIF (JEREMIE and COSME programmes) although their true potential is likely to be realized in 2021. 2020 was record-breaking year for the banking industry in terms of new deposits and Postbank had its fair share. Consumer deposits rose by 8.4% to BGN 10.23 billion, corresponding to a market share of 10.2%. In nominal terms, the annual delta was close

to BGN 800 million, more than BGN 100 million above the nominal growth of net loans, allowing Postbank to keep its liquidity buffers and to maintain a comfortable net-loan-to-deposit ratio of 76%. The Bank continued to rely largely on retail deposits, which constituted 75% of all deposits, growing by 10% in the last year to BGN 7.67 billion. Corporate deposits rose by 4.6% to BGN 2.56 billion. Throughout the year, deposits from banks and other borrowed funds decreased from BGN 54 million to BGN 37 million and were less than half percent of all attracted funds.

Eurobank Bulgaria's net interest income was up by 7.5% YoY to BGN 362 million. Interest income grew by 7.8% on an annual basis to BGN 375 million, while interest expenses rose by BGN 1.8 million (16% YoY) to BGN 12.7 million. Costs went up almost entirely due to the charges on excess liquidity held in the BNB, higher cost for deposits from banks and other borrowed funds which made up a quarter of all interest costs. Despite the 10% increase in customer deposit volumes, the Bank managed to keep the respective interest expenses flat.

Net fee and commission income increased by 10% YoY to BGN 103.4 million. In almost all segments, the fee and commission income rose by a double-digit figure on an annual basis due to the larger client base resulting from the merger with Piraeus Bank Bulgaria, tariff changes and a higher number of transactions. The only exception were the money transfer fees, which declined by 12%. At the end of 2019, the fees for money transfers within European Economic Area in foreign currencies were equalized to those in local currency. This step and the effects from pandemic, such as the slowdown in client business transaction turnover and the active promotion of transactions through non-physical digital banking channels, led to lower fee income for the Bank.

Other operating expenses went up by 5% YoY to BGN 188.5 million but in 2019 there was a one-off spending of BGN 20.5 million related to the integration of Piraeus Bank Bulgaria. Some of the business as usual cost items increased YoY as a result of the enlarged post-acquisition headcount and branch network, the continuing branch transformation project as well as the investments which the Bank made to implement its digitalization programme. The cost-to-income ratio stood at the enviable 40.1% as at the end of 2020, one of the lowest among the Bank's rivals.

The Bank set aside BGN 83 million in 2020 for expected credit loss charges addressing key areas of concern such as the uncertainty in macro forecasts, the impact of moratoria deals on the quality of Bank's books and the implicit higher credit risk in exposures to industries most severely hit by the pandemic, as well as building up buffers for possible future losses related to the pandemic. Risk cost remained at 1.1%, which was in line with the market average. The NPE volume in the meantime decreased by BGN 90 million to BGN 535 million at the end of 2020 and the NPE ratio improved by 180 bps to 6.7%. The inflow of new NPEs was relatively low due to the strict monitoring and collection measures, as well as the use of the deferral mechanisms under the moratorium. Although throughout the year loans with total outstanding balance of nearly BGN 124 million were written off, the coverage ratio was stable at 49%.

Postbank posted a net profit of BGN 152.7 million, the third highest in the banking system, in end-2020. Return on equity and return on assets also saw impressive figures given the challenging year – 9.9% and 1.4% respectively. The net profit for the year will be maintained complying with the BNB's decision from January 2021 on non-distribution of dividends, further strengthening the capital adequacy of the Bank. The capital adequacy ratio (CAR) as at the end of 2020 was 20.91% - over 4 pp higher than a year before and is projected to remain above 20% in 2021.

### Events after the Balance Sheet Date

There are no significant post balance sheet events with effect on the financial statements as at 31 December 2020.

## RISK MANAGEMENT

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

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

A consistent and effective framework for risk identification, assessment, monitoring and control has been fully documented by the Bank's Risk Management Unit, forming the basis for a consistent definition of strategies, policies and procedures across all risk taking units within the Bank. The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The Supervisory Board of the Bank (SB) delegated to the Risk Committee the role of approving all strategic risk management decisions. The Risk Committee is in charge of monitoring the quantitative and qualitative aspects of all credit, market, liquidity and operational risks. Risk Division, which performs the Risk Function, supports and complements the activities of the Risk Committee. In addition, Internal Audit is responsible for the independent review of risk management and the control environment.

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

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

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

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

### Credit Risk

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

Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk

in off-balance sheet financial instruments, such as loan commitments, and counterparty risk in over-the-counter derivative transactions.

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

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

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

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

### Market Risk

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

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

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

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

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

Upon senior management decision in the future, the Bank may introduce additional value-at-risk analysis.

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

#### a) Interest rate risk

Banking is related to maintenance of positions sensitive to the fluctuations in the prevailing levels of market interest rates, which influences the Bank's financial position and cash flow dynamics. Interest rate risk is the probability for potential change of the net interest margin which may increase as a result of such changes but may also reduce or create losses in the event of unexpected movements. Interest rate risk may include re-pricing risk, yield curve risk, basis risk, spread risk, option risk, volatility risk. The Management reviews the interest rate gaps, the interest rate mismatch and the necessary re-pricing on a monthly basis

#### b) Foreign exchange risk

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

#### c) Equity price risk

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

### Liquidity Risk

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

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

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

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

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

Within its authority is to take all the necessary decisions regarding the interest rate policy, the liquidity

and assets and liabilities management, and to set the target parameters of potential external funding. The operational management of the Bank's liquidity and the execution of ALCO decisions regarding liquidity are assigned to the Head of Capital Markets Division.

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

### IMPORTANT EVENTS DURING THE FINANCIAL YEAR

Postbank, legally named Eurobank Bulgaria AD, is the fourth largest bank in Bulgaria with a broad branch network across the country and a significant client base of citizens, companies and institutions. It has been a leading factor in innovation and trends in the banking sector in the country in recent years and has been awarded many times for its innovations. The financial institution holds a strategic place in retail and corporate banking in Bulgaria. The Bank is one of the leaders on the market of credit and debit cards, mortgage and consumer lending, savings products, as well as in terms of products for corporate clients – from small companies to large international companies operating in the country. The financial institution has one of the most well-developed branch networks and modern alternative banking channels, paying special attention to the quality of customer service. In 2021, the Bank celebrates its 30-year presence among the leaders on the Bulgarian banking market.

2020 is the year of Postbank's overall transition to a long-term innovative way of work. The financial institution's strategy is to rely on impeccable service, modern products and services, implementation of new solutions for the Bank's processes and convenient ways of internal and external communication.

Postbank has a long-term credit rating BBB- with a positive outlook, confirmed by the Bulgarian Credit Rating Agency (BCRA) in June 2020.

In November 2020, Ms. Petia Dimitrova, Postbank's CEO and Chairperson of the Management Board of Postbank, was honoured with the special Banker of the Year 2020 Award for the second year in a row and for the fifth time in her career. The award came as a recognition of her leadership skills and the dynamic development of the Bank.

In October 2020, Postbank received two awards – Bank of the Year, and Dynamics of Development, which were presented at the 29th Annual Bank Awards, organized by the Bank of the Year Association.

Earlier in 2020, Mr. Dimitar Shoumarov, Executive Director, Chief Financial Officer and member of the Management Board of Postbank, won the prestigious Burov Award 2019 for Bank Management.

In July 2020, Postbank received the Deal of the Year award in the 6th annual Company of the Year Awards, organized by the Bulgaria Business Review group. The latter distinguishes the best companies in different industries by making publicizing their achievements and focusing public attention on their innovative and successful management models. The accolade came shortly after Postbank received the Business Deal of the Year award in the 6th b2b Media Annual Awards 2020 contest. The Bank also received the Innovative Project award for the complete redesign of its branch network conducted in line with the main strife to create excellent customer experience. This way, the Bank boldly steps on the threshold of its 30th anniversary as one of the leaders in the sector, ready to seek the best solutions for its customers and partners.

As a leading employer, which evaluates its success through the satisfaction of its employees, Postbank has always strived to develop the skills of its team members and to provide an environment for unlocking their potential. Due to its active policy in this direction, in early February 2020, Postbank received two



golden awards from the annual Employer Branding Awards organized by b2b Media. The Bank's focus in this area involves activities for optimization of the working environment, continuous professional development and training, and engaging employees in corporate social responsibility projects with high added value for the society. Postbank was among the most sought-after employers at the first-of-its-kind Virtual National Career Days.

The Bank is the first company on the Bulgarian market, which added to its portfolio of digital solutions the Digital Office mobile app for fast and easy internal communication with its employees. This way, it solidified its position as a preferred employer on the Bulgarian market. The Digital Office app saves time and resources by providing a modern solution for comprehensive management and digitalization of internal processes through online communication within the Bank's team.

In August 2020, the Bank introduced six robots in the operations of Loan Administration, which successfully finalized a pilot project for the automation of 20 different work processes with the help of the so-called RPA (robotic process automation) technology. Introducing the innovation, the Bank optimized the operations of one of its busiest units and reduced the daily workload on its employees by transferring a huge amount of their work to the robots.

Postbank strengthened its position as a socially responsible company by joining the institutions, which signed the Principles for Responsible Banking (PRB) within the framework of the United Nations Environment Programme Finance Initiative (UNEP FI). This significant step makes Postbank the only financial institution in Bulgaria that chose to be guided in all aspects of its operations by a single framework for sustainable development in the banking sector developed through the innovative partnership between worldwide leading banking institutions and the Financial Initiative of the Programme.

Putting the interest of its customers first, Postbank offered deferral of liabilities to clients who were experiencing or expecting difficulties in servicing their loans due to the Covid-19 pandemic and the restrictions introduced by the Measures and Actions Act during the state of emergency declared with a decision of the National Assembly of 13 March 2020, as well as the consequences of these restrictions. Driven by its desire to provide the best financial solutions to its customers, Postbank implemented a number of measures and proposals aimed at its affected borrowers, both individuals and legal entities.

The financial institution joined as an active partner the programmes of the Bulgarian Development Bank (BDB), which support citizens and micro-, small and medium enterprises affected by the state of emergency and the Covid-19 epidemic. Postbank also signed a guarantee agreement with the Fund Manager of Financial Instruments in Bulgaria (Fund of Funds), as well as with the European Investment Fund to participate in the JEREMIE and COSME guarantee programmes.

As a key partner of the Bulgarian business, Postbank joined the Rediscover Bulgaria initiative. The online platform offers attractive opportunities for accommodation and reservations in restaurants on the Black Sea coast and the Bulgarian mountains, which comply with safety standards and use primarily Bulgarian products in their meals.

Postbank took another step towards expanding its innovative services by launching express banking digital zones that offer more speed and convenience to customers. The new service is available in 32 branches, in 15 cities in Bulgaria, providing specialized devices with modern design, intuitive navigation and numerous functions. The new express banking digital zones allow customers to perform almost all bank office operations and to bank conveniently during non-working hours.

Since January 2021, more than 120 ATMs and self-service devices in Postbank's express banking digital zones across the country have been providing new contactless functionality that facilitates transactions by bringing the card close to the contactless reader of the device.

Postbank won two international prizes at the prestigious World Finance Digital Banking Awards 2020 competition organized by the reputable World Finance magazine. The awards are in the categories, Best Digital Banking Apps, Bulgaria, and Best Mobile Banking Apps for consumers in Bulgaria. The contest distinguishes the best banks in providing digital services to consumers and the introduction of innovative management models.

Through its partnership with Eurobank Private Bank Luxembourg and its 100% specialized and strictly personalized private banking services, Postbank continued to develop its modern Private Banking Centre. The Bank's clients can benefit from a range of investment services in trust management, asset management and business consulting.

In 2020, Postbank continued to develop the innovative mobile service, which saves time and money for consumers and employers. It includes a special corner, which is located in business centres and malls upon prior request and provides an easy opportunity for free expert consultation on various financial products and current offers. One of the strongest advantages of the service, in addition to time-saving and the convenience of having the Bank „visit“ your office, is the opportunity for clients to receive an individual, flexible solution for their needs. After an on-site consultation, they can go through the product application process together with an expert.

In 2020, Postbank continued to offer its modern and convenient Mobile Bankers service. The service is a free professional consultation with experts who provide solutions tailored to clients' specific needs and assisting in filling out the necessary documents and submitting them at a bank branch. Mobile bankers answer all questions related to consumer and mortgage loans, overdrafts and credit cards at a convenient and pre-arranged time and place, according to clients' preferences.

In the interest of its customers, the Bank continued its strategic partnership with ClaimCompass, a Bulgarian technology company that professionally protects passengers' rights in the event of problems with their flights. The Bank credit cardholders may benefit from the innovative service, which is the only one offered on the market.

Postbank continued its partnership with Booking.com, the world's leading provider of accommodation, and all Postbank Mastercard and Visa credit card holders received an additional 3% discount on each booking through the Bank's Booking.com website in Bulgaria or abroad.

In 2020, the financial institution, which has traditionally been a leading partner of the business in the country, supported the unique Dare to Scale growth programme – the first of its kind in Bulgaria aimed at businesses with a potential for extensive growth. Twelve local companies were selected in the project of the Bulgarian office of the global network Endeavor due to the great interest this year. Selected entrepreneurs underwent training and interactive sessions led by successful practitioners and leaders from the Endeavor network, as well as experts from Postbank.

The Dare to Scale growth programme will continue in the upcoming years to encourage the growth of even more new local businesses,” this was announced during the closing event (Demo Day) where all companies from the second season presented their projects and ideas to established business leaders in the country.

By participating in the Dare to Scale programme, Postbank is actively contributing to the development of both promising scale-up companies and the business environment in Bulgaria. This is another expression of its strong intent to foster bold ideas, support innovation and competitiveness for businesses and the economy. For the second time, Endeavor's Dare to Scale programme, with Postbank as a main partner, became the winner in CES Awards Bulgaria 2020's prestigious Best Accelerator Programme category. The programme was also distinguished in the Annual Golden Hearth Awards for charity and corporate social

responsibility, organized by Business Lady magazine and Bulgaria Business Review. In 2020, the financial institution was a major partner of a series of online discussions, part of Imoti.net's Annual Awards project, which promotes good practices in the real estate sector. This is the only forum where the achievements, honesty and good reputation of companies and experts in the real estate sector are evaluated. During the online meetings with representatives of the real estate business, the Bank's experts discussed the market trends presented their analysis of the market, the profile of consumers and the most current terms of mortgage loans by offered by Postbank.

The fifth edition of the Entrepreneurs of the Future conference took place with the Bank's support. The popular forum, which was held in an online format in 2020, answered a number of key questions entrepreneurs face today – "Which are the sectors with potential for starting a business right now?", "What changes do companies need to make to be ready for the new reality after the Covid-19 pandemic?", "What are the tools for access to initial and additional capital to finance a start-up business project?"

For the sixth consecutive year, Postbank was the main partner of the competition for successful small businesses of the year – The Big Small, organized by 24 Chasa Daily where innovative Bulgarian companies to present the ideas, which they have successfully transformed into a product or service on the market.

## NEW PRODUCTS

Postbank introduced more innovative products and services in 2020, focusing on offering convenience and added value to customers. As a result of the Covid-19 pandemic, companies had to be faster in implementing solutions for customer convenience in order to continue to be successful.

Postbank once again solidified its position as an innovation leader in the sector, successfully implementing the most modern and effective solution for managing communication with its customers. The introduction of the Salesforce platform is a strategic step that will allow the Bank to optimize its relations with customers, reaching a new level of service and ensuring their maximum satisfaction. The implementation of the system makes Postbank the first banking institution in Southeastern Europe with a high-tech solution of this class. Using artificial intelligence, the platform analyses with absolute precision the behaviour and expectations of customers, thus facilitating an individual approach in the communication with them.

In February 2021, on the eve of its 30th anniversary, Postbank launched a next-generation credit card. The credit institution is the first bank in Bulgaria to launch a Mastercard UNIVERSE metal credit card. Once again, the Bank proved its position as an innovator in the sector and offered its customers a top-of-the-range product. The new card is designed to meet customers' highest expectations and requirements. It features a stylish design and as a product, brings cardholders many privileges and additional convenience along with all the advantages of credit cards.

In June 2020, the Bank introduced a new process for issuing credit and debit cards entirely remotely – from ordering of a new card online to receiving it at a desired address, further enhancing customer experience.

The Now credit programme is one of Postbank's latest financial solutions, with which customers can request an express service for a credit product of their choice. It combines three product categories and provides the opportunity to quickly get a consumer loan, pre-approval for a mortgage loan, and a new debit or credit card. Postbank's new programme gives a key advantage to the credit institution's customers because it relies on a comprehensive approach that provides exceptional customer experience. With the Now credit programme, they can not only order products tailored to their individual needs, but can also take advantage of them quickly – a highly important factor in the current dynamic environment, which requires fast and adequate solutions.

Postbank offered its customers a consumer loan with promotional terms and an option for an interest-

free overdraft in the first 12 months. The loan can be used both to cover current needs and to consolidate liabilities, as customers can opt for additional preferential terms of the loan if they meet the Bank's requirements.

Postbank continued to offer a targeted consumer loan for business training worldwide, that is unparalleled on the Bulgarian market. It can be used to finance various programmes such as Master of Business Administration, Executive Master of Business Administration, Advanced Management and more. The product was created in response to the growing interest the Bank observed in recent years in financing one's training, which would pave the way for career growth and development.

In response to the growing consumer interest in the use of digital banking services, Postbank provided a new and convenient option for online consultation for mortgage loans through the EVA Postbank mobile app. The innovative service facilitates access to information about mortgage loans, as well as the application procedure. Thanks to EVA Postbank, clients receive a personal consultation, get acquainted with the main steps in the process of buying and financing a new home, as well as with the documents required to apply for a mortgage loan. The addition of new functions in the mobile app is part of Postbank's strategy for complete digitalization of its processes and its drive to communicate with its customers in the most convenient way for them.

In February 2020, Postbank launched the new Super Mortgage Loan on the Bulgarian market – the first mortgage loan with a fixed rate for the entire repayment period. The product provides customers, who plan to buy a property, with long-term security and predictability for the future. The up to EUR 250,000 loan can be used for the purchase, repair, construction or finishing of a home, as well as for refinancing an existing mortgage loan. The creation of the innovative product was prompted by consumers' demand for security and easy planning of expenses.

In October, the financial institution introduced even more attractive terms for its mortgage loans and launched a special initiative called Mortgage Lending Month. Clients had the opportunity to take advantage of excellent financing conditions, saving up to BGN 700 from their initial loan-related costs. The initiative was held for the fourth consecutive year, and its launch was in line with consumer attitudes and the traditionally higher demand for mortgage loans in the last quarter of the year.

In end-2020, Postbank opened its first Online Mortgage Lending Centre, which introduced a new model of fast and convenient customer service. The new digital mortgage lending solution is a continuation of the services offered by the Bank in its specialized mortgage lending centres. This way, the Bank upgraded the online mortgage loan application service in order to meet consumers' expectations for remote consultations and communication with the Bank in the process of granting loans, by transferring the process to a digital environment.

## SUSTAINABLE DEVELOPMENT

In addition to its core business, Postbank continued to focus on the needs of the local community, supporting programmes and initiatives, working together with established institutions and organizations. The Bank strives to teach both its employees and consumers and the public of a responsible attitude to everything that surrounds us. It aims not only to create competitive advantages by incorporating increasing added value into its products, but also to reduce its negative impact on the environment by using every opportunity to contribute to nature conservation.

In 2020, the Bank implemented a number of socially significant projects in the fields of education, environmental protection, sports and corporate donation. Postbank is an active member and works in support of CEIB, AmCham, HBCB, Association of Banks in Bulgaria, Borica AD, Endeavor Bulgaria Association, Bulgarian Business Leaders Forum, Bulgarian Donation Forum, Atanas Burov Foundation,

the Bulgarian Network of the UN Global Compact, the Bulgarian Advertisers Association and the Bulgarian Fintech Association.

As a responsible company, Postbank joined the fight against Covid-19 and supported with over BGN 170,000 donations Maichin Dom Specialized Hospital for Active Treatment in Obstetrics and Gynecology, St. Ekaterina University Multiprofile Hospital for Active Treatment, Hadzhi Dimitar Multiprofile Hospital for Active Treatment in Sliven, N. I. Pirogov University Multiprofile Hospital for Active Treatment and Emergency Medicine, and Sofamed University Multiprofile Hospital for Active Treatment. The Bank joined the Hot Lunch for Medics initiative and donated 30 computers to disadvantaged students from Ivan Vazov High School in the town of Mezdra.

The education of the children and young people of Bulgaria has been a constant part of the corporate social responsibility projects that Postbank develops and supports. That is why the Bank continued to develop its joint project with SoftUni in support of Bulgarian education, which started in 2018. It includes various activities for the preparation of young people for the jobs of the future and their career in Bulgaria. Through a strategic partnership, the two organizations aim to encourage students to develop their potential as IT and digital leaders, prepared for the rapidly changing environment and emerging banking trends. Postbank provided 15 scholarships for trainings at SoftUni. They were for the winners of the game Brain Games, which took place on the financial institution's Facebook page and had two categories – programming and design. Brain Games is a game for smart and creative people.

IT specialists from Postbank once again participated in the IT Journey online career seminar, presenting the attractive job and career development opportunities in the company to the young SoftUni students. As a leader on the Bulgarian market, Postbank has a rich and diverse infrastructure based on dynamically developing high-tech services and solutions, and provides huge opportunities for specialization and development in various technological areas. This is why the financial institution is a preferred, top employer by young software professionals who are at the beginning of their career.

The Bank joined the My Profession – My Future initiative, organized by the Bulgarian municipalities portal, kmeta.bg, under the auspices of the Ministry of Labour and Social Policy. The aim of the initiative is to connect young professionals, who are finishing their higher education, with local companies and businesses that are looking for qualified employees. The Bank awarded one of the students who created a project on the previously announced topic „The future favours the bold: Provoke it with your idea of a next-generation digital banking product“.

For the fifth year in a row, Postbank joined the most recognizable initiative of the Bulgarian Network of the UN Global Compact, called Proud of My Parents' Work. This time the meeting with employees' children was entirely virtual. Even remotely, the children had the opportunity to learn about their parents' professions, to understand exactly what people do in the Bank and why their work is so important. Thanks to the attractive presentation of specialists from the Bank, the children learned that in Postbank there is a place for people with many different interests and skills.

In 2020, the financial institution once again supported the National Trade and Banking High School in Sofia, and committed to becoming a mentor to one of the training banks. The young bankers from the 11th grade at the Postbank Next School training bank won the honourable 2nd place in the Multimedia Presentation category during the 21st traditional fair organized by the National Trade and Banking High School. The heated contest included 58 training companies, training banks and training insurance companies, as well as about 800 students from the 10th, 11th and 12th grades of the high school. The development and modern trends in the segment of card payments were just a couple of the topics of the online discussions, held as part of an educational programme in which experts from Postbank presented the main business processes in the banking sector to the young people from the National Trade and Banking High School.

Within its traditional year-round internship programme, Postbank once again provided talented and motivated students and young people with the opportunity to prove their skills and start their professional careers in one of the biggest and innovation-leading banks in the market. The internship programme has been part of Postbank's Corporate Social Responsibility Policy in support of young people for over 13 years.

For the fifth year in a row, Postbank, as a member of the Association of Banks in Bulgaria (ABB), has joined a European campaign combating money mules.

In October 2020, Postbank was once again a major partner of the charity relay run Postbank Business Run, organized annually by Begach Club. It included 183 teams from 70 companies from different sectors, which competed in support of two causes. The race raised over BGN 8,000, which was donated to projects of For Our Children Foundation for providing professional social services to the most vulnerable children at an early age and to Water Way Foundation for supporting children with special needs through kinesitherapy, water rehabilitation and modified swimming so that they can grow as independent adults and get a chance for a full life.

Postbank is the only bank in Bulgaria which has a Green Board and an Environmental Office Unit within its organizational structure that works to protect the environment, both in terms of limiting the resources used by the Bank and in terms of its financing activities. In addition, members of the board organize various outdoor initiatives involving other employees.

In September 2020, volunteers from Postbank continued the transformation of a forest track in the area of Zlatnite Mostove (Golden Bridges) in Vitosha Nature Park. The Outdoor Green Stories initiative is part of the company's sustainable environmental policy, which shows how, with a concerted effort, we can change the environment around us for the better. This year's event was joined also by the founder of the first zero-waste restaurant in Bulgaria, Blazhka Dimitrova, who inspired the Bank's employees to be greener and more responsible.

On the occasion of World Environment Day, the Bank joined a photo contest on Biodiversity, organized by the Bulgarian Network of the UN Global Compact, it is a member of. The Bank won four awards thanks to photos taken by its employees.

In 2020, Postbank launched an innovative information format in partnership with Bloomberg TV – the Finance in Focus podcast. The podcast had seven episodes, in which experts from the Bank talked about modern banking solutions, innovative banking products and services, and the various opportunities in the sector, which modern technologies provide. The initiative continues in 2021 with new episodes.

Postbank supports the talented children of Bulgaria and continued its long-term partnership with the Bon-Bon vocal group, and encouraged the premiere of the children's musical, Cinderella.

The employees of Postbank are also regular donors to the National Centre for Transfusion Haematology and participate in blood donation events organized and held at the Head Office of the Bank.

Throughout the year, the Bank continued its long-standing support for and work with disadvantaged groups and the promotion of their active role in society. Support was provided to disadvantaged children in the town of Kazanlak, the elderly in the city of Ruse, the national Easter for Everyone campaign, called Give a Gift to Grandma and Grandpa, as well as many other initiatives throughout the year.

Postbank traditionally joined in the festive decoration of Sofia. Following its established values, the financial institution believes that the overall well-being and development of society depends on everyone's efforts to improve our environment. This is why along with other socially oriented projects, the Bank has been

contributing to the capital's festive splendour during the Christmas and New Year holidays for several years.

## AWARDS

- Two international awards from the prestigious World Finance Digital Banking Awards 2020 competition organized by the reputable World Finance magazine;
- For the third year in a row, Postbank was named best retail bank in Bulgaria. The award is from the prestigious World Finance Banking Awards 2020, organized by World Finance magazine, a reputable media outlet that covers and analyses the financial industry, international business and economy. The Bank was recognized for its numerous innovations, excellent results and sustainable retail banking model, combined with modern products and services to the benefit of consumers;
- For the ninth consecutive year, Postbank was named the top trustee in Bulgaria by Global Custodian magazine, the world's most prestigious trust services magazine, known for its annual surveys, which are considered a benchmark in the sector. Once again, the Bank received the highest score in all categories;
- Two prizes in the 29th Annual Banking Awards of Bank of the Year Association – Bank of the Year, and Development Dynamics;
- Petia Dimitrova, CEO and Chairperson of the Management Board of Postbank, was honoured with the Special Banker of the Year 2020 Award for leadership skills and dynamic development;
- Dimitar Shoumarov, Executive Director, Chief Financial Officer and Member of the Management Board of Postbank, won the prestigious Burov Award 2019 for Bank Management;
- First place in the Services Website category of the annual Site of the Year competition;
- Deal of the Year Award in the 6th annual Company of the Year Awards, organized by Bulgaria Business Review group;
- Two awards in the Business Deal of the Year, and Innovative Project categories of the 6th b2b Media Annual Awards 2020;
- Award in the Best Employer in Banking category of the Career Show Awards 2020;
- Prize for the Green Together initiative in the Green Practices category of the Career Show Awards 2020;
- First prize in the Green Project category of b2b Media's 10th national Greenest Companies in Bulgaria competition;
- First prize in the Green Idea category of b2b Media's 10th national Greenest Companies in Bulgaria competition;
- Two first prizes in the Innovations in Talent Management, and Employer Branding Project categories of the prestigious Employer Branding contest, organized by b2b Media in January 2020;
- For the second year in a row, Endeavor's Dare to Scale Growth Programme, with Postbank as its main partner, has become the winner in the prestigious Best Accelerator Programme category of CES Awards Bulgaria 2020, organized by the Association of Bulgarian Leaders and Entrepreneurs (ABLE);

- Award in the Corporate Communication Campaign category of PR Prize 2020 for the Forward Together campaign;
- Award in the Internal Communications Project category of PR Prize 2020 for the Forward Together - One Team, One Bank project;
- Prize in the Employer Branding Communication Campaign category of PR Prize 2020 for the Forward Together campaign;
- Award in the Internal Communication Department of the Year category of PR Prize 2020;
- Award in the Employer Branding Communication Campaign category of PR Prize 2019 for the Digital and Successful Together project.

## SHARE CAPITAL STRUCTURE

As at 31 December 2020, the total authorized number of ordinary shares of Eurobank Bulgaria AD was 560,323,302 with a nominal value of BGN 1 per share. Eurobank S.A. owns directly 56.14%, another 43.85% of the share capital is owned by ERB New Europe Holding B.V. and 0.01% by minority shareholders.

## MANAGEMENT BOARD

As at 31 December 2020, the Management Board consisted of the following members:

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

Mr. Jordan Souvandjiev was released as a member of the Management Board on 21.02.2020.

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

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

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

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

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

#### 3.1. Partners with unlimited liability:

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

#### 3.2. Partners/shareholders holding more than 25% of the capital of another company:

No member of the Management Board held more than 25% of the capital of another company.

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

- **Ms. Petia Dimitrova**

Association of Banks in Bulgaria, Bulgaria – member of the Management Board (until 14.07.2020);

International Banking Institute OOD, Bulgaria – member of the Management Board;

Endeavor Bulgaria, Association, Bulgaria – member of the Management Board;

Borica AD, Bulgaria – member of the Board of Directors;

Foundation Atanas Burov, Bulgaria – member of the Management Board.

Confederation of the Employers and Industrialists in Bulgaria, Bulgaria – associate member of the Management Board;

- **Mr. Dimitar Shoumarov**

CFO Club Association, Bulgaria – member of the Management Board (until 10.02.2020).

ERB Property Services Sofia EAD, Bulgaria – member of the Board of Directors (until 08.01.2020);

Association of Banks in Bulgaria, Bulgaria – member of the Management Board (effective as of 14.07.2020);

- **Mr. Asen Yagodin**

Bulgarian Stock Exchange – Sofia AD, Bulgaria – Chairperman and member of the Board of Directors;

Bulstrad Life Vienna Insurance Group JSC, Bulgaria – independent member of the Supervisory Board;

ERB Property Services Sofia EAD, Bulgaria – member of the Board of Directors (until 08.01.2020);

Sports Club DFS-Lokomotiv Sofia, Bulgaria – member of the Board of Directors;

- **Mr. Panagiotis Mavridis**

ERB Property Services Sofia EAD, Bulgaria – member of the Board of Directors (until 08.01.2020);

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

IMO 03 EAD, Bulgaria – Executive Director and member of the Board of Directors;

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

The Bank did not enter into contracts specified in Article 240b, paragraph 1 of the Commerce Act during 2020.

#### SUPERVISORY BOARD

As at 31 December 2020, the Supervisory Board consisted of the following members:

- Georgios Provopoulos – Chairman and member of the Supervisory Board;
- Theodoros Karakasis – Deputy Chairman and member of the Supervisory Board;
- Stavros Ioannou – member of the Supervisory Board;
- Michalakis Louis – member of the Supervisory Board;
- Anastasios Nikolaou – member of the Supervisory Board;
- John David Butts – member of the Supervisory Board;
- Ivi Vigka – member of the Supervisory Board;
- Iasmi Ralli – member of the Supervisory Board;
- Oliver Ellingham – member of the Supervisory Board.

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

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

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

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

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

##### 3.1. Partners with unlimited liability:

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

##### 3.2 Partners/shareholders holding more than 25% of the capital of another company:

- **Georgios Provopoulos**

Geonamar P.C – partner

- **John David Butts**

Lex RX Bulgaria EOOD, Bulgaria – sole owner;

Ubad - Toro OOD, Bulgaria – partner;

Lexrx Capital OOD, Bulgaria – partner.

- **Oliver Ellingham**

Ellingham Limited – partner

### 3.3 Participants in the Management of other companies or cooperatives as procurators, managers or board members:

- **Georgios Provopoulos**

Eurobank Private Bank Luxembourg S.A. – Vice Chairman and member of the Board of Directors;

Ellaktor S.A. – Chairman of the Board of Directors.

- **Theodoros Karakasis**

Eurobank A.D. Beograd, Serbia – Vice Chairman and member of the Board of Directors (Management Board);

Greek-Serbian Chamber of Commerce – Deputy Chairman and member of the Board of Directors.

- **Stavros Ioannou**

Eurobank Ergasias Services and Holdings S.A [former Eurobank Ergasias S.A<sup>1</sup>], Greece – Deputy Chief Executive Officer, Group Chief Operating Officer & International Activities Executive Director;

Eurobank S.A., Greece – Deputy Chief Executive Officer, Group Chief Operating Officer & International Activities, Executive Director and member of the Executive Board (since 20.03.2020);

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

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

Eurobank Cyprus Ltd, Cyprus – member of the Board of Directors

Grivalia Management Company S.A., Greece – member of the Board of Directors.

- **Michalakis Louis**

Eurobank Private Bank Luxembourg S.A., Luxembourg – member of the Board of Directors; Eurobank a.d. Beograd, Serbia – Chairman and member of the Board of Directors;

Eurobank Cyprus Ltd, Cyprus - Chief Executive Officer;

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

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

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

CS Cyprus Seeds Ltd – member of the Board of Directors

- **Anastasios Nikolaou**

Eurobank A.D. Beograd, Serbia – member of Management Board.

- **John David Butts**

Lexrx Capital OOD, Bulgaria – Managing Director;

- **Oliver Ellingham**

Ellingham Limited – Director;

Self Storage Number 1 Ltd – Sole Director;

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

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

- **Iasmi Ralli**

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

- **Ivi Vigka**

Eurobank A.D. Beograd, Serbia – member of Management Board as of 01.12.2020.

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

The Bank did not enter into contracts specified in Article 240b, paragraph 1 of the Commercial Act during 2020.

In 2020, the members of the Management and Supervisory boards received remuneration amounting to BGN 2,839 thousand..

### BANK STRUCTURE

Eurobank Bulgaria AD had no subsidiaries as at 31 December 2020. The Bank employs 3,267 people (2019:3,383)..

### OBJECTIVES FOR 2021

2021 г. In 2021, Eurobank Bulgaria plans to continue implementing its strategy based on three pillars – organic growth, digitalization and innovation, and customer service.

The expected economic recovery will enable Eurobank Bulgaria to expand its lending portfolio with growth balanced between the retail and the wholesale segment. The Bank will maintain its prudent risk appetite and will not seek to expand its market share at any cost. The quality of the lending portfolio will be

<sup>1</sup> On 20.3.2020 the demerger of Eurobank Ergasias S.A. ("Demerged entity") was approved through sector's hive down and the establishment of a new company-credit institution under the corporate name Eurobank S.A. ("the Beneficiary"), following to which the Demerged Entity became the 100% shareholder of the Beneficiary. The 23.3.2020 change of Corporate Name of Eurobank Ergasias S.A. to Eurobank Ergasias Services and Holdings S.A. consequently resulted in:  
 • Eurobank S.A. substitutes the Demerged Entity (former Eurobank Ergasias), by way of universal succession, to all the transferred assets and liabilities  
 • Eurobank S.A. became the shareholder of the Demerged Entity's subsidiaries

closely monitored, with a special attention given to the loans with relief measures under the moratorium and loans of clients operating in industries negatively impacted by the pandemic. Any potential problems related to the future servicing of the loans will be quickly addressed and suitable remedial solutions will be offered to customers.

Deposit attraction will continue but the main focus will be the utilisation of excess liquidity and improving the financial results of the Bank.

The capital buffers will be strengthened by retaining the profit for 2020 in line with BNB's decision for non-distribution of dividends. Profitability will remain a top priority, maintaining the excellent cost-to-income ratio and striving to deliver a double-digit return on equity to its shareholders.

Eurobank Bulgaria will continue to invest in digital solutions and plans to launch many innovative products and services in 2021 in order to distinguish itself from its competitors and be recognized as a leading innovator. The branch renovation programme, the expansion of the self-service zones and the introduction of the new Premium banking centres will also play a vital role in improving customer experience.

The next year is also important for Eurobank Bulgaria for another reason – the Bank will celebrate its 30th anniversary in April 2021, which will present an excellent opportunity to express gratitude towards our long-term customers, to energize our existing client base and attract new clients.

### MANAGEMENT RESPONSIBILITIES

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

The Directors confirm that suitable accounting policies have been used.

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

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



**Petia Dimitrova**

Chairperson of the Management Board and Chief Executive Officer

22 March 2021  
Sofia, Bulgaria



**Dimitar Shoumarov**

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

## SELECTED REPORTING DATA

### Income statement

	Notes	Year ended 31 December	
		2020	2019
Interest income calculated using the effective interest method		364,866	334,088
Other interest income		9,658	13,287
Interest expense and similar charges		(12,659)	(10,897)
<b>Net interest income</b>	<b>6</b>	<b>361,865</b>	<b>336,478</b>
Fee and commission income		122,917	111,947
Fee and commission expense		(19,518)	(17,935)
<b>Net fee and commission income</b>	<b>7</b>	<b>103,399</b>	<b>94,012</b>
Bargain gain	38	-	78,690
Other operating income, net	8	1,318	1,001
Dividend income		445	56
Net trading income	9	436	289
Gains less (losses) from trading securities	17	(86)	259
Gains less (losses) from investment securities	196	3,071	4,970
Repossessed assets impairment		(700)	(475)
Other operating expenses	10	(188,483)	(198,633)
Deposit Insurance Fund expense		(28,043)	(19,501)
Impairment charge for credit losses	12	(83,403)	(66,067)
<b>Profit before income tax</b>		<b>169,819</b>	<b>231,079</b>
Income tax expense	13	(17,143)	(17,380)
<b>Profit for the year</b>		<b>152,676</b>	<b>213,699</b>

The financial statements were authorized by the Management on 22 March 2021.



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




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

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

For KPMG Audit OOD:



**Sevdalina Dimova**  
Registered Auditor responsible for the audit



**Ivan Andonov**  
Authorised representative  
for KPMG Audit OOD

For Baker Tilly Klitou and Partners OOD:



**Galina Lokmadjieva**  
Registered Auditor responsible for the audit



**Spyridon Gkrouits**  
Authorised representative  
for Baker Tilly Klitou and Partners OOD

## Statement of Comprehensive Income

	Year ended 31 December		
	Notes	2020	2019
Profit for the year		152,676	213,699
<i>Items that are or may be reclassified subsequently to profit and loss:</i>			
	14	(1,126)	(1,972)
Debt securities at FVOCI			
- net changes in fair value, net of tax		(256)	1,680
- reclassified to profit or loss, net of tax		(870)	(3,652)
<i>Items that will not be reclassified to profit or loss:</i>		1,365	729
Change in FV of property, plant and equipment, net of tax		912	903
Remeasurements of retirement benefit obligations, net of tax		453	(174)
<b>Other comprehensive income for the year</b>	<b>14</b>	<b>239</b>	<b>(1,243)</b>
<b>Total comprehensive income for the year</b>		<b>152,915</b>	<b>212,456</b>

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Authorised representative  
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## STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December	
		2020	2019
<b>ASSETS</b>			
Cash and balances with the Central Bank	15		1,454,306
Loans and advances to banks	16	515,906	1,702,796
Trading assets	17	40,672	8,805
Derivative financial instruments	25	1,352	1,502
Loans and advances to customers	18	7,798,875	7,111,741
Investment securities	19a	1,463,077	579,275
Shares in subsidiary undertakings	37	-	6,763
Current income tax recoverable		2,518	1,398
Deferred tax assets	28	11,191	16,050
Property, plant and equipment, including right of use assets	21	211,255	200,987
Investment property	20	890	1,488
Intangible assets	22	76,916	61,850
Other assets	23	45,363	36,739
<b>Total assets</b>		<b>12,103,849</b>	<b>11,183,700</b>
<b>LIABILITIES</b>			
Deposits from banks	24	7,739	15,036
Derivative financial instruments	25	9,442	8,353
Due to customers	26	10,234,485	9,438,085
Other borrowed funds	27	29,370	38,924
Provisions for other liabilities and charges	29	13,426	26,583
Retirement benefit obligations	30	8,238	8,062
Other liabilities	31	177,602	175,363
<b>Total liabilities</b>		<b>10,480,302</b>	<b>9,710,406</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		560,323	560,323
Statutory reserves		282,521	282,521
Retained earnings and other reserves		780,703	630,450
<b>Total shareholders' equity</b>	32	<b>1,623,547</b>	<b>1,473,294</b>
<b>Total shareholders' equity and liabilities</b>		<b>12,103,849</b>	<b>11,183,700</b>

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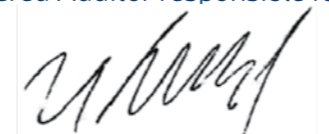
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## Statement of Changes in Shareholders' Equity

	Share capital	Property revaluation reserve	Fair value reserve	Statutory reserves	Retained earnings and other reserves	Total
<b>Balance at 01 January 2019</b>	560,323	1,023	22,272	282,521	384,521	1,250,660
Profit for the year	-	-	-	-	213,699	213,699
<b>Other comprehensive income</b>						
Change in fair value reserve on financial assets at FVOCI	-	-	(1,972)	-	-	(1,972)
Revaluation of property, plant and equipment	-	903	-	-	-	903
Remeasurements of retirement benefit obligations, net of tax	-	-	-	-	(174)	(174)
<b>Total comprehensive income for 201</b>	-	903	(1,972)	-	213,525	212,456
Changes in post-acquisition reserves of Piraeus Bank Bulgaria	-	-	-	-	10,178	10,178
Transfer to retained earnings	-	(72)	-	-	72	-
<b>Balance at 31 December 2019</b>	560,323	1,854	20,300	282,521	608,296	1,473,294
<b>Balance at 01 January 2020</b>	560,323	1,854	20,300	282,521	608,296	1,473,294
Profit for the year					152,676	152,676
<b>Other comprehensive income</b>						
Change in fair value reserve on financial assets at FVOCI			(1,126)			(1,126)
Revaluation of property, plant and equipment		912				912
Remeasurements of retirement benefit obligations, net of tax					453	453
<b>Total comprehensive income for 2020.</b>		912	(1,126)		153,129	152,915
Acquisition of subsidiary (ERB Leasing Bulgaria)					(2,662)	(2,662)
<b>Balance at 31 December 2020</b>	560,323	2,766	19,174	282,521	758,763	1,623,547

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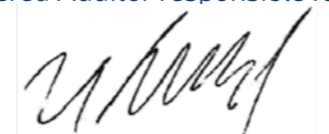
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## Statement of Cash Flow

Year ended 31 December  
2020 2019

## CASH FLOWS FROM OPERATING ACTIVITIES

Interest received	368,235	356,819
Interest paid	(13,937)	(9,116)
Dividends received	445	56
Fees and commission received	123,447	111,683
Fees and commission paid	(17,168)	(15,575)
Amounts paid to and on behalf of employees	(98,484)	(91,943)
Net trading and other income received	161	413
Other operating expenses paid	(98,044)	(87,034)
Tax paid	(13,550)	(18,691)
<b>Cash from operating activities before changes in operating assets and liabilities</b>	<b>251,105</b>	<b>246,612</b>

## OPERATING ASSETS AND LIABILITIES

Net (increase) in reserve with the Central Bank	(45,256)	(112,595)
Net (increase) in loans and advances to banks	(97,812)	-
Net (increase) in trading securities	(31,867)	(734)
Net (increase) in loans and advances to customers	(714,548)	(615,736)
Net (increase) in other assets	(3,767)	(1,122)
Net (decrease)/increase in derivatives instruments	(425)	2,793
Net (decrease) in due to other banks	(7,297)	(13,043)
Net increase in amounts due to customers	778,888	625,111
Net (decrease) in other liabilities	(12,257)	(4,732)
<b>Net cash flows from operating activities</b>	<b>116,764</b>	<b>126,554</b>

## CASH FLOWS FROM INVESTING ACTIVITIES

Payment for acquisition of Piraeus Bank Bulgaria, net of cash acquired	-	774,446
Net proceeds from purchase/sale of shares in subsidiaries	-	(1,141)
Purchase of property, plant and equipment and intangible assets (Notes 21, 22)	(25,727)	(20,830)
Purchase of investment securities	(1,258,656)	(157,271)
Proceeds on disposal of property and equipment	106	456
Proceeds from sale of investment securities	342,454	51,727
<b>Net cash flow/(used in) from investing activities</b>	<b>(941,823)</b>	<b>647,387</b>

Year ended 31 December  
2020 2019

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

Long-term debt repaid	(9,566)	(6,548)
Payment of lease liability	(13,798)	(12,068)
<b>Net cash used in financing activities</b>	<b>(23,364)</b>	<b>(18,616)</b>
Effect of exchange rate changes on cash and cash equivalents	163	(357)
<b>Net change in cash and cash equivalents</b>	<b>(848,260)</b>	<b>754,968</b>
Cash and cash equivalents at beginning of year	2,740,026	1,985,058
<b>Cash and cash equivalents at end of year (Note 33)</b>	<b>1,891,766</b>	<b>2,740,026</b>

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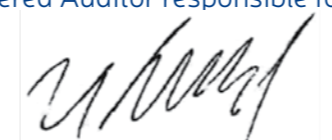


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# CONTRIBUTION TO SUSTAINABILITY

WE ARE BUILDING A  
**SUSTAINABLE WORLD**  
SO OUR CHILDREN CAN  
**MAKE THE FUTURE**

## LETTER TO STAKEHOLDERS



### *Dear readers,*

Once again, we turn to you, our customers, employees and business partners, with our deepest gratitude. With this letter among the pages of the Postbank Annual Report for 2020, we would like to thank you for your participation and contribution to the changes we make together and to present the positive account what our team achieved in economic, ecologic and social aspects.

The past challenging and complicated year was dominated by the COVID-19 pandemic that encompassed the world. The situation that unraveled led to the implementation of various anti-crisis measures – fiscal and monetary, aimed at easing the economic effect of the pandemic on companies and households, avoiding a deeper collapse and maintaining the structure of economies, which would allow for faster recovery once the crisis is over. The Bulgarian economy was one of the least affected among EU member states, perhaps due to the fact that the restrictive measures were some of the least strict in Europe.

The pandemic affected the results of Bulgarian banks, but the Bulgarian banking system managed to cope. Banks retained their main income sources but had to set aside additional provisions for depreciation. The net profit for the year was halved to BGN 815 million and return on capital dropped from 11.9% in 2019 to 5.5% in 2020, but capital and liquidity buffers further improved, and the system is well prepared for a potential deterioration of the macroeconomic situation.

Led by its aspiration to provide the best financial solutions to its customers, Postbank undertook several measures and offers, aimed at its affected borrowers, both physical and legal entities, by proposing deferral for those of them who had or expected difficulties in servicing their loans related to the pandemic and restrictions imposed.

We joined as an active partner the Bulgarian Development Bank programs in support of citizens and micro, small and medium enterprises hit by the emergency situation and the COVID-19 epidemic. Postbank also signed a Guarantee Agreement with the Fund Manager of Financial Instruments in Bulgaria (the Fund of Funds), as well as with the European Investment Fund to participate in the JEREMIE and COSME guarantee programs.

In 2020, Postbank offered attractive loan products to its customers and increased its gross loans by 8.6% (BGN 642 million) up to BGN 8.06 billion, improving its market share with 40 basis points to 11.6%. The growth was balanced between the corporate and retail segments – corporate loans grew by 8.5% to BGN 3.83 billion and retail loans increased by 8.8% up to BGN 4.23 billion. Consumer loans grew fastest – 20% on an annual basis up to BGN 1.24 billion, while in the mortgage segment the bank managed to capitalize on the strong market demand and increased the volume by 8.7% up to BGN 2.28 billion.

Postbank wrapped up the year with a net profit of BGN 152.7 million, the third highest in the system. Returns on capital and assets were also impressive, considering the challenging year – 9.9% and 1.4% respectively.

Our long-term strategy remains unchanged – to be, above all, our customers' bank, providing modern digital products, excellent service and financial solutions tailored to their specific needs.

Led by these guidelines in 2020, we created the innovative express banking digital zones, offering more speed and convenience to customers. The new service started in 32 of the bank's offices in 15 cities in the country, where special devices with a modern design, intuitive navigation and many functionalities are located.

With the NOW loan program, customers can receive express service for a consumer or housing loan or a new debit or credit card.

We offered a new convenient option for an online consultation for housing loan through the EVA Postbank mobile app. We also opened our first Online Mortgage Loan Center with which we implemented a new model for fast and convenient customer service.

The true engine of innovations and the high results of Postbank, as well as our most valuable resource, has always been and will be the team. It is the bank's priority to invest in professionally prepared employees to competently assist and consult customers and create new-to-the-market products.

Therefore, in 2020, we developed a comprehensive strategy, including various activities for improving the work environment, successful management and opportunities for professional growth and engaging employees in projects and campaigns for improving the environment and in support of society. Through the internal Good Ideas and Together initiatives, we continued promoting initiative, creativity and the will of every employee to be part of the change and development of the bank.

We continue being extremely active in the field of corporate social responsibility, carrying out several socially significant projects in the field of education, environmental protection, sports and corporate donations. We have implemented numerous own initiatives and supported the programs of established institutions and organizations as their long-term partner. We are an active member of the UN Global

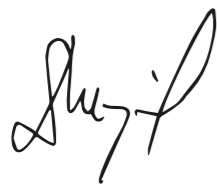
Compact Bulgaria network as part of our targeted support towards initiatives benefiting society and environmental protection.

In 2020, we once again affirmed our position as a socially responsible company, joining the signatories of the Principles for Responsible Banking (PRB) within the United Nations Environment Program Finance Initiative (UNEP FI). This significant step made Postbank the only financial institution in Bulgaria that chose to be led in all aspects of its activity by the single framework for sustainable development in the banking sector, developed through the innovative partnership between leading banking institutions globally and the Program Finance Initiative.

Social responsibility and care for the environment are not only part of the business model with which we strive to save on resources and leave a less significant footprint with our activity. They are already a personal cause to many of our employees, who with their ideas and enthusiasm make our mission of a corporate citizen even more important. We firmly believe that good ideas should be promoted. We hope that the example we set will be followed by other companies as well.

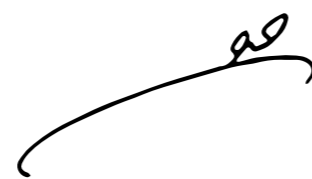
Through the following pages of the report, you can learn in detail about all components of our contribution to creating sustainable benefits to our customers, partners and society.

Sincerely,



**Dimitar Shoumarov**

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



**Asen Yagodin**

Executive Director and  
Member of the Management Board

## GUIDING PRINCIPLES AND BELIEFS

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

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

- A dialogue with the Bank's stakeholders through actions and initiatives aimed at identifying issues and providing suitable solutions;
- Improvement of corporate governance to ensure the organization's transparency;
- Social contribution to activities of key importance to local communities;
- Environmental protection, combatting global warming and contribution to sustainable growth.

### MISSION, VISION AND VALUES

#### Our Mission

We are a dynamically developing bank and we support the ideas and dreams of our employees, customers and partners at every stage of their lives. We value trust, quality and effectiveness. We share the good example and support creative ideas. We respect the fair and responsible attitude, personal contribution and team spirit. We take care of people, society and the environment, and create a new financial world that combines the best of traditional and digital banking. Together we find the successful individual solutions for your tomorrow.

#### Our Vision

To be the fastest growing, most preferred and reliable financial institution that makes traditional banking modern and fully accessible.

#### Our Values



#### MERITOCRACY

Equal opportunities  
for distinction.



#### QUALITY

We aim at excellence  
in everything we do.



### RESPECT

...to the colleague, to the customer, to our fellow citizen.



### TEAMWORK

We succeed when we work together.



### TRUST

When it exists, we achieve the impossible.



### EFFECTIVENESS

We always strive to accomplish the goals we set.



### SOCIAL CONTRIBUTION

Our social contribution goes hand in hand with our business activity.



### CREATIVITY

We innovate continuously, in an effort to always improve our business and ourselves.

## Open and transparent relations

Some of Postbank's main priorities are to continue improving its sustainable development and corporate social responsibility policies, taking into account the expectations of the people and organizations it works with. To achieve this objective, the Bank has set up channels for a dialogue with its stakeholders in order to facilitate the transparent and continuous communication with all interested parties. Thus, Postbank's partners and clients can always rely on a communication channel, which ensures that their opinion reaches the Bank.

The stakeholders can use the following channels to exchange information with Postbank:

### Clients

- One of the largest branch networks across the country;
- Specialized business centres – Small Business Banking, Mortgage Lending and Premium banking;
- Business centres servicing medium and large corporate customers;
- Modern digital channels for servicing and communication with customers;
- Client Relations department;
- 24/7 Customer Service Centre available on phone number: 0700 18 555 and short code: \*7224;
- Webpage: [www.postbank.bg](http://www.postbank.bg);
- Press Office's webpage: <http://mediacenter.postbank.bg/>;
- Monthly newspaper, Bankovi Istории (Bank Stories), with circulation of 15,000 copies, distributed via the Bank's Head Office and branches;
- Postbank's profiles on social media such as Facebook, LinkedIn, Google+, YouTube;
- Head office on 260 Okolovrasten Pat Str, 1766 Sofia;
- Meetings with the Bank's representatives.

### Shareholders and investors

- General Meeting of Shareholders;
- Scheduled meetings;
- A notification system for regulated information;
- Press Office's webpage: <http://mediacenter.postbank.bg/>.

### Personnel

- Human Resources Division;
- Regular meetings;
- Annual meeting of the Bank;
- Annual performance attestation;
- Internal project aimed at encouraging green practices – Green Together with Postbank;
- Monthly newspaper, Bankovi Istorii (Bank Stories), with circulation of 15,000 copies, distributed via the Bank's Head Office and branches;
- Notifications to the personnel;
- Intranet (Help Desk);
- Weekly electronic news bulletin;
- Contribution to sustainable development;
- Internal contest, called Ideino (Good Ideas), which is aimed at encouraging employees' ideas and proposals for improving their work

### Suppliers

- Contacts with Contractors;
- Committees on supplier selection.

### Community and environment

- Environmental Office;
- Social and environmental projects;
- Participation in forums, seminars, conferences and round-table meetings on these topics;
- Contacts with specialized bodies and institutions;
- Cooperation with social agencies;
- Media coverage of these topics.

## ECONOMIC CONTRIBUTION CONTRIBUTION TO ECONOMIC GROWTH

Postbank sees contributing to Bulgaria's economic development as a key priority in achieving sustainability. The extent of the Bank's corporate responsibility is determined by the scope of its operations and the proper and fair distribution of capital among its different stakeholders, while securing its stable economic position and investment opportunities, development of human capital and technological innovations.

In addition to the fair distribution of capital, Postbank strives to support the Bulgarian economy by adhering strictly to centralized procedures for managing procurements, ensuring the top quality of supplies, containing costs and promoting the best social practices. Postbank follows a unified policy of selection of suppliers, based on strategic synergies and mutually beneficial relations. The procedures for selection and evaluation of suppliers are regulated by complete transparency at all stages and by objective criteria such as good prices, regular deliveries and successful cooperation in the past. Moreover, in the selection of suppliers, the Bank aims at ensuring complete respect of human rights in those companies, as well as consistent application of environmentally friendly practices aimed at constant reduction of energy consumption.

Recognizing the need for support to local economies, in 2020 Postbank preferred to work with local suppliers in selected categories of goods and services. The Bank works with a large network of local partners, accounting for around 90% of all its suppliers.





## CREATED DIRECT ECONOMIC VALUE

### SOCIAL PRODUCT

#### The contribution of the Bank to the "Social product"

	PUBLISHED RESULTS 2020		PUBLISHED RESULTS 2019	
	BGN Mio	EUR Mio	BGN Mio	EUR Mio
Turnover	502	257	544	278
Interest Expense and Fees & Commissions expense	(32)	(16)	(29)	(15)
VAT on Added Value of the Bank	(7)	(4)	(5)	(5)
Impairment losses	(83)	(43)	(66)	(34)
<b>Social Product</b>	<b>379</b>	<b>194</b>	<b>444</b>	<b>227</b>

#### The "Social product" and its Distribution

	BGN Mio	EUR Mio	BGN Mio	EUR Mio
<b>I. Personnel</b>	<b>90</b>	<b>46</b>	<b>77</b>	<b>40</b>
Gross Pay	119	61	100	51
Employer contribution to social security institutions	5	2	4	2
Medical, Retirement and other benefits	2	1	0	0
Contribution to Social Security Institutions (Employer and Employees)	-26	(13)	(20)	(10)
Employees tax	-9	(4)	(7)	(3)
<b>II. Suppliers of Goods &amp; Services</b>	<b>49</b>	<b>25</b>	<b>84</b>	<b>43</b>
<b>III. Donations and sponsorships</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>IV. State</b>	<b>87</b>	<b>45</b>	<b>69</b>	<b>35</b>
Income Tax and various taxes	17	9	17	9
Value added taxes	7	4	5	3
Deposit Guarantee and Investors compensation schemes	28	14	20	10
Contribution to Social Security Institutions (Employer and Employees)	26	13	20	10
Employees tax	9	4	7	3
<b>V. Company</b>	<b>153</b>	<b>78</b>	<b>214</b>	<b>109</b>
Retained Earnings / Reserve	153	78	214	109
<b>Social Product</b>	<b>379</b>	<b>194</b>	<b>444</b>	<b>227</b>

## CUSTOMER SATISFACTION

Against the background of the serious challenges and the large number of restrictions imposed by the Covid-19 situation in 2020, Postbank maintained its focus on high level of customer satisfaction and service quality. In order to build and develop long-term relationships based on partnership and trust with its clients, the Bank is constantly working to improve the quality of consultation and service provided. For this purpose, it continuously monitors its customers' feedback.

In 2020, Postbank upgraded customer satisfaction projects launched in previous years. Beside daily monitoring of the cash desk service, it also started tracking client assessments of the quality of consultations and service provided by various specialized units in the Bank.

The received high ratings and positive customer comments confirm that the Bank continues to maintain its position as a leading and preferred credit institution among consumers.

## RESPONSIBLE CONDUCT AND PRODUCT LIABILITY

The Bank carefully ensures that its structure and processes meet both the external and internal requirements for responsible, accountable and sustainable activities.

Compliance with regulations and laws, as well as transparent reporting to the shareholders and other involved parties form the core of the Bank's responsibility.

### Prevention of Money Laundering and Terrorism Financing

The Bank is committed to the prevention of money laundering and the fight against terrorist financing. The AML/CFT policy is in line with the relevant legislation and applicable Group policy and incorporates the requirements of the EU AML Directives, the respective AML regulations and the Financial Action Task Force (FATF) recommendations.

In this respect, the Bank has developed and implemented a compliance programme, which utilizes a risk-based approach to the management of the Bank' money laundering risk and includes Customer Due Diligence, enhanced due diligence for high-risk clients, monitoring systems and processes, policies and procedures to combat tax evasion, etc.

### Fraud and Corruption Prevention

Eurobank Bulgaria AD has adopted a policy of zero tolerance against bribery. The internal policies and procedures in place aim to establish a robust internal system and controlling environment that minimize corruption risk and to set out a clear approach to action in certain risky situations.

The Bank's anti-bribery instruction expressly prohibits the direct or indirect participation in any corruption-related activities. The prohibition applies to all employees and persons acting in the name and on behalf of the Bank. It is the duty of all employees to be vigilant and to report any cases or attempts of such deeds, as well as suspicions of such.

### Code of Conduct

The Code of Conduct and Ethics sets the standards and provides the framework for the principles, rules, conduct and decisions that the Bank's employees ought to follow during their professional engagement.

The Code is complemented by specific policies and internal rules that serve as a further point of reference and are related to the management of conflicts of interest, anti-bribery and corruption, reporting of unethical conduct, external engagements, prevention and detection of market abuse, etc. The Bank provides regular training and raises awareness in order to prevent behaviour that aim or lead to any misconduct.

### Audits by Regulators

The Bank's responsible conduct is also guaranteed to the maximum by the fact that it is subject to audits by a number of state authorities.

## HUMAN CAPITAL DEVELOPMENT

### Human Resources

Any organization's achievements could not be discussed apart from the role of its human capital. Postbank's Management shares the conviction that taking care of employees, their development and motivation is essential for the organization, for the achievement of both its short-term and strategic goals.

Dynamic environment and intense competition on the banking market impose ambitious and multidimensional requirements on the human resources function. They are related to the capability of human resources staff to identify and put appropriate people at relevant positions, to ensure effective training in order to quickly develop necessary professional skills, as well as to develop and motivate internal talents.

The Human Resources Division contributes to the Bank's success by creating and sustaining an environment, which encourages employees' achievements and efforts in raising their level of professional qualification.

### Employer Branding

In 2020, the Employer Brand Department was established to actively work in support of building and maintaining a strong employer brand of Postbank. The mission of the department is to take care of the good reputation of the Bank among its employees and its image as a preferred employer. The main goal of the Employer Branding Department is to enhance the organizational performance in the key areas of employees' engagement, recruitment, retention and talent acquisition, as well as to maintain a supportive and trustful working environment, resulting in motivated and committed employees, and loyal and satisfied customers.

### Recruitment

The successful recruitment process is highly important for having qualified and motivated human capital. Therefore, as it has been so far, this process complies with high professional standards of accuracy, transparency and objectivity.

The changes in the economy and social life caused by the pandemic in 2020 require innovative methods of recruitment. That is why creating a flexible recruitment strategy became our top priority. The Bank conducted the selection process entirely online and providing good digital experience to applicants became the main task of all the participants in the process. Digital recruitment provides a number of advantages, the main of which is the speed with which contact is made with applicants and meetings are organized.

Since the requirements for appointment at different positions at the Bank are related to both high level of professional knowledge and proven moral and ethical values, the Bank aims at developing its internal contributors – people with undeniable qualities. This is why, more than two-thirds of the Bank's job openings (56%) were taken by personnel coming from the so-called internal market, i.e. by promoted and reappointed employees. As a result, 44% of 2020 openings were occupied by candidates outside the organization, i.e. attracted from the so-called external market.

Requirements for professional training remained high also for the candidates from the external market. This was proven by the fact that in 2020, 62% of the newly-appointed employees in the Bank had a university degree. In the changed environment of a competitive recruitment market in 2020, it is noteworthy that 19% of the newly-appointed employees had less than two years of professional experience.

### Professional Training

Some of the priorities of the Bank are the opportunity for professional development and providing professional training to its employees. These are also among the most powerful means to achieve the Bank's strategic goals. The high expectations of the Management and the employees in this area are met through the organization of training initiatives in many directions.

Considering the change related to the epidemiological situation, the approach and the way of training of employees also changed but what remained the same was the emphasis on connecting the theoretical training with real practice.

In order to adapt the content, not only the format of the trainings, as first phase of the digital transformation, we included representatives from all units that conducted various internal trainings and workshops in a specialized training of four modules, called Training for Trainers in a Changed Reality. The second phase of the adaptation of the content and the approach was related to the awareness of syncretic video content, which presented in a visual and easy to understand way the activity of the Bank, its products and services.

In order to support our colleagues during the Covid-19 lockdown, we organized a webinar on the topic, Discover Your Model of Behaviour. Use Contingency to Your Advantage.

Over 160 people joined and we proved that a good team remains stable and productive even in unusual situations.

During the pandemic, in an effort to support people's professional and personal development, and as a result of the interest in the webinar, the Bank provided an opportunity to all employees to enrol in e-learning trainings and to develop their skills.

The topics cover various social and managerial skills, that support the successful completion of everyday work tasks, and are divided into two areas:

Development of personal effectiveness:

- Time management;
- Business communication;
- Successful presentations.

Development of managerial skills:

- Team management;
- Conflict management;
- Motivation of staff.

Upon finishing the training, each participant received a certificate of completion.

We continued to put strong emphasis on developing the skills of Postbank's employees and on improving their understanding of the importance of providing the highest quality customer service. In 2020, after adapting the content and the approach, we successfully completed the second phase of the trainings for improving the quality of service.

Specialized trainings were organized for the teams of the newly established Premium Centres. The main emphasis was on the high quality of service and the topic, Trust and Effectiveness in Working with Premium Clients. The trainings had two modules, consisting of a total of 15 online sessions. The programme included exercises, discussions, generating ideas, questionnaires and more.

In 2020, the number of the man-hours in e-learning increased three times to 80,800 compared to 2019.

Covid-19 forced us to change our approach but it also had its positives – we were faster, more flexible and the total number of man-hours reached nearly 138,000 in 2020.

After the excellent review of the video tutorials on the main banking system, in 2020 we upgraded the content by adding video tutorials on the system related to the introduction of applications.

### Induction Programmes

Induction programmes continued being in the focus of the Training and Development Department as an essential tool, which ensures continuity and high quality of business processes. They are subject to periodic review, change and upgrade, tailored to the needs of the staff.

Given the changed situation, the Bank revised and adapted the training programme for newly appointed employees and paid special attention to the practical part of the training and to the opportunity to work in a real environment under the supervision of a coach. This is why the Bank added the support of a mentor.

### Feedback

Feedback on the different levels is of particular importance to the Training and Development Department, and the Bank seeks the views of its staff on all stages of the programmes. In 2020, we improved this process, as all forms of feedback became electronic. This provided an opportunity to assess the pros and cons of the relevant training programmes and to work towards change and improvement.

### Measuring the Professional Preparation

In 2020, the practice of regular and standardized measurement of employees' professional preparation in terms of systems, products and actual campaigns continued by conducting regular quarterly tests for Branch Network employees. The tests were conducted online and the results were received immediately. They were used to identify the areas in need for knowledge improvement. Some changes were made to the platform that allowed employees to see their mistakes shortly after the test and to prepare better for the next time.

### Long-term Qualifications

The Bank continued providing its high-flyers with opportunities to enrol in internationally recognized qualification and certification programmes such as ACCA, CFA, CIA, CISA, CIMA, as well as to gain a degree in Bulgaria.

In addition, the Bank added Project Management Professional and Professional Coaching Qualification to the list of qualifications.

### Performance Management

The Bank's commitment to employees' personal and professional development is one of its major values. In this respect, every year each employee's personal performance is evaluated through the annual performance appraisal process, which supports their further targeted skill development. Performance management procedures guarantee transparency and objectivity. Every employee is assessed regardless of their position, having in mind employees' responsibilities and tasks. Moreover, the system assesses not only the implementation of tasks, but also the way they were done, which improves the communication between the evaluators and the evaluated, and encourages employees' personal and professional development.

It also helps increase the efficiency and effectiveness of the whole process. The system enables employees to focus on the business areas that are most suitable for the development of their potential, while motivating them to achieve their professional goals.

In addition to the performance management system, for first time the 360 Feedback was applied for a group of key employees of the Bank. This provided an opportunity to employees to see each other from the side, through the assessment of their performance done by the colleagues who are familiar with their work at several levels.

This process usually involves direct subordinates, colleagues, line managers. The results of the information gathered gave a better picture of their strengths as managers, as well as the areas that need development. Each evaluator gave a different perspective on employees' skills, qualities and behaviour, which could be useful to them to get better and have a more complete picture of themselves as leaders..

### Staff Development

Staff Development Processes and the Talent Management Programme were launched stage-wise in 2020. The processes included four main stages:

- People Mapping – employee segmentation and talent identification;
- Succession Planning – supporting business continuity and sustainability, building the next generation of leaders;

- Evaluation of Development – tools for identifying strengths and areas in need for development;
- Employee Development Activities – development programmes, trainings.

The processes encompassed the entire branch network and strategic units in the Head Office. The MBA Essentials Programme was launched. It meets the high standards for this type of training and at the same time is prepared according to the needs of the organization, covering key employees in the Retail Banking sector.

### Staff Engagement and Recognition

Approach to employee engagement during the pandemic – focus on health, care for employees and open, empathetic communication. Creating a more empathetic culture is the path the Bank follows in order to ensure better care for employees and to form better teams.

Employees are involved in strategic projects for the Bank even at the earliest stage in order to work together on improving their workplace and on the optimisation of internal processes.

Key employees were engaged in strategically important processes and projects for the Bank in order to show recognition and focus on the importance of individual professionals and the entire team of the Bank. Mission, Vision and Values Redesign was realized with the help of employees from different units, which emphasized their significant role in the company. They participated in the process on the basis of a high assessment of their expertise by the relevant line managers and by giving their contribution, feedback and ideas through a survey and focus groups. Two new values were added – Innovation and Empathy, and value-based behaviour were developed as internal standards.

Postbank Dream Team – a project for a new internal page dedicated to the Bank's team was developed. It is a tool for recognition, engagement and additional motivation for employees' development.

The Digital Ambassadors strategic programme was restarted with new ideas for internal and external activities. The programme aims to develop the corporate digital culture and strengthen the Bank's digital strategy. Two specialized webinars for digital ambassadors were organized – LinkedIn Networking and Artificial Intelligence. In accordance with the new business reality, the profiles and the specific role of the digital ambassadors of the branch network and Head Office were created.

### Talent Acquisition and Collaboration with Universities

As part of the purposeful development of an active and fruitful partnership between business and education, and in support of the Bank's socially responsible policy in the field of education, the Bank started a cooperation with leading universities and colleges.

Workshops, presentations and webinars were held jointly with various universities, as well as negotiations and preparation of a large-scale partnership with Sofia University.

### Compensation and Social Benefits

In order to preserve employees' health during the Covid-19 pandemic, the Bank switched to a special mode of operation by dividing its teams into four main groups. The option of teleworking was also added.

Postbank is aware of the social impact of its position as a major employer and is determined to provide its staff with various benefits. In this context, the Bank implements and strives to extend a consistent policy of providing additional benefits to its workforce and of applying strict health and safety standards

at the workplace. The Bank provides various forms of support for ad hoc cases. All employees of the Bank have an additional health insurance in a private fund the price of which is fully covered by the employer. The additional insurance covers also the cost of medical treatment if necessary. Employees can also conclude agreements for additional insurance of family members at preferential terms if they wish so. The Bank provides its staff with an additional life insurance, covering the expenses upon occurrence of an insurance event. Moreover, the opportunity to use the Bank's products and services at preferential terms is a significant benefit for Postbank's employees. These include mortgage and consumer loans, credit cards, overdrafts, online banking. Staff members pay no fees for most banking operations such as cash transfers, withdrawals, etc.

The additional voluntary pension insurance at the expense of the employer is a benefit that aims to motivate and encourage the loyalty of employees to the Bank, as well as to show the care of Eurobank Bulgaria AD, as an employer, for its employees and their future, providing them with better retirement opportunities.

The additional voluntary pension insurance applies to all employees with continuous service in the Bank for at least five years from the date of receipt.

### Health and Safety at Work

Regular disinfection of office spaces was introduced in line with the requirements of the Ministry of Health as a response to the Covid-19 pandemic.

The success and productivity of a business relies on the efficiency of its employees. This is why ensuring healthy and safe working environment for each employee is the basis for health management at the Bank. Postbank not only strictly adheres to all safety standards prescribed by labour legislation, but also undertakes additional actions to protect its employees' health for reasons of moral nature and out of the conviction of the Bank's Management that the establishment of healthy and safe environment leads to better motivation of the staff and greater competitiveness. Postbank works in close cooperation with a Labour Medicine Service to ensure the safety and health of its staff during work. A joint assessment is made of the risks for the staff's health and safety, including assessment upon changes of labour conditions at the workplace and upon introduction of new technologies. All Postbank's employees are represented on the Health and Safety Committee – a centralized committee covering all Bulgarian entities, that are part of the Bank. The committee is based in Sofia and is responsible for the Bank's Head Office and branches.

# REDUCING THE ENVIRONMENTAL FOOTPRINT

## ENVIRONMENTAL POLICY STATEMENT

Postbank values sustainable business development much higher than short-term profitability and other commercial gains. We believe that our duty towards our shared natural environment is a crucial ingredient of our commitment to the wellbeing of our stakeholders and the society we operate in. Therefore, we strive to mitigate the adverse environmental impact of our activities and to make use of every opportunity to induce possible ecological changes.

As a major Bulgarian bank and a part of powerful international financial group, we recognize our numerous opportunities to influence public agenda. At the same time, we understand that this unique position we enjoy makes it all the more imperative for us to abide by the principles of good corporate citizenship and to set a positive example for all of our colleagues, partners, fellow citizens and clients to follow.

Our parent Eurobank Group boasts remarkable achievements in the field of environmental protection and we are determined to transpose and enrich its best practices on Bulgarian soil. In this respect, we are committed to set appropriate objectives and targets, to continuously monitor, assess and improve our own environmental performance and to comply with all relevant local, national and international legislation.

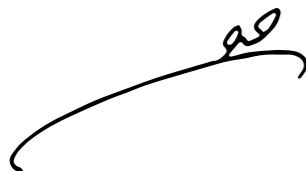
As a socially responsible institution, we have pledged to employ all leverage that we have to work for the preservation of the planet that our children will inherit. To this end, we are not only determined to pursue a policy of environmental responsibility in our everyday operation through our dedicated employees, but also to gradually extend it to our suppliers, clients and society in order to promote beneficial environmental practices and sustainable economic growth.



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



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



**Asen Yagodin**  
Executive Director  
and Member of the Management Board

## ENVIRONMENT PROTECTION

### Postbank environmental management overview

Today's world is facing the phenomena of pollution and climate change. There is hardly any person or organization who would doubt the importance of tackling the consequences of these factors and of coming up with the proper means to curb them.

There are two main types of environmental aspects of the activity of an organization – direct and indirect, and they lead to the manifestation of two corresponding types of impacts. The direct impacts on environment stem from the operations of a company (operational footprint), while the indirect – from the products and services the company offers.

Banks do not directly impact the environment to a large extent since their consumption of energy and other resources is minor compared to other industries. They, however, could contribute significantly to the effort to save the environment through selective lending practices as well as through the implementation of environmental risk management in their loan portfolios. Apart from that, banks could serve as a good example to society by taking care of how internal resources are used.

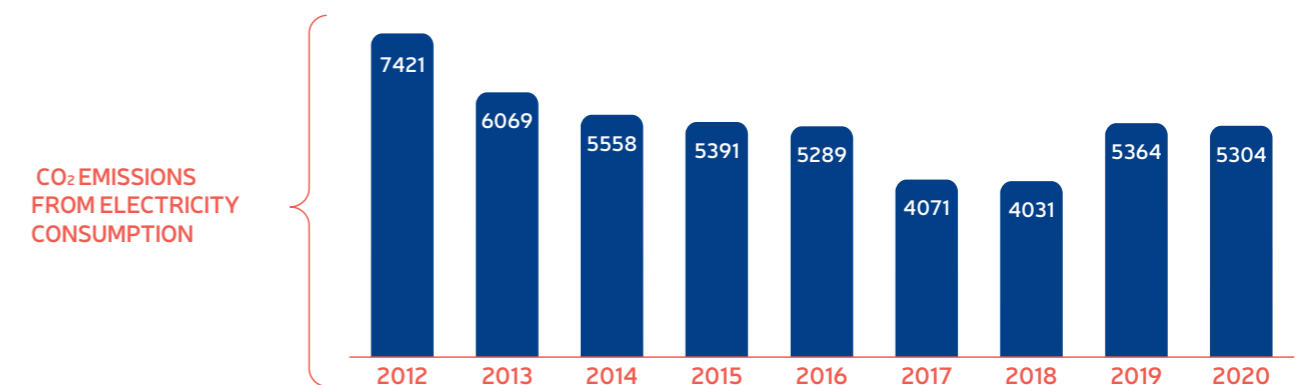
Postbank is committed to actively manage both its direct and indirect environmental impacts. For that matter, it has established Environmental and Social Steering Committee, Green Board, and Environmental and Social Affairs Coordinator in its organizational structure. They are in charge of implementing the Bank's environmental policy.

### Resource consumption management at Postbank

Postbank analysed the nature of its direct impacts on climate change and the environment, and identified three areas in which to concentrate its systematic efforts in order to manage impacts – CO<sub>2</sub> emissions from electricity consumption and the use of paper and water.

The results of the analysis on 2020 data is presented in Fig. 1, 2, and 3 below through three selected environmental indicators. The dynamics of the indicators is presented for 2012-2020 and they reveal the trends of internal resource use resulting from the various initiatives the Bank launched in order to tackle them.

**Fig 1. Postbank CO<sub>2</sub> Footprint from Electricity Consumption, 2012-2020**

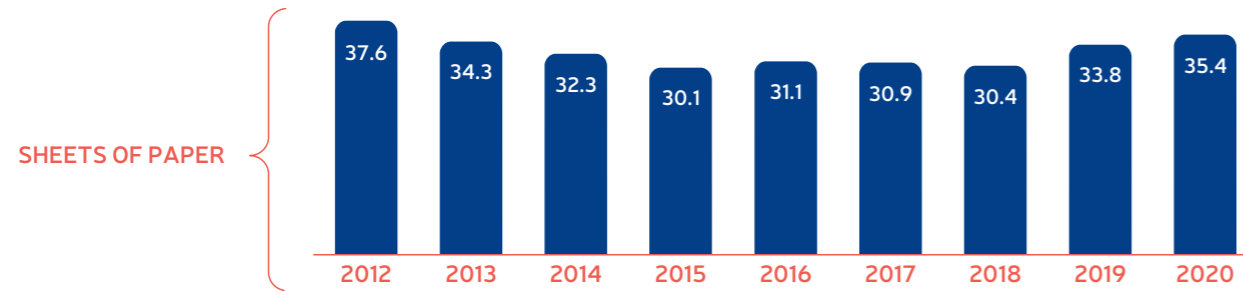


Source: Environmental Office calculations based on Premises Department data

As evident from the chart presented in Fig. 1, CO<sub>2</sub> emissions from electricity consumption in Postbank slightly decreased by 1% in 2020 YoY, and by 40% compared to the base 2012 year. The data on paper

consumption are presented in Fig 2. and show that the Bank consumed 5% more paper in 2020 YoY. Both increases are attributed to the fact that Postbank's network and client base increased YoY after Piraeus Bank Bulgaria's acquisition. It must be noted that the YoY increase could have been much higher if no efforts had been invested in the areas of digitalization and paper use awareness of the Bank's staff. Compared to the data from the base year – 2012, 2020 paper use is 6% less, which is indicative of the success of the numerous internal projects targeting paper use decrease throughout the years.

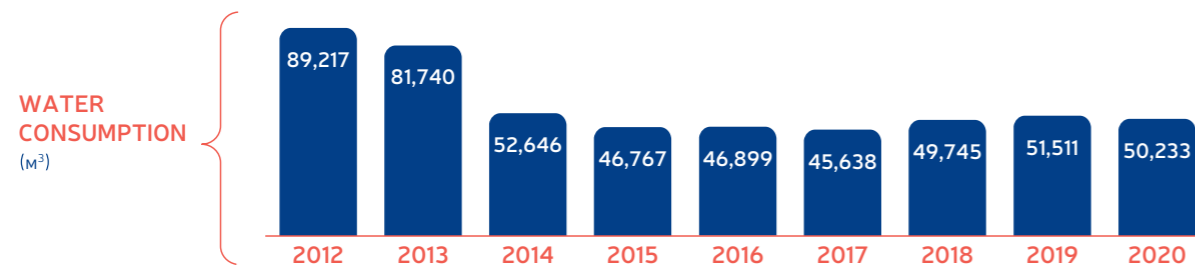
Fig 2. Paper Consumption in Postbank, sheets of paper in millions , 2012-2020



Source: Environmental Office calculations based on Facilities Department data

Water consumption for office needs saw a slight decrease of 3% in 2020 YoY. Data are presented in Fig. 3 below. The analysis of the data on water consumption for the past nine years shows that it has been significantly decreased (78% since the base 2012) and remained stable in the last several years, indicating that the current level is most probably the optimum one.

Fig 3. Water Consumption in Postbank, m<sup>3</sup>, 2012-2020

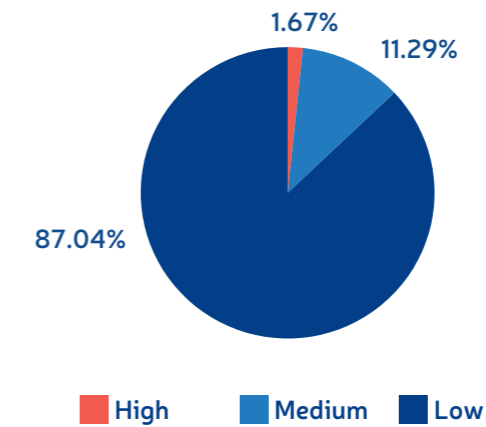


Source: Environmental Office calculations based on Premises Department data

In addition to the direct aspects and their impact on society, Postbank is continuously investigating the indirect environmental aspects of its operations. They are related primarily to its corporate and small and medium enterprise loan portfolio. In this area, Environmental and Social Risk Management Procedure is implemented to ensure that lending is provided accounting for the risks for the environment. The Bank encourages green businesses indirectly through the implementation of the procedure. It prescribes a particular methodology, which is followed to ensure that the environmental and social risks are evaluated and monitored during loan approval and in the subsequent monitoring process.

The data on the distribution of environmental and social risk across the corporate and small and medium enterprise loan portfolio are presented in Fig. 4 below. They show that the majority of the deals in this portfolio, 87%, pose low environmental and social risks, 11% - medium risks and only less than 2% - high risks.

Fig 4. Distribution of Levels of Environmental Risk in the Loan Portfolio of the Bank



Source: Environmental Office calculations based on CBD and SBB Divisions data

In 2020, Postbank achieved the goals it had set for the year in the area of environmental management: prior to the introduction of the lockdown in March 2020, all small business banking staff underwent training in the application of the Environmental and Social Risk Management Procedure. Training materials were uploaded on the intranet of the Bank so that they were accessible to all staff and training could continue online.

Postbank views staff's awareness as key for the implementation of its environmental policy. That is why it plans to continue efforts in this direction in 2021. The particular goals that the Bank has set for 2021 in the area of environmental management are in line with the new context in which banks in the European Union are operating – one that implies placing climate-related and environmental risk management at the core of their business models and strategy.

Having considered all this, Postbank has identified the following goals for 2021:

1. Produce a GAP analysis vis-à-vis existing policy recommendations and good practices in the area of climate change and environmental management;
2. Upgrade and enhance its documentation in the area of environmental management to capture the latest policy trends in the EU;
3. Continue online and, if possible, on site, training of its staff in the application of the Environmental and Social Risk Management Procedure in Lending.

### Fines, Sanctions or Cases Brought through Dispute Resolution Mechanisms

In 2020, Postbank had no fines, sanctions or cases in the area of environmental management.

## SOCIAL MATTERS AND MATTERS RELATED TO EMPLOYEES

### 1. Number of employees, gender distribution by areas of occupancy

Sustainable Postbank policy treats all employees equally, irrespective of their gender, nationality, age or other traits. The Bank aims to build and develop relationships of mutual trust and respect.

The distribution of employees by gender and age is presented in the table below.

< 25 years		25-34 years		35-44 years		45-54 years		> 55 years	
Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
75.69%	24.31%	76.77%	23.23%	76.28%	23.72%	78.95%	21.05%	78.35%	21.65%

Postbank gives equal opportunities to its employees and values their talent and innovative ideas. Everyone receives remuneration depending on the contribution and the level of responsibility that are determined by their position and the labour market.

The staff distribution by position and gender is presented in the table below.

	Specialist positions	Expert positions	Managerial positions
Female	91.02%	71.46%	58.46%
Male	8.98%	28.54%	41.54%

### 2. Development of the Human Capital

Human capital is a key factor in any organization's success. Postbank's management believes that taking care of its employees, their development and motivation is essential for the achievement of both the short-term and the strategic goals of the organization.

Dynamic environment and intense competition on the banking market impose ambitious and multidimensional requirements to the management of human resources. They are related, on the one hand, to the capability to select the right people for the right positions and provide effective trainings in order quickly to develop all the necessary professional skills, and, on the other hand, to the development and motivation of talents within the organization.

Human Resources Department contributes to the success of the Bank by creating and maintaining the environment, strengthening employees' achievements and encourage them to constantly improve their qualification.

In November 2020, for the leadership skills and dynamic development of the Bank, Ms. Petia Dimitrova, Chief Executive Officer and Chairperson of the Management Board of Postbank, received for the second consecutive year and for the fifth time in her career a special award – „Banker for the year 2020 ...". In October, the Bank won two prizes – Bank of the Year, and Development Dynamics, in the 29th edition of the Annual Bank Awards, organized by Association Bank of the Year.

As a leading employer that evaluates its success through the satisfaction of its employees, Postbank

has always strived to develop the skills of its team and to provide an environment for the development of its potential. Thanks to its active policy in this direction, the financial institution received in early February 2020 two gold awards from the annual Employer Branding Awards organized by b2b Media. The company focuses on a wide range of activities aimed to optimize the work environment, continuous professional development and training, engage employees in corporate social responsibility projects with high added value for society. Postbank was among the most sought-after employers at the first-of-its-kind virtual National Career Days.

The financial institution is the first company on the Bulgarian market to add to its portfolio of digital solutions the mobile application Digital Office for fast and easy internal communication with its employees. In this way, it strengthened its position as a preferred employer on the Bulgarian market. The Digital Office application saves time and resources by providing a modern solution for complete management and digitalization of internal processes through online communication in the team.

Via the internal e-bulletin, distributed weekly by email, the important new information, relevant to staff members, is instantly communicated to all employees. This information often includes key corporate news, information about the launch of new products and services, special moments from internal events and photos of different out-of-the-office activities of Postbank team members.

In addition to its core business, Postbank continued to focus on the needs of the local community, supporting programmes and initiatives jointly with established institutions and organizations. The Bank strives to educate both its employees and consumers and the public in a responsible attitude to everything that surrounds us. It aims not only to create competitive advantages by incorporating higher added value into the products it offers, but also to reduce its negative impact on the environment by using every opportunity to contribute to nature conservation.

### 3. Trade Unions, Compensations and Social Benefits

Postbank is aware of the social impact of its position as a major employer and is determined to provide its staff with various compensations and social benefits. In this context, the Bank has implemented and strives to extend a consistent policy of providing additional benefits to its workforce and of applying strict health and safety standards at the workplace. The Bank provides various forms of support for ad hoc cases. All employees of the Bank are provided with an additional health insurance in a private fund fully covered by the employer. The additional insurance provides for medical treatment costs and can be extended to employees' family members at preferential terms of their choice. The Bank provides its staff with an additional life insurance, covering the expenses upon occurrence of an insurance event. Moreover, the option to use the Banks' products and services at preferential terms is a significant benefit for Postbank's employees. These include mortgage and consumer loans, credit cards, overdrafts, online banking.

Postbank continues developing its internal donation platform for supporting colleagues in need, called Together. It is a fund raising charity programme designed as one of the Bank's main long-term projects, which aims to upgrade the ongoing efforts to develop loyalty and employee care. The goal of the platform is to create solidarity among colleagues and to be a working mechanism for financially helping employees with serious health problems.

There are no trade unions in the Bank.

### 4. Performance Management Policy and Procedure

The Bank's commitment to employees' personal and professional development is one of its major values. In this respect, every year each employee's personal performance is evaluated during the annual

performance appraisal process, which supports their further targeted skill development.

Performance management procedures guarantee transparency and objectivity. Every employee is assessed regardless of their position, having in mind employees' responsibilities and tasks. Moreover, the system assesses not only the implementation of tasks, but also the way they were done, which improves the communication between the evaluators and the evaluated, and encourages employees' personal and professional development.

The system guides employees to the business spheres where their skills and potential will be of the highest value and, at the same time, encourages them to achieve their professional goals.

### 5. Health and Safety at Work

The success and productivity of a business relies on the efficiency of its employees. This is why ensuring a healthy and safe working environment for each employee is the basis for health management at the Bank. Postbank not only strictly adheres to all safety standards prescribed by labour legislation, but also undertakes additional actions to protect its employees' health for reasons of moral nature and out of the conviction of the Bank's Management that the establishment of healthy and safe environment leads to better motivation of the staff and greater competitiveness.

Postbank works in close cooperation with a Labour Medicine Service to ensure the safety and health of its staff during work. A joint assessment is made of the risks for the staff's health and safety, including assessment upon changes of labour conditions at the workplace and upon introduction of new technologies. All Postbank's employees are represented on the Health and Safety Committee – a centralized committee covering all Bulgarian entities, which are part of the Bank. The committee is based in Sofia and is responsible for the Bank's Head Office and branches.

### 6. Human Rights Matters

Postbank opposes to any form of discrimination, inequality or human rights violation, as it recognizes and promotes individuality. All the Bank's policies, procedures and human resource management practices are governed by respect for human rights. This ensures that there is no place for discrimination, while diversity is recognized and promoted. Postbank fosters business ethics and excellence, transparency, human rights and accountability. Mutual respect and dignity are core priorities and essential elements in Bank's Code of Conduct. In its selection of suppliers, the Bank aims at ensuring complete respect of human rights in those companies.

In 2020, the Bank implemented a number of socially significant projects in the fields of education, environmental protection, sports and corporate donation. Postbank is an active member and works in support of CEIB, AmCham, HBCB, Association of Banks in Bulgaria, Borica AD, Endeavor Bulgaria Association, Bulgarian Business Leaders Forum, Bulgarian Donation Forum, Atanas Burov Foundation, the Bulgarian Network of the UN Global Compact, the Bulgarian Advertisers Association and the Bulgarian Fintech Association.

As a responsible company, Postbank joined the fight against Covid-19 and supported with over BGN 170,000 donations Maichin Dom Specialized Hospital for Active Treatment in Obstetrics and Gynecology, St. Ekaterina University Multiprofile Hospital for Active Treatment, Hadzhi Dimitar Multiprofile Hospital for Active Treatment in Sliven, N. I. Pirogov University Multiprofile Hospital for Active Treatment and Emergency Medicine, and Sofamed University Multiprofile Hospital for Active Treatment. The Bank joined the Hot Lunch for Medics initiative and donated 30 computers to disadvantaged students from Ivan Vazov High School in the town of Mezdra.

The education of the children and young people of Bulgaria has been a constant part of the corporate social responsibility projects that Postbank develops and supports. That is why the Bank continued to develop its joint project with SoftUni in support of Bulgarian education, which started in 2018. It includes various activities for the preparation of young people for the jobs of the future and their career in Bulgaria. Through a strategic partnership, the two organizations aim to encourage students to develop their potential as IT and digital leaders, prepared for the rapidly changing environment and emerging banking trends.

## UN GLOBAL COMPACT NETWORK BULGARIA

Postbank is an active member of the Bulgarian UN Global Compact Network as part of its purposeful support of initiatives to the benefit of society and environmental protection. Its participation in the organization's activity is another proof of its readiness to pursue a sustainable corporate policy that respects the 10 universal principles for social responsibility and environmental protection of the Global Compact, namely:

#### Human Rights:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence;

Principle 2: Make sure that businesses are not complicit in human rights abuses.

#### Labour Standards:

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: Elimination of all forms of forced and compulsory labour;

Principle 5: Effective abolition of child labour;

Principle 6: Eliminate discrimination related to employment and occupation.

#### Environment:

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility;

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

#### Anti-Corruption:

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.



## UN ENVIRONMENT PROGRAMME FINANCE INITIATIVE

In 2020, Postbank once again strengthened its position of a socially responsible company by joining the institutions, which have signed the Principles for Responsible Banking (PRB) of the UN Environment Programme Finance Initiative (UNEP FI). The key step turned Postbank into Bulgaria's only financial institution, which followed the single framework for sustainable development in the banking sector in all aspects of its activities. The framework is developed through an innovative partnership between leading global bank institutions and the UNEP FI.

The PRBs unite over 190 banks from various countries, including leading global financial institutions such as Santander, Nordea, ING Bank, Commerzbank, Citi and Deutsche Bank, or over one-third of the global banking industry. The PRB determine the role and responsibility of the banking sector in shaping a sustainable future and in aligning the banking sector with the objectives of the UN Sustainable Development Goals and the 2015 Paris Climate Agreement. Thus, the banking community contributes to the sustainable development of the business sector and the community.

Postbank joined the UNEP FI in 2013 and the UN Global Compact Network Bulgaria – in 2017, thus contributing to the compliance with the Bulgarian environmental law and further expanding its initiatives in support of the community and the environment. Nearly 30 years of sustainable development investments are a main component of the financial institution's activities.

The UN Environment Programme was established in 1972 in Stockholm and has a mandate to encourage economic growth compatible with environmental protection. The concept of the UNEP FI was introduced in 1991 when a small group of commercial banks joined forces with UNEP to catalyse the banking industry's ideas. The initiative facilitates the dialogue between a wide range of financial institutions, including commercial banks, investment banks, venture capitalists, asset managers, and multi-lateral development banks and agencies, and helps achieve balance between economic development, environmental protection and sustainable development. A secondary objective of the UN is to foster private sector investment in environmentally sound technologies and services.

## INVESTING IN SOCIETY

In addition to its core business, Postbank continued to focus on the needs of the local community, supporting programmes and initiatives, working together with established institutions and organizations. The Bank strives to teach both its employees and consumers and the public of a responsible attitude to everything that surrounds us. It aims not only to create competitive advantages by incorporating increasing added value into its products, but also to reduce its negative impact on the environment by using every opportunity to contribute to nature conservation.

In 2020, the Bank implemented a number of socially significant projects in the fields of education, environmental protection, sports and corporate donation. Postbank is an active member and works in support of CEIB, AmCham, HBCB, Association of Banks in Bulgaria, Borica AD, Endeavor Bulgaria Association, Bulgarian Business Leaders Forum, Bulgarian Donation Forum, Atanas Burov Foundation, the Bulgarian Network of the UN Global Compact, the Bulgarian Advertisers Association and the Bulgarian Fintech Association.

As a responsible company, Postbank joined the fight against Covid-19 and supported with over BGN 170,000 donations Maichin Dom Specialized Hospital for Active Treatment in Obstetrics and Gynecology, St. Ekaterina University Multiprofile Hospital for Active Treatment, Hadzhi Dimitar Multiprofile Hospital for Active Treatment in Sliven, N. I. Pirogov University Multiprofile Hospital for Active Treatment and

Emergency Medicine, and Sofiamed University Multiprofile Hospital for Active Treatment. The Bank joined the Hot Lunch for Medics initiative and donated 30 computers to disadvantaged students from Ivan Vazov High School in the town of Mezdra.

The education of the children and young people of Bulgaria has been a constant part of the corporate social responsibility projects that Postbank develops and supports. That is why the Bank continued to develop its joint project with SoftUni in support of Bulgarian education, which started in 2018. It includes various activities for the preparation of young people for the jobs of the future and their career in Bulgaria. Through a strategic partnership, the two organizations aim to encourage students to develop their potential as IT and digital leaders, prepared for the rapidly changing environment and emerging banking trends. Postbank provided 15 scholarships for trainings at SoftUni. They were for the winners of the game Brain Games, which took place on the financial institution's Facebook page and had two categories – programming and design. Brain Games is a game for smart and creative people.

IT specialists from Postbank once again participated in the IT Journey online career seminar, presenting the attractive job and career development opportunities in the company to the young SoftUni students. As a leader on the Bulgarian market, Postbank has a rich and diverse infrastructure based on dynamically developing high-tech services and solutions, and provides huge opportunities for specialization and development in various technological areas. This is why the financial institution is a preferred, top employer by young software professionals who are at the beginning of their career.

The Bank joined the My Profession – My Future initiative, organized by the Bulgarian municipalities portal, kmeta.bg, under the auspices of the Ministry of Labour and Social Policy. The aim of the initiative is to connect young professionals, who are finishing their higher education, with local companies and businesses that are looking for qualified employees. The Bank awarded one of the students who created a project on the previously announced topic „The future favours the bold: Provoke it with your idea of a next-generation digital banking product“.

For the fifth year in a row, Postbank joined the most recognizable initiative of the Bulgarian Network of the UN Global Compact, called Proud of My Parents' Work. This time the meeting with employees' children was entirely virtual. Even remotely, the children had the opportunity to learn about their parents' professions, to understand exactly what people do in the Bank and why their work is so important. Thanks to the attractive presentation of specialists from the Bank, the children learned that in Postbank there is a place for people with many different interests and skills.

In 2020, the financial institution once again supported the National Trade and Banking High School in Sofia, and committed to becoming a mentor to one of the training banks. The young bankers from the 11th grade at the Postbank Next School training bank won the honourable 2nd place in the Multimedia Presentation category during the 21st traditional fair organized by the National Trade and Banking High School. The heated contest included 58 training companies, training banks and training insurance companies, as well as about 800 students from the 10th, 11th and 12th grades of the high school. The development and modern trends in the segment of card payments were just a couple of the topics of the online discussions, held as part of an educational programme in which experts from Postbank presented the main business processes in the banking sector to the young people from the National Trade and Banking High School.

Within its traditional year-round internship programme, Postbank once again provided talented and motivated students and young people with the opportunity to prove their skills and start their professional careers in one of the biggest and innovation-leading banks in the market. The internship programme has been part of Postbank's Corporate Social Responsibility Policy in support of young people for over 13 years.

For the fifth year in a row, Postbank, as a member of the Association of Banks in Bulgaria (ABB), has joined a European campaign combating money mules.

In October 2020, Postbank was once again a major partner of the charity relay run Postbank Business Run, organized annually by Begach Club. It included 183 teams from 70 companies from different sectors, which competed in support of two causes. The race raised over BGN 8,000, which was donated to projects of For Our Children Foundation for providing professional social services to the most vulnerable children at an early age and to Water Way Foundation for supporting children with special needs through kinesitherapy, water rehabilitation and modified swimming so that they can grow as independent adults and get a chance for a full life.

Postbank is the only bank in Bulgaria which has a Green Board and an Environmental Office Unit within its organizational structure that works to protect the environment, both in terms of limiting the resources used by the Bank and in terms of its financing activities. In addition, members of the board organize various outdoor initiatives involving other employees.

In September 2020, volunteers from Postbank continued the transformation of a forest track in the area of Zlatnite Mostove (Golden Bridges) in Vitosha Nature Park. The Outdoor Green Stories initiative is part of the company's sustainable environmental policy, which shows how, with a concerted effort, we can change the environment around us for the better. This year's event was joined also by the founder of the first zero-waste restaurant in Bulgaria, Blazhka Dimitrova, who inspired the Bank's employees to be greener and more responsible.

On the occasion of World Environment Day, the Bank joined a photo contest on Biodiversity, organized by the Bulgarian Network of the UN Global Compact, it is a member of. The Bank won four awards thanks to photos taken by its employees.

In 2020, Postbank launched an innovative information format in partnership with Bloomberg TV – the Finance in Focus podcast. The podcast had seven episodes, in which experts from the Bank talked about modern banking solutions, innovative banking products and services, and the various opportunities in the sector, which modern technologies provide. The initiative continues in 2021 with new episodes.

Postbank supports the talented children of Bulgaria and continued its long-term partnership with the Bon-Bon vocal group, and encouraged the premiere of the children's musical, Cinderella.

The employees of Postbank are also regular donors to the National Centre for Transfusion Haematology and participate in blood donation events organized and held at the Head Office of the Bank.

Throughout the year, the Bank continued its long-standing support for and work with disadvantaged groups and the promotion of their active role in society. Support was provided to disadvantaged children in the town of Kazanlak, the elderly in the city of Ruse, the national Easter for Everyone campaign, called Give a Gift to Grandma and Grandpa, as well as many other initiatives throughout the year.

Postbank traditionally joined in the festive decoration of Sofia. Following its established values, the financial institution believes that the overall well-being and development of society depends on everyone's efforts to improve our environment. This is why along with other socially oriented projects, the Bank has been contributing to the capital's festive splendour during the Christmas and New Year holidays for several years.

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