

FINANCIAL AND SUSTAINABILITY REPORT

LEADERSHIP
AND VISION
FOR A BETTER
FUTURE



Postbank

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CONTRIBUTION TO SUSTAINABILITY





CURRENT
ACHIEVEMENTS,
FUTURE
PROSPECTS

LETTER TO THE SHAREHOLDERS



Dear Shareholders,

In 2021 we celebrated our 30th anniversary. During this period, we proved to be one of the most successful systemic banks in Bulgaria. In this second pandemic-marked year, we faced new challenges, successfully overcame them and strengthened our reputation as a trusted partner, preferred employer and a socially responsible company. We confidently went through the difficulties, changing the market with products and achievements that set us apart from our competitors, while our record-breaking business achievements were recognized with more than 20 prestigious awards in just a single year, among which Best Retail Bank and Best Digital Bank by the London-based World Finance Magazine.

Last year was yet another successful one for us in terms of financial results. We increased our income and net profit, improved our market positions, gaining market share through organic growth, while maintaining stable capital adequacy, risk and liquidity ratios. Total income grew by over 5% to BGN 495 million and our profit after tax increased by 11% on an annual basis to BGN 169 million, the highest level in history from our core activities. The return on equity was 9.9%, the same level as in the previous year and about 1 percentage point above the average for the market.

Our loan portfolio grew by 12.8% on an annual basis to BGN 9.09 billion which helped us compensate the continuous pressure on the interest rates and increase our interest income by 1.4% to BGN 367 million. We saw steady growth rates in all main product lines. For a second year in a row, consumer loans grew fastest – by 21.3% (BGN 263 million) to almost BGN 1.5 billion. Mortgage loans were also widely sought after due to the booming real estate market and increased by 13% (BGN 295 million) to BGN 2.57 billion. After shrinking in 2020, the small business banking segment fully recovered the lost volumes and finished the year with a portfolio of BGN 760 million – the same as in the end of 2019. Recovery was also supported by the programs

we concluded in 2020 with the EIF, the Bulgarian Development Bank and the Fund Manager of Financial Instruments in Bulgaria for supporting the SMEs.

The year was successful in many aspects for Sector Wholesale as well. Despite the difficulties for most of the businesses, the stagnating economic growth and ongoing pandemic, the sector achieved record results, with the corporate loan portfolio surpassing BGN 4.26 billion, a growth of BGN 430 million for the year.

Regarding provision of funding, the past year was the best in the bank's history as customer deposits reached BGN 12.3 billion. The market share grew by just above 1 percentage point to 11.3%, making us the third largest bank by deposits.

In 2021, we continued to discover a Universe of new opportunities. Looking ahead, we further developed our innovative banking products and services, and we continued enhancing our digital channels. Our digital express banking zones – one of the most preferred innovations by our clients – are in use in more than 75 branches across the country.

The number of branches entirely renovated with our attractive and innovative outlook reached 45 at the end of the year. We complemented them with our newest specialized Premium Banking centres, servicing high profile clients in an elite atmosphere with high-tech modern design, providing comfort and confidentiality alongside impeccable service standards.

Our unique next generation mobile wallet ONE Wallet is another one of the innovations we launched this year to improve the customer experience. Through this channel clients get a real-time access to key banking services, transferring the physical wallet into their mobile phone. And this is just one of Postbank's key innovations launched, along with the unique for Bulgaria metal credit card. Postbank is also a pioneer in launching the instant payments in Bulgaria, as well as in introducing the Smart POS which transforms a smartphone into a POS terminal for the convenience of businesses and customers.

Led by our desire to offer our customers a wide range of financial products, last year we signed an exclusive partnership with the leading Bulgarian Pension-Assurance Company Doverie, part of Vienna Insurance Group. As a result, we provided our customers access to all pension-insurance solutions on the market, proving once again that such type of strategic partnerships lead to excellent results for all our customers, partners and shareholders.

Following the principles for good environmental, social and corporate governance is an increasingly important part of the business model of any large organization. In the coming years there will be a significant increase in the offers for structured green energy products and loans in support of the green transition. The situation we are in and Europe's priorities had a significant impact on our mindset. As a responsible institution, we offered our customers the innovative Eco Vehicle Loan product, aimed at financing environmentally friendly electric vehicles.

We are the only bank in Bulgaria with its own Green Board and an Environmental Office unit in its organizational structure, working for protecting the environment – reducing the use of natural resources in the bank and promoting the same principles in its lending activities. Furthermore, the Board members organize various initiatives with the active involvement of our employees. In July 2021, volunteers from Postbank made an innovative amphitheatre for study and fun – a Green Classroom, next to the Bear Museum in Vitosha Natural Park. The Green Stories in the Open Air Initiative that started in 2019 is part of the sustainable eco policy of our company. It shows us how with united efforts we can change the environment for the better, and which further strengthens our image as the most active bank in ESG.

LETTER TO THE SHAREHOLDERS

We are also one of the signatories of the Principles for Responsible Banking (PRB) of the United Nations Environment Programme Finance Initiative (UNEP FI). This major step made our bank the only financial institution in Bulgaria that chose to apply 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 global banking institutions and UNEP FI, and we are proud that Eurobank Group is also a member.

On the occasion of our 30th anniversary, we launched the innovative digital platform A Universe of Opportunities. It was created to promote inspiring ideas and as part of our active corporate social responsibility policy with which we complement our activities in the fields of education, environmental protection, entrepreneurship and promoting innovations in the modern society. We implemented a joint socially responsible campaign with Visa in support of Bulgarian healthcare workers and their efforts in the fight against COVID-19. Through the initiative „The Power Is in Our Hands“ BGN 125,000 was donated to University Hospital Sofiamed through „The Power Is in Our Hands“ initiative for purchasing modern high-class equipment for active reanimation.

Our active participation in the media and public space was distinguished with several prestigious awards. For a second year in a row we won two international awards from the World Finance Digital Banking Awards 2021 competition of the prestigious World Finance Magazine – in the categories Best Consumer Digital Banks (Bulgaria) and Best Mobile Banking Apps (Bulgaria). The competition recognizes the best banks in which provide digital services to consumers and implement innovative management models.

We were also awarded in the Efficiency category at the Annual Bank Awards of the Bank of the Year Association. This prize is significant importance to us as efficiency is one of the most important and leading factors in the banking sector and in business in general and will motivate us to reach new highs.

As a leading employer that measures its success through its employees' satisfaction, the bank has always strived to develop the skills of people in the team and to provide the environment to nurture their potential. Due to our active policy, we were the only company awarded with two gold awards from the fourth edition of the Employer Branding Awards 2021. We continued working in support of the Bulgarian education on our joint project with SoftUni, which includes various activities for preparing young people for the jobs of tomorrow and for successful realization in Bulgaria.

Meanwhile, we did not forget our responsibility towards our employees. Our internal donation platform Together which supports colleagues in need continued the successful fundraising among Postbank community.

Looking towards the coming 30 years of our history, we renewed the Bank's Mission, Vision and Values to adequately reflect the economic and social changes, the characteristics of new generations and needs of customers. We updated them in the context of the new business environment with an accelerated digitalization process and the leading focus being the importance of employees.

Dear Shareholders,

We transformed 2021, the year of our jubilee, into a true universe of opportunities that we implemented successfully. We achieved this with the devotion and active support of all colleagues, customers, shareholders and the strong international group Postbank is integral part of. This is why I would like to express my gratitude to our colleagues at Eurobank and to you, our shareholders, for your support and trust.

We expect 2022 to be even better in every way. We hope that by the end of the year Bulgaria's economy will recover to pre-crisis levels and that our country, as part of the European Exchange Rate Mechanism (ERM II) and the Banking Union, will be ready to make the important step towards the next big goal – introducing the Euro.

We will continue seeking the balance between digitalized and personalized services. Our well-functioning model is to use cutting-edge technological infrastructure in balance with the human factor offering clean, fast, personalized and safe services 24/7 to cater to our individual and corporate customers, contributing to the improvement of the prospects for the Bulgarian economy and society.

Our ambitions are high because we know that the code to success is embedded in our values!

Sincerely,

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

BANK PROFILE

IMPORTANT EVENTS DURING THE FINANCIAL YEAR



Postbank, legally known as Eurobank Bulgaria AD, is the fourth biggest bank in Bulgaria in terms of assets. It has an extensive branch network throughout the country and significant customer base comprising individuals, companies and institutions. It is a leading player in digital innovations and a trend setter in the banking sector in the country during the recent years, with multiple awards for its innovations. The financial institution holds a strategic place in retail and corporate banking in Bulgaria. The Bank is one of

the leaders at the credit and debit cards market, residential and consumer lending, savings products, as well as corporate client products – from small businesses to big international companies operating in the country. The financial institution has one of the best developed branch networks and modern alternative banking channels, with special focus on high quality services to the customers.

2021 is a special year for the Bank, because it marked its 30th anniversary on the Bulgarian market. During this period Postbank operated with great care for the people, community and nature, combining the best aspects of traditional and digital banking. The Bank is one of the most active and committed legal entities in Bulgaria, a statement backed by many successful projects which it implements every year together with its employees. In May 2021, on the occasion of its 30th anniversary, the Bank launched its largest



scale, innovative and completely online-based corporate social responsibility initiative „A Universe of Opportunities”, supporting social entrepreneurship in the country. The final stage of the competition was reached by 30 projects out of 238 applicants, which have potential in the key areas Digital Innovations, Education and Green Projects and a reputable jury chose the final three winners – one for every key area. This long-standing initiative is another contribution of our financial institution to the positive change in our society.



Postbank continued its transition towards innovative operation. Its strategy envisages good customer servicing, modern products and services, implementation of new solutions in the back-office processes and convenient ways for internal communication. The efforts of the team were recognised once again as Postbank was awarded for a second consecutive year with two prestigious international awards in the World Finance Digital Banking Awards 2021 competition of the highly respected World

Finance magazine - the Best Consumer Digital Banks, Bulgaria and Best Mobile Banking Apps, Bulgaria categories for users in Bulgaria. The Bank was also awarded with the special prize in the Innovations

category in the prestigious Mr. and Mrs. Economy competition, organised by the Confederation of Employers and Industrialists in Bulgaria (CEIB) and Economy magazine.

In July 2021, Mrs. Petia Dimitrova, Chief Executive Officer and Chairperson of the Management Board of Postbank, received Postbank's prestigious award in the Efficiency category of the Annual Bank Awards of Bank of the Year Association. Our bank was one of the four banks awarded in the prestigious competition where the assessment criteria are based on the indicators and results reported in the audited financial statements of the 25 banks and branches of foreign banks in our country. Shortly afterwards, Mr. Dimitar Shumarov, Executive Director, Chief Financial Officer and Member of the Management Board of Postbank was awarded with the prestigious Banker of the Year prize for consistent and long-lasting dynamic in the Bank's development and for the Bank's social engagement.



In July 2021 the Bulgarian Credit Rating Agency (BCRA) raised Postbank's long-term rating from BBB- to BBB, with retained short-term rating A-3 and changed the outlook to stable. It also raised the long-term national scale rating from A+ (BG) to AA- (BG) and raised its short-term national scale rating from A-1 (BG) to A-1+ (BG), thus assessing highly the Bank's stable position in the country.

Postbank also received the Deal of the Year prize in the 7th Annual Company of the Year Awards, organised by the Bulgaria Business Review Group magazine. The prizes acknowledge the best companies in various industries, giving visibility to their achievements and focusing the public attention towards their innovative and successful governance models. The recognition came shortly before Postbank won two prizes in the seventh issue of the competition of b2b Media Annual Awards 2021 in the Mobile Innovation category for the Digital Office application, which the Bank added to its portfolio of digital solutions for fast and easy internal communication with its employees, as well as the award in the category Sustainable Development Investment / Green Initiative for its multi-layered policy of CSR, which includes a number of important projects in the area of education, environmental protection, sports and corporate charity. Postbank's communication team also won first prize for the Digital Office mobile application in the prestigious BAPRA Bright Awards 2021 competition. The Bank stands boldly on the verge of its 30th anniversary as one of the leaders in the sector, ready to look for the best solutions for its customers, employees and partners.

As a top employer, measuring its success through the satisfaction of its employees, Postbank has always strived to develop the skills of its team and ensure an environment facilitating the unwinding of their potential, which brought Best Employer of the Year award for the Bank in February 2021. Another prestigious recognition for Bank's efforts in successful implementation of multiple projects and an employer branding strategy with a perspective for successful talent attraction, management and retention, was the golden prize in the Employer of the Year category of the Annual Employer Branding Awards, organised by b2b Media. Bank's wide range of activities aimed at work environment development, continuing professional development and training, engagement of the employees in corporate social responsibility projects with high added value to the society won the first place in the Employer Branding Innovation (in Pandemic Times) category in the same competition.

The Bank is also among the most preferred employers at various career-related events in the country. Its employees participate in different forums and conferences, amongst which are the innovative podcast Finance in the Focus, Money Talks and the prestigious Finance Forum Innovations of Bank of the Year Association. Postbank also launched a large-scale education project with Sofia University and it is the only bank involved in the faculty's curriculum with two separate modules entirely developed and created based on its proposal. The modern Bank Management and Investment Banking subjects

are an integral part of the 2021-2022 compulsory curriculum and the lectures are conducted by more than 20 of the Bank's experts.

In 2021 Postbank became the first certified bank in Bulgaria, which offers its clients the modern instant payments service in Bulgarian leva under the Blink Programme of the National Card and Payment Scheme (NCPS), part of BORIKA AD. It gives the Bank's customers the opportunity to make Bulgarian lev transfers from account to account (P2P/P2B) for amounts of up to BGN 30 000 in just 10 seconds, within the vast branch network of the Bank, in accordance with the implemented Pan-European Instant Payment Scheme SEPA of the European Payments Council.

In September 2021, Postbank was also the first bank in Bulgaria offering a contactless payments mobile application, transforming a smart phone into a POS terminal. The innovative service Smart POS by Postbank which the financial institution added to its diverse portfolio of digital products focuses on the development of the entrepreneur ecosystem and it is the Bank's response to the changing needs of the consumers.

In October 2021, Postbank and Doverie Pension-Assurance Company, member of Vienna Insurance Group – one of the leading international insurers, signed a large-scale strategic partnership agreement, which will ensure their clients access to some of the most innovative bank and pension insurance solutions in the market. With this agreement, the Bank expanded its diverse portfolio in order to ensure complex and meaningful servicing of its customers, by offering individual financial solutions customised to reflect their specific needs and expectations.



By setting customer interests as a top priority Postbank continued to offer various support measures to its clients – individuals and legal entities with difficulties in servicing their loans due to COVID-19 pandemic. In June 2021, the Bank joined the new Recovery programme to support the business through guarantees from the Fund Manager of Financial instruments. The objective of the programme is to facilitate the access of business to loans for recovery of their operations after the gradual revocation of the measures related to the COVID-19 pandemic. Companies will be able to receive funds to cover their current liquidity needs, but also for new investment, transformation and growth. Furthermore, in December 2021, Postbank signed two new guarantee agreements with the European Investment Fund (EIF). They are under the European Guarantee Fund programme for guaranteeing a portfolio of loans amounting up to EUR 650 mln. The Bank's involvement in the programme will allow it to provide easy access to financing to the business at preferential terms and

conditions, thus supporting the liquidity needs and projects of small and medium-sized entities in the current challenging economic environment.

Postbank once again won a spot among the best banks in the world, and for the fourth consecutive year was awarded Best Retail Bank in Bulgaria in the World Finance Banking Awards, organized by the prestigious World Finance magazine. The magazine monitors and analyses the financial industry, international business and economy. The recognition comes for Postbank's innovative, sustainable and customer-oriented retail banking approach, the vast portfolio of value adding products and innovations, the extensive branch network and the high level of customer trust.

In 2021 for the seventh time, the European Bank for Reconstruction and Development (EBRD) awarded the high prize Most Active Issuing Bank in Bulgaria in 2020 to Postbank. The prize was presented during the 30th official jubilee meeting which was conducted in an online format hosted in London.

Postbank has taken yet another step towards expanding its innovative services offered to its clients by presenting the new generation Momento express banking centre. This unique for the market service which was implemented in line with the newest global trends in financing ensures convenience and speed to the users and guarantees exceptional customer experience. The modern solution for a new kind of banking builds upon two of the successful concepts of the financial institution by uniting the Momento express consumer lending centres and the digital express banking zones.



Postbank continued developing its digital express banking zones to provide speed of service and convenience to its customers. The new service is now available in 75 offices of the Bank in 32 cities throughout the country where specialized devices with a modern design, intuitive navigation and multiple functionalities are located. The new digital express banking zones give customers the opportunity to carry out almost all transactions available in the Bank's branch and to bank conveniently at times outside the working hours. The service is unique on the Bulgarian market and it offers speed, convenience and cuts the costs for the customers thanks to the wide range of

transactions charging up to 65% lower fees compared to the fees in the bank branch.

As of January 2021, more than 120 ATMs and self-service devices in the digital express banking zones of Postbank throughout the country offer a new contactless functionality, which allows the customer to execute transactions by placing the card close to the device's contactless reader.

Through its partnership with Eurobank Private Bank Luxembourg and its 100% specialised and highly personalised private banking services, Postbank continued developing its modern Private Banking centre. The Bank's customers can take advantage of a set of investment trust services, asset management and business consultation.

In February 2021, Postbank opened its unique Premium Banking centres. In fulfilment of the long-term strategy of the financial institution for overall renovation of its branch network and with the special attitude of the Premium Banking segment customers, the specialised centres ensure comfort and confidentiality, in combination with outstanding service standards.

Another innovative service of the Bank, which aims to provide convenience and to save time of our clients is Postbank's mobile service for servicing our customers on their demand in a designated area in business centres and malls with free-of-charge expert advice on various financial products and current offers. The customers receive personalized and flexible solution for their needs and a support in filling-in the relevant application documents for specific bank's products and services.

Postbank also offers its modern and convenient service Bankers to Rely on. The service is a free-of-charge professional consultation on the specific needs of our clients, an assistance in filling-in the application documents and in submitting them to a branch of the Bank.

Postbank reports noticeable progress in its business activities related to the application of the Principles for Responsible Banking (PRB) within the United Nation's Environment Programme Finance Initiative (UNEP FI). The progress on the various aspects is presented in the institution's report, drawn up in 2021, reflecting all current practices, objectives and key performance indicators, which it has undertaken and implemented to achieve overall wellbeing and in unison with its sustainable development in the financial sector. Postbank became a signatory of the Principles for Responsible Banking in back in

2020. This important step made Postbank the only financial institution in Bulgaria which chose to comply in all aspects of its operations with the single framework for sustainable development in the banking sector, developed through the innovative partnership between leading banking institutions globally and the Finance Initiative to the Programme. Furthermore, Postbank confidently follows the ESG (Environmental, Social and Governance) principles and believes that this is the way to contribute to social sustainability and environmental protection.

In 2021 the Bank, a traditionally preferred partner of the businesses in our country, supported for a third year in a row the unique growth programme Dare to Scale. It is the first of its kind in Bulgaria, oriented to businesses having potential for larger scale expansion of their operations. Due to the huge interest this year, 10 local companies were chosen in the project of the Bulgarian office of the Global Endeavor Network. The selected entrepreneurs underwent training and interactive sessions led by successful practitioners and leaders from the Endeavor network and with the participation of Postbank experts. The Dare to Scale growth programme will continue in the future in order to encourage the growth of even more new local businesses.

In 2021, the financial institution was a key partner in series of business discussions in Sofia, Plovdiv, Stara Zagora, Varna, Russe, Bourgas, Veliko Tarnovo and others, as part of the Annual Awards of Imoti.net project, which is held for the sixth consecutive year. The project promotes the good practices in the sector. This is the only forum assessing the achievements, fairness and good reputation of companies and experts in the real estate sector. During the meetings with representatives of the real estate business, the Bank's experts discussed the trends for the development of the sector and as the leader in lending they presented their analysis of the market, consumer profile and most current residential loans terms and conditions offered by Postbank during this challenging year.

For the seventh consecutive year, Postbank was the main partner to The Big Small competition organised by 24 Hours newspaper, recognizing the best small business of the year. Every year, small and innovative Bulgarian companies present the ideas they developed successfully in a product or service on the market.

NEW PRODUCTS

The Bank traditionally strives to launch innovative products and services with focus on customer satisfaction. The COVID-19 pandemic further challenged companies to act faster in implementing solutions creating convenience for the customers to continue being successful. Postbank embraced current macroenvironment developments and demonstrated its full potential to support its clients by offering added value products and services through digital, remote or an alternative custom channel of convenience for customers.



In February 2021, on the eve of its 30th anniversary, Postbank was the first bank in Bulgaria to launch a new generation credit card on the market - the metal credit card Mastercard UNIVERSE. The new high end card was created to meet the highest customer requirements and expectations. It has a stylish design and along with all advantages of credit cards as a product it brings about many privileges and additional conveniences to its holders.

ONE wallet by Postbank is the newest service in the vast portfolio of digital solutions that Postbank develops for its customers. The latest generation mobile portfolio is a high-tech application that follows the strategic framework for development of the ecosystem of digital banking channels of the financial institution. Through this channel, the customers practically have immediate, contactless access to major bank services, because they transfer their physical wallet to their mobile phones. They can add all of their Postbank cards to their new wallet and manage them freely and effectively due to the huge set of functionalities which are embedded in the application. These also include contactless payment at a POS terminal using the phone, card management in the mobile wallet, possibilities to add loyalty cards issued by different traders, and many others.



Postbank offers an innovative service for entirely remote underwriting of insurance. The new solution allows existing customers to contract in just a few hours selected insurance products from the diverse portfolio of the Bank quickly, easily, free-of-charge and entirely online – using their smart device. The financial institution offers its existing customers the newest insurance products Income Protection and Calm Day entirely online. They offer highly sought and innovative coverage, including unemployment, care for a sick relative and more. At the end of the year, the financial institution also offered an investment insurance product, designed specifically for the Bank's Premium customers, which simultaneously provides insurance protection and the opportunity to generate a return on investment, a good alternative to solo savings or insurance products.

In November, Postbank became the first certified bank in Bulgaria offering its clients the modern instant payments service in Bulgarian leva under the Blink Programme of the National Card and Payment

Scheme (NCPS), part of BORIKA AD. The new Blink instant payments service is available as a pilot in the extensive branch network of Postbank throughout the country, and in 2022 the financial institution plans to offer the service through its digital channels.

In September 2021, Postbank was among the first Bulgarian banks to offer contactless payments mobile application turning a smart phone into a POS terminal creating value for both the merchants and the end customers. This is an easy and efficient payment solution both for micro and small traders, and for big companies managing their business on the go, such as taxi and courier companies, delivery and fast food companies, transport companies, beauty saloons, etc.

Smart POS by Postbank will allow many small businesses which currently do not meet the requirements for installing a POS terminal to accept contactless payments in their shops or on the go at any location. For industries using mobile POS devices, the transition to the software POS is much more advantageous and an easy-to-maintain solution.

The Bank continues to offer its customers an end-to-end remote process of issuance of credit and debit cards allowing its customers to apply for their cards online and to receive them at an address of their choice, so the entire procedure is carried out without the need to visit a bank office.

Postbank constantly develops its portfolio of deposit products. In 2021 Postbank launched few more innovative deposit products – Index Duo Gold, Index Climate Change and Index Artificial Intelligence, oriented to clients looking for additional solutions for their savings. The newest deposit solutions of the Bank are offered in Euro and USD, with guaranteed principal and a yield linked to the performance of the Solactive Climate Change Europe BTI PR Index. These deposit products are a good alternative with yield-generating option in comparison with the existing standard term deposits.



The one-year-interest-free overdraft consumer loan combines two of the most preferred products and gains momentum as a top offering in the portfolio of Postbank in 2021 as well. The loan may be used both to cover current needs and to unite liabilities. The video advertisement for this product revives the amazing story of Maxim and Stefan Ivanov. They crossed the Atlantic Ocean in the summer of 2020 during the peak of the global pandemic and the worst hurricane season in the Atlantic, after 105 days sailing in the ocean rowing the Neverest boat they built. With this ad, the Bank wants to inspire more people to follow their dreams. With its product, combining consumer loan with interest free overdraft for an

entire year, the Bank offers the users the financial freedom they need to implement large and small personal projects.

Postbank linked the green idea of its primary consumer lending with the growing desire of consumers for more environmentally friendly transportation and provides to its customers an opportunity for easy transition to the new future. ECO Autocredit is the newest product oriented entirely towards financing electric, environmentally friendly vehicles.

Postbank continued offering targeted consumer loans for business training throughout the world. This product is unique for the Bulgarian market. It can be used to finance the fees for different programmes such as Master of Business Administration, Executive Master of Business Administration, Advanced

Management, etc. The product was developed to meet the increased interest noticed by the Bank during the past few years for financing education that opens the path to career growth and development.

In response to the increasing consumer interest for digital bank services, Postbank continues providing convenient options for online consultation for residential loans through the EVA Postbank mobile application. The innovative service facilitates the access to information for residential lending features and the loan application process. The addition of new functionalities to the mobile application is part of Postbank's strategy for overall digitalisation of the processes and its effort to communicate with the clients in a way that is most convenient for them.

Postbank's clients can also take advantage of the convenience offered by the Online Mortgage Lending Centre, which introduces a new model for fast and convenient customer service. The new digital solution in residential financing is a continuation to the services offered by the Bank in its specialised Mortgage Lending Centres. The Bank builds its online mortgage loan application service to transfer the process in a digital setting and meet consumer expectations for remote consultation and communication with the Bank in the process of granting the loan.

Postbank continues to offer its customers the Super Mortgage Loan – the first mortgage loan with a fixed interest over the entire term of the loan. The product provides customers planning to purchase a property long-term certainty and predictability in the future.

The maximum amounts to EUR 250 000 and the funds may be used to purchase, repair, build a residential property or for finishing works on a residential property, as well as to refinance an existing residential loan.

The financial institution continues to offer the Savings Residential Loan which gives the customers the opportunity to pay interest only on half of the loan. This results either in smaller monthly instalments, or faster repayment of the loan. In October, the financial institution started for a fifth consecutive year its special initiative – Residential Lending Month. The clients have the opportunity to take advantage of excellent financing terms and conditions, saving up to BGN 1 200 of the initial loan-related costs. Its start is in line with the consumers' behaviour and the traditionally increased demand for mortgage loans during the last quarter of the year.

Postbank offers more spare time and a lot of possibilities with the Golden Time pension transfer programme. It is specially developed for pensioners, including bank products, which meet their needs to a maximum. Another option is the Golden Rent deposit, which offers a fixed interest rate and the possibility to receive the interest every month

SUSTAINABLE DEVELOPMENT

In addition to its primary business, Postbank continues with its focus on the needs of the local communities by supporting programmes and initiatives with reputable institutions and organisations. The Bank is trying to educate its employees, as well as the consumers and the society to have responsible attitude towards our environment. The Bank's aim is not only to create competitive advantages by adding more and more value to the products offered, but also to reduce its adverse impact on the environment.

In 2021, the Bank implemented many socially important projects in the area of entrepreneurship, education, environmental protection, sports and corporate charity. Postbank is an active member and works in support of initiatives of the CEIB, AmCham, HBCB, Association of Banks in Bulgaria, BORIKA AD, Endeavor Bulgaria Association, Bulgarian Business Leaders Forum, Bulgarian Charity Forum Association, Atanas Burov Foundation, the Bulgarian Network of the UN Global Compact, the Bulgarian Association of Advertisers, Bulgarian Public Relations Association and the Bulgarian Fintech Association.

On the occasion of its 30th anniversary, Postbank is focusing on supporting social entrepreneurship. The winners in the innovative digital platform A Universe of Opportunities received their awards on 14 September during a special event at the University Botanic Garden in Sofia. This platform was developed to promote interesting ideas related to social entrepreneurship to the benefit of the public. 30 out of 238 projects with potential in the key areas Digital Innovations, Education and Green Projects reached the final stage of the competition, and at the beginning of September three winners – one in each field – were selected after the decisive vote of the renowned jury.



Postbank and Visa implemented a joint socially responsible campaign in support of the Bulgarian health workers and their efforts in fighting COVID-19. BGN 125,000 were provided to University Hospital for Active Treatment Sofiamed. The funds will be used to purchase respiratory devices of the highest quality for active reanimation, oxygen concentrators and apparatus for high-flow nasal cannula oxygen therapy with permanent positive pressure. Every cardholder, client of the Bank, had the opportunity to participate automatically in the initiative, using their Visa debit or credit card issued by Postbank before 16 April 2021

and to make at least one purchase with the card for a minimum of BGN 30 at a shop or online store during the period of the campaign. For every qualifying payment, Postbank donated BGN 1 in support of the medics who have been on the front lines in the fight against COVID-19 for more than a year.

The education of children and young people in Bulgaria has always been part of the corporate social responsibility projects developed and supported by Postbank.

This is why the Bank continued developing its joint project with SoftUni in support of the Bulgarian education, a project that started back in 2018. It involves various activities aimed at preparing young people for the professions of the future and for professional career in Bulgaria.

Through the strategic partnership, the two organisations aim to encourage students to reach their potential as IT and digital leaders prepared for the dynamically changing environment and the new trends in banking. A new generation digital application, which is intended to facilitate the communication between the employees, won the big prize in the Programming category of Postbank during the third issue of SoftUni Fest.

IT specialists from Postbank once again took part in the online career seminar IT Journey. They presented the attractive employment and career development possibilities in the company to the young students from the Software University. As a leader in the Bulgarian market, Postbank has a diverse and vast infrastructure, based on dynamically developing high tech services and solutions, providing outstanding possibilities for specialisation and development in different technology branches. The Bank is amongst the top preferred employers for the young software specialists who are at the beginning of their professional path.

For the sixth consecutive year, Postbank participated in the most distinguished initiative of the Bulgarian Network of the UN Global Compact I am Proud of My Parents' Work. This time the meeting with the employees' children was completely virtual. Although from a distance, the children had the opportunity to get to know the professions of their parents, to understand exactly what the people in the bank do

and why their work is so important. Thanks to the Bank's specialists, they understood that there is a place in Postbank for people with many different interests and skills.

In 2021, for yet another year, the financial institution supported the National Trade and Banking High School in Sofia by committing to become a mentor of one of the school banks.

In April 2021, Postbank started its strategic partnership with the Finance Academy in an educational project aimed to ensure valuable practice-oriented knowledge to raise financial literacy in our country. The two organisations firmly believe that improving the financial culture will also lead to the development of the entrepreneurship ecosystem. This is why their joint activities are focused on sharing current knowledge directly related to the actual business environment.

Postbank and Sofia University cooperate in the field of the education of future financial experts in the Finance and Banking Master's degree programme of the Faculty of Economics and Business Administration. The modern subjects Bank Management and Investment Banking are an integral part of the 2021-2022 compulsory curriculum and lectures in these subjects are conducted by experts from the Bank.

As part of its traditional internship programme, for another year in a row, Postbank gave talented students and motivated young people the opportunity to prove their qualities and start their career in one of the biggest and innovations-leading Bank with a 30-year history on the market. The internship programme is part of the corporate social responsibility policy of Postbank in support of the youth for 14 years now.

For the sixth year in a row, as member of the Association of Banks in Bulgaria (ABB), Postbank participated actively in the European campaign aimed at fighting money laundering schemes and recruitment of financial mules.

In June 2021, Postbank was once again a key partner in the charity relay run Postbank Business Run, annually organised by Runner club. 240 teams from 87 companies from different sectors participated. They competed in support of two causes. The biggest teambuilding in Bulgaria was realised in support of two causes. The funds raised exceeded BGN 10 000 and they will be donated to the Children's House project of the For Our Children Foundation in order to secure temporary shelter and a chance for the families of the youngest ones, as well as Water Way Foundation to support children with special needs through physiotherapy, water rehabilitation and modified swimming, so they can grow up as independent adults having a chance at a meaningful life.

Postbank is the only bank in Bulgaria that has a Green Board and an Environmental Office Unit as part of its organisational structure. They work towards environmental protection both with respect to limiting the resources used by the Bank, and with respect to the Bank's financing activities. Furthermore, the members of the Board organise various outdoor initiatives to mobilise other employees.

In 2021, Postbank and Mastercard developed a joint project for reconstruction and expansion of the park infrastructure along the tourist route Bear Museum – Dendrarium Area in Natural Park Vitosha. During the first phase of the project, volunteers from the two companies joined their efforts and together with the Directorate of Natural Park Vitosha they created the Green Classroom, which is situated in immediate proximity to the Bear Museum. The construction of an open amphitheatre study and celebrations spot will shape a creative space, which will give an opportunity for an innovative learning approach, as well as fun for different children's groups that visit the mountain regularly. The second stage of the project in 2022 will include the construction of a connecting path between the Green Classroom and the Dendrarium area, so that tourists could move safely in the forest between the two places without having to take the main road.

In 2021, in partnership with Bloomberg TV, Postbank launched the third issue of the innovative information format – the Finance in Focus podcast. The podcast is issued in seven episodes in which the Bank's experts acquaint the audience with the contemporary solutions in banking, the innovative bank products and services and the various possibilities in the sector provided to us by modern technologies.

Postbank's employees are also regular donors to the National Transfusion Haematology Centre and they participate in blood donation campaigns organised and carried out in the Head Office.

With the support of Postbank, the Specialised Hospital in Obstetrics and Gynaecology Maychin Dom celebrated 1 June with an exhibition of Sandro Arabyan.

The financial institution supported the third issue of the festival A Road Less Travelled: Chamber Music in Kovachevitsa.

The 16th Global Meeting of Bulgarian Media was held under this motto Media and Truth on 17 and 18 October 2021. This event is traditionally organised by the Bulgarian News Agency (BNA). Postbank is a partner of the prestigious forum which unites the representatives of the Bulgarian media abroad.

During the year, the Bank also continued its long-term support and work with the socially disadvantaged groups and incentivising their active role in society. Support was provided to disadvantaged children in Kazanlak, elderly people in Rousse, the national campaign Easter for Everybody – Donate a Holiday to a Grandmother and Grandfather, as well as many smaller initiatives throughout the year.

Postbank traditionally participates in the holiday decoration of Sofia. Following its widely shared values, the financial institution believes that the overall wellbeing and development of society depends on the efforts to improve the environment of each one of us. Therefore, along with the other socially-oriented projects, for several years now the Bank cares for the holiday sparkle in the capital during the Christmas and New Year holidays.

AWARDS:

- Two international awards for Postbank in the prestigious World Finance Digital Banking Awards 2021 competition of the highly renowned World Finance Magazine.
- Postbank once again won a spot among the best banks in the world and for a fourth year in a row it was named Best Retail Bank in Bulgaria in the World Finance Banking Awards competition. The prestigious World Finance magazine which monitors and analyses the financial industry, international business and economy organises the awards.
- The recognition comes due to the many innovations, excellent results and sustainable work model in retail banking, combined with modern products and services to the benefit of the consumers.
- Dimitar Shumarov, Chief Financial Officer and Executive Director of Postbank, and Member of the Management Board was awarded Banker of the Year prize. The prize was presented for the consistent dynamic in the development of the Bank and for its social engagement.
- Prize in the Efficiency category at the Annual Bank Awards of Bank of the Year Association.
- Postbank was named Best Employer of the Year after it won the gold in the Employer of the Year category in the fourth issue of the Employer Branding Awards 2021.
- The Bank won first place in the Employer Branding Innovation (in Pandemic Times) category during the fourth issue of the Employer Branding Awards 2021.

- Silver EFFIE in the Services category for the campaign of Now programme.
- Award in the Innovation category in the prestigious Mr. and Mrs. Economy, organised by the Confederation of Employers and Industrialists in Bulgaria (CEIB) and Economic magazine.
- Postbank won an award in the Talent Management Strategy category at the prestigious best employer awards Career Show Awards 2021.
- For the seventh time, Postbank was presented with an award from the European Bank for Reconstruction and Development (EBRD) – the award for Most Active Issuing Bank in Bulgaria in 2020.
- Bank of the Year award in the seventh annual Company of the Year awards.
- Postbank won first prize in the special category Internal Communications Department of the Year in the PR Prize 2021 competition. The award was presented for the many important projects implemented by the Bank in the fields of education, environmental protection, sports and corporate charity.
- An award in the Communications of Eco Projects category in the PR Prize 2021 competition for the Green Outdoor Stories project, with which an eco-trail in Natural Park Vitosha was completely renovated during two consecutive years.
- Prize in the Communications Project for a Product or Service category for We are All Connected at the PR Prize 2021, a consumer loan campaign with an overdraft, which is strategically important in the development of the Bank's consumer loans portfolio.
- Gold in the Innovations and Sustainable Development category at the Heart of Gold annual awards for charity work and corporate social responsibility.
- First place in the national competition The Greenest Companies in Bulgaria in the Green CSR Campaign category.
- Postbank won two awards at the prestigious PR and communications competition BAPRA Bright Awards 2021 – in the Campaign Implemented by and Internal PR Department and Corporate Communications (reputation and brand management) categories.

Eurobank Bulgaria AD as is

2021 2020

BALANCE SHEET

BGN 000

Net Loans and Advances to customers	8,793,951	7,798,875
Core Client Deposits	12,313,508	10,234,485
Shareholders' Equity	1,787,038	1,623,547
Total Assets	14,490,094	12,103,849

STATEMENT OF COMPREHENSIVE INCOME

BGN 000

Net Interest Income	367,063	361,865
Net Fee and Commissions Income	123,901	103,399
Net trading Loss/Gain	1,884	3,421
Other operating income	2,531	1,063
Total Operating Income	495,379	469,748
Total Operating Expense	207,178	188,483
Deposit Insurance Fund	(15,524)	(28,043)
Provisions for impairment	(84,385)	(83,403)
Profit Before Tax	188,292	169,819
Income tax	(19,066)	(17,143)
Profit After Tax	169,226	152,676

KEY FINANCIAL RATIOS

Total Capital Adequacy Ratio	20.58%	20.91%
Net Interest Margin	2.5%	3.0%
ROA (after tax)	1.28%	1.36%
ROE (after tax)	9.91%	9.86%
Earnings per Share	0.30	0.27
Total funding	12,490	10,272
Fees & Commissions/OPEX	59.80%	54.86%
Provisions/Loans	0.96%	1.07%
Provisions/Operating income	17.03%	17.8%
Cost/Income Ratio	41.8%	40.1%
Net Loans/Deposits ratio	71%	76%

WORLD ECONOMY

The COVID-19 pandemic continued to shape the social and economic environment in the past year. The start of the mass vaccination programs in the beginning of the year gave hope that the crisis will soon be over and that the economies will rebound strongly, swiftly returning to their pre-pandemic levels. While this was true for some countries, the renewed waves of infections in the second half of the year forced governments across the world to reintroduce containment measures, thus hampering the economic expansion. Although the developed and some less developed countries reached substantial rates of vaccination, this proved not enough to contain the new variants of the virus, prolonging the duration of the crisis into the next year.

The new waves of infections were not the only factor that slowed the pace of recovery. The persistent logistics constraints, the shortages of raw materials and labor as well as the resurgence of inflation, all exerted downward pressure on the economies. The fiscal and monetary stimulus in the developed countries led to increased consumption and demand for raw materials and goods which disrupted the fragile supply chain network and led to shortages and higher prices. In the same time, the labour markets in some countries have tightened and employers found it difficult to fill in empty positions, despite the fact that the labor force participation rates reached almost pre-pandemic level. All this was aggravated by the rising prices of energy which ultimately led to inflation levels unseen in the recent past. Thus the world economy enters the year 2022 in a weaker position than previously anticipated. Although it is expected to grow by 5.5% in 2021, the projections for the next two years are for a fast deceleration – to 4.1% and 3.2% respectively.

The main downside risks are renewed COVID infections, prolonged supply chain disruptions, higher inflation, including wages, earlier withdrawal of monetary accommodation and faster than expected increase of policy rates. The latter deserves special attention as in the past two years the debt levels across the world have risen further as governments have relied on various fiscal stimuli to support their economies throughout the crisis. Rising geopolitical tension and climate related disasters are also two important factors with unpredictable consequences.

The economies of the EU countries show a mixed picture. In many of the biggest countries, the GDP has still not reached its pre-pandemic level, especially in those that rely more on tourism and foreign trade. In the EU as a whole the GDP is expected to grow by 5.3% in 2021, but the next two years will see lower rates – 4.0% and 2.8% respectively, while for the Eurozone countries the rates are forecasted to be 4.0% and 2.7%. By the end of 2022, the real GDP in all EU countries will exceed the pre-pandemic level and in 2023 the growth will return to its normal long-term expansion level. It will be, however, a bit higher than previously expected due to the deployment of the Recovery and Resilience Facility whose effect will start to be felt from the second half of this year onwards.

The monetary policy remained supportive throughout the year, however, the rise of the inflation and the expectations that this is not a temporary phenomenon forced the central banks to consider returning to their original mandates – i.e. maintaining the price stability. Several central banks have already raised the policy rates last year and the Federal Reserve is expected to do so at its meeting in March with four more to follow throughout the year. There are even discussions whether the central banks should initiate quantitative tightening and start shrinking their swollen balance sheets. For the time being, the ECB intends to maintain its accommodative monetary policy. It announced that it will continue the net purchases under the Asset purchase programme (APP) until it begins to raise the key interest rates. In the same time, the net asset purchases under the Pandemic emergency purchase programme (PEPP) will be stopped at the end of March, but ECB will continue to reinvest the principal payments from the maturing securities at least until the end of 2024.

ECONOMIC SITUATION IN BULGARIA

Bulgaria's economy fared relatively well in 2021. After contracting by 4.4% in 2020, it rebounded in 2021 by an estimated 4.2%. As most of the other EU countries it failed to reach its pre-pandemic level for which several factors played part – the resurgence of the COVID infections in the second half of the year, the low level of vaccination, the political instability, the delay of large public infrastructure projects and the rise of inflation. The main driver of growth was the consumption which rose by 7% YoY – the decrease of the unemployment rate, the rising salaries and the government handouts to the pensioners increased the disposable income of the households and most of it was spent. On the other hand, the investments were below expectations, declining by 1.1% YoY, as for the better part of the year the country was governed by a caretaker governments which withheld the capital expenses, thus keeping the budget at a surplus. The contribution of the external sector was negative – the export was up by 9.9%, while the import increased by 12.2%, compared with the previous year.

Bulgaria's foreign trade marked increased activity in 2021 reaching record levels. In nominal terms the exports rose by 24% YoY to 67.9 billion leva, while the value of the imports jumped by 27.5% to 76.7 billion leva. Bulgaria's trade with the EU members moved in parallel – both the imports and the exports rose by a little more than 26% YoY. On the other hand, the imports from third countries increased by 29%, while the exports were up by close to 20%. More than a quarter of the increase of imports is coming from machines and equipment which suggests that the Bulgarian companies continue to invest and upgrade their production capacity. However, the second biggest factor is negative and is related to the prices of oil and natural gas which saw hefty increases over the last year. The weaker Turkish lira benefited the Bulgarian importers – imports from the country was by 40% higher than in the previous year, while the country is by far the biggest trading partner outside the EU.

The foreign direct investments were €1.04bn, less than half their level a year ago. The debt instruments recorded a significant outflow of €461m in 2021, compared with an inflow of more than €1.18bn in the previous year. What is more, the equity investments were also negative (-€91m), while a year ago they were €350m. On the other side, the reinvested profit (€1.59bn) is more than twice the level a year ago (€740m) which is a positive sign about the overall economic situation in the country.

The biggest net inflow of investments came from Luxembourg (€455m), Germany (€285m) and Austria (€213m), while the biggest outflows were to Russia (€344m) and Switzerland (€144m).

Inflation has been on the rise since the beginning of the year. Measured through the consumer price index, it reached 7.8% at the end of December, a level not seen in the last 13 years. The main driving forces are the prices of liquid fuels, natural gas and food. Since December 2020 the prices of natural gas doubled, while the prices of liquid fuels rose by close to 40%. In the same time, the prices of food and beverages rose by 8.9% YoY and since they have the biggest weight in the consumer basket, their increase cannot be easily offset. The volatile prices of electricity have not been felt yet by the households, since they are still on the regulated market. However, the businesses are already trying to pass some of their higher production costs, including wages, to the consumers which will sustain the inflation in the medium term.

The unemployment rate declined by 0.7 pp to 4.6% at the end of 2021, according to the data by the National Statistical Institute. The number of unemployed was 147 thousand – a decrease of 26 thousand over the last year. The employment ratio in the age group 15-64 years worsened slightly to 68.5% (compared with 68.8% in December 2020). More concerning, however, is the fact that the workforce decreased by close to 73 thousand people in the last year because of the negative demographic trends. The decline in the age group of 15-44 years is more than 60 thousand people. The preliminary data from the Census conducted in 2021 is also discouraging, the number of people living in the country was 6.52 million which is 844 thousand fewer than in 2011 and around 300 thousand fewer than expected, where the most likely reason for the latter is the emigration.

The positive news is that the number of long-term unemployed (unemployed for more than 2 years) decreased by around 14.5 thousand people, while the ones with basic or no education have decreased by 12 thousand. Surprisingly, the region with the highest unemployment rate is no longer the Northwestern, but the North Central with 7.8% unemployment rate vs. 7.1% for the Northwestern. The Southwestern region (which includes Sofia) regained its first place and has an unemployment rate of just 3.1%, compared with 3.3% for the South Central region (which is around Plovdiv).

The tight labor market is forcing the employers to raise the salaries in order to attract and retain staff. On average the salaries in the country rose by 14.2% to 1,676 leva over the last year. In just a few sectors the increase is a single digit (mining, utilities and finance), while in others (hospitality & entertainment) it is around 50%. The public sector is paying an average salary of 1,872 leva (15% YoY) and is widening the gap vs. the private sector, which is paying 1,611 leva (13.9% YoY) on average. The ITC not only remains the highest paying sector, it is also one of the fastest growing. The average ITC salary rose by 15.3% to just over 4,000 leva. The Supply of Electricity and Gas is the second highest paying sector with 2,695 leva (10.9% YoY), followed by Finance and Insurance with 2,602 leva (8.5% YoY).

The interim governments were careful to preserve the fiscal stability and kept the budget on a surplus until November. In the last month of the year the newly elected government decided to maximize the fiscal stimulus that it was allowed as per the revised budget law and increased the spending on pensions and subsidies. Thus, the budget finished the year on a cash deficit of 3.9 billion leva (3% of the GDP), although some of the expenses were transferred to special interim accounts and will be used in 2022. Budget revenues were 52.3 billion leva, 8 billion leva higher than in 2020 of which 5 billion came from direct and indirect taxes. In the same time, the government spent 8.8 billion leva more on social expenses (4.1 billion), subsidies (2.8 billion) and salaries (1.9 billion). The better part of the increase of the social expenses (3.1 billion leva) went to the pensioners who received additional 50 leva per month from January to September and 120 leva from October to December.

The pensions were indexed at the end of the year, but the pensioners will still receive additional 60 leva per month for the first six months of 2022 in order to preserve their disposable income. The 2.8 billion leva increase of the subsidies covers the compensation to companies for the higher prices of electricity, various labor market supporting measures (such as 60/40 and 80/20), as well as additional subsidies for the health care system. The only saving came from the capital expenditures which decreased by 1.12 billion leva to 3.8 billion leva – the lowest level since 2017.

The state debt was up by 3.65 billion leva in 2021 to 32.5 billion leva (24.9% of the GDP). The government chose to finance itself exclusively from the local market and issued 3.8 billion leva throughout the year, most of which were acquired by the Bulgarian banks. While the yield of the first issuances was close to zero or negative, toward the end of the year it climbed to 0.5% for an eight-year notes, suggesting that the local market is saturating. This should be taken into account by the government which plans to issue another 7.3 billion leva in 2022 to finance the deficit and repay the maturing GMTNs.

In February 2021 the rating agency FITCH confirmed the credit rating in the country at BBB, but raised the perspective to positive. At the end of the year it reconfirmed the rating and the perspective. S&P confirmed the rating of the country in May 2021 at BBB with a stable perspective. The third big rating agency, Moody's did not make any updates within the year and the rating is Baa1.

BULGARIAN BANKING SYSTEM

The results of the Bulgarian banks in 2021 are encouraging. Assets, loans and deposits are reaching new heights, income is rising and provisions and costs are under control. The combined net profit for the year was 1.4 billion leva, 74% (601 million leva) higher than in 2020, but still some 15% below the pre-crisis year 2018 and 2019. The return on equity was 8.5%, a significant improvement from the 5.3% in 2020, especially taking into account the fact that in the last two years the banks have not distributed any dividends which strengthened their capital buffers, but affected the profitability ratio.

After the slowdown in 2020, the lending rebounded strongly in 2021 with the retail segment being at the forefront. Total loans increased by 9.2% YoY to 75.9 billion leva. In nominal terms the net increase was 6.4 billion leva, the highest on record and double the result from a year ago. Loans to companies rose by 2.8 billion leva (6.4% YoY) to 46.4 billion leva. Most of the new loans are with maturity of more than 5 years, suggesting that the companies are confident in the near future and are willing to invest in long-term projects. In the same time, the loans to households increased by 3.6 billion leva (13.9% YoY) to 29.5 billion leva. The net increase is not only the highest in history, but also around 50% higher than the second best year. Both retail segments show record increases – the mortgage loans expanded by just over 2 billion leva (15% YoY) and the consumer ones by 1.4 billion (11% YoY) to 15.8 and 14.3 billion leva respectively. The increased lending, especially in the mortgage segment, is a consequence of the rising consumer confidence, the booming real estate market and the higher salaries.

The competition and the excess liquidity are pushing the rates of the new loan production to new lows. The average interest rates on new loans in leva to companies dropped from 2.8% at the end of 2020 to 2.4% a year later. Rates of the new mortgage loans fell by 20 bps to 2.62% at the end of the year, while consumer lending segment rates are much more volatile, but are still some 10 bps lower on average than in 2020.

The growth of deposits was also impressive – 8.7 billion leva for the year (8.6% YoY) to 109.4 billion leva, just short of the record delta in 2020 (8.8 billion leva). Deposits from financial and nonfinancial companies rose by 3.2 billion leva (8.5% YoY) to 41.2 billion leva, which is around 15% below the net increase in the previous year. The households, however, added 5.5 billion leva to their savings and reached a total of 68.1 billion leva, which is 9% more than in 2020 and the highest annual delta in history. The gross loans to deposits ratio remained flat at 69% which translates into more than 30 billion leva surplus liquidity for which the banks are paying interest charge. In 2021 the banks were charged 107.8 million leva in the form of negative interest rates, up from 70 million in 2020. Expectedly, the banks are trying to transfer some of this cost to the corporate customers by imposing a safekeeping fee on large deposit amounts and in 2021 this was expanded to include also deposits from individuals.

While banks' total income rose by 290 million leva (7% YoY) to 4.45 billion leva, only 40 million leva of it came from interest income. The competition and the low interest rate environment make it increasingly difficult for the banks to rely on interest income as a source of growth. Thus, even though total loans rose by 9.2% in 2021, the growth of the interest income on loans was just 3.9%. The banks managed to realize a slight incremental saving of 68 million leva on their interest expenses, however, just 33 million of it came from deposits from clients. Full year interest cost on client deposits was around 51 million leva so there is limited possibility for further savings. Therefore, the banks are increasingly relying on net fees and commission income, which grew by 202 million leva (19.5%) to 1.24 billion leva and accounts for 28% of the total banks' income.

The administrative expenses rose by 108 million leva (6.4%) to 1.78 billion leva which was predominantly influenced by the increase of salaries expenses (66 million). On the other hand, the fact that Bulgaria is now part of the banking union yielded significant savings for the banks – the contribution to resolution funds was virtually zero which saved some 145 million leva from these charges.

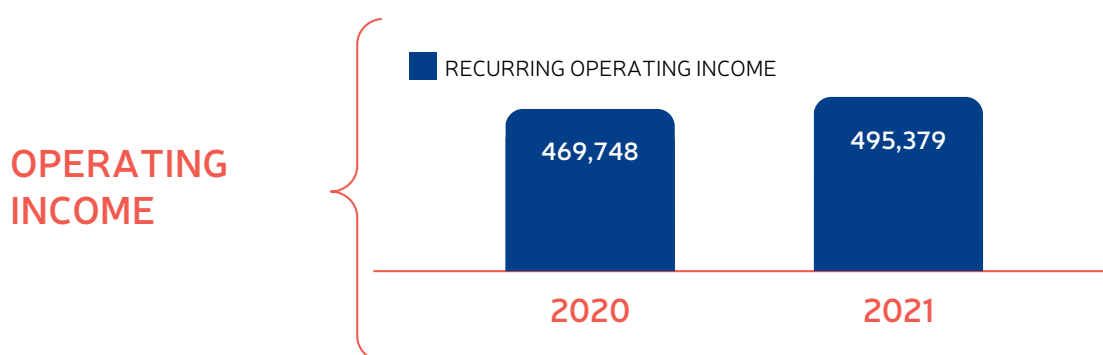
The higher profits of the banks were also supported by the decrease of 282 million leva in impairment charges on loans and securities, the cost of risk returned to the more normal 0.8%, compared with 1.3% a year earlier. This also reflected the improving quality of the lending portfolios. The nonperforming exposures ratio decreased by 1.7 pp to 6.5%, a new low point. Throughout the year the volume of the nonperforming exposures decreased by 740 million leva to just below 5 billion leva. A third of the decrease (245 million leva) was from loans overdue more than 180 days which are down to 2.78 billion leva. The coverage ratio has been steadily improving and already stands at 72% which is almost 10 pp above the level as of December 2020.

For a second consecutive year, the Central Bank adopted a decision requiring the banks to capitalize the full amount of banks' profit for 2020 which strengthened the CET 1 capital by more than 800 million leva. However, this was just enough to keep up with the growth of the lending so the capital adequacy decreased by 12 bps in 2021 to 22.62%. The CET 1 ratio as of the same date stood at 21.66%.

EUROBANK BULGARIA PERFORMANCE AND KEY INDICATORS

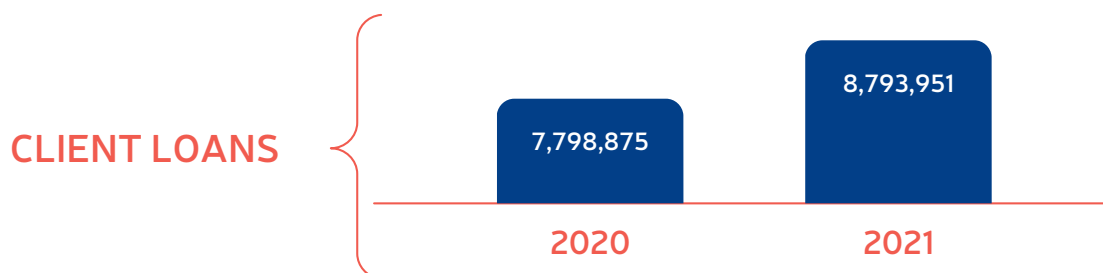
Eurobank Bulgaria had a very successful 2021 year and managed to achieve the best performance in the history so far by increasing its income and net profit, gaining market share through organic growth, while maintaining its strong capital adequacy, risk and liquidity ratios. The profit after tax increased by 11% YoY to 169 million leva which is the highest level in history achieved through core business activities excluding one-off effects. The return on equity was 9.9%, the same as in the previous year and around 1 pp above the average for the market.

Total operating income rose by 5% (25 million leva) to 495 million leva. The main income driver was the net fee and commission income which expanded by 20.5 million leva (20% YoY) to almost 124 million leva. Several factors contributed for the higher fees and commission income – the rebound of the credit and debit card business, the higher deposit base which brought more transactional and safekeeping fees and the higher sales of structured deposits and other treasury products. On the other hand, the intense price competition exercised a strong pressure on the net interest income which increased by just 1% (5 million leva) to 367 million leva.

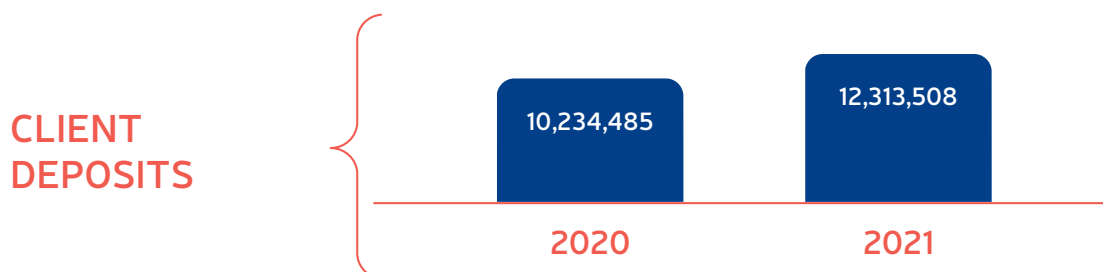


The lending portfolio expanded by 12.8% YoY (1.03 billion leva) to 9.09 billion leva, outpacing the market (9.2% YoY) and gaining 40 bps market share to 12.0%. More importantly, this was achieved without sacrificing the profitability – the average yield on the Bank's portfolio is around 40 bps above the market average and higher than the main peers. In line with the market trends, the retail segment outperformed the corporate one – corporate loans rose by 11.2% (428 million leva) to 4.26 billion, while retail loans were up by a little more than 600 million leva to 4.83 billion. For a second consecutive year, consumer loans were the fastest growing – by 21.3% (263 million leva) to just short of 1.5 billion leva. Mortgage

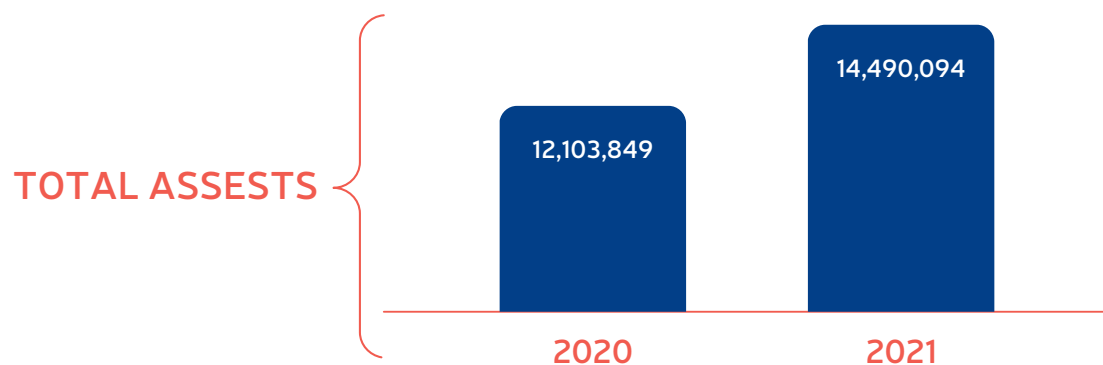
loans were also in high demand because of the booming real estate market and rose by 13% (295 million leva) to 2.57 billion. After falling in 2020, the SBB segment fully recovered its lost volumes and finished the year with a portfolio of 760 million leva – the same as at the end of 2019. The recovery was helped by the programs which Eurobank Bulgaria signed in 2020 with EIF, the Bulgarian Development Bank and the Fund Manager of Financial Instruments in Bulgaria to support the small and medium sized businesses.



In terms of deposit gathering, the previous year was by far the best in the history of the Bank. Client deposits jumped by more than 2 billion leva (20.3% YoY) to 12.3 billion leva. The market share increased by more than 1 pp to 11.3% and Eurobank Bulgaria became the third biggest bank by deposits. In nominal terms, the deposit delta was more than double the one of the net loans which lowered the net loans to deposits ratio by 5 pp to 71% and strengthened the liquidity buffers. In contrast to the market, the corporate deposits rose much faster than the retail one – by 31% (789 million leva) and 17% (1.29 billion leva) respectively, which had a positive effect on the fee and commission income. Other borrowed funds rose by 137 million leva as Eurobank Bulgaria took 75 million euro at the end of the year in the form of eligible liabilities from Eurobank S.A.

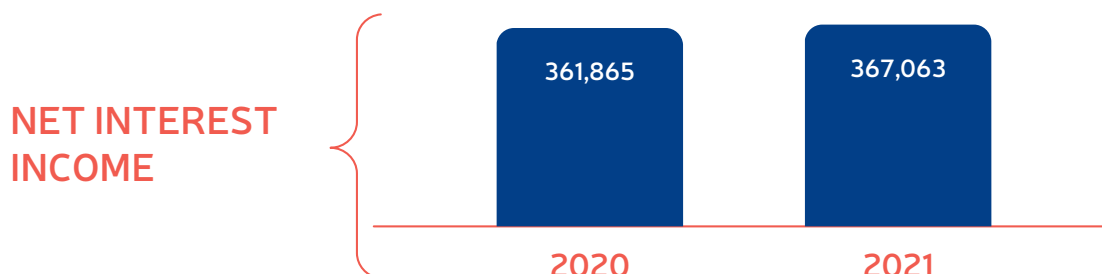


Loans and deposits growth contributed for the overall increase in Total Assets of 20% on yearly basis.

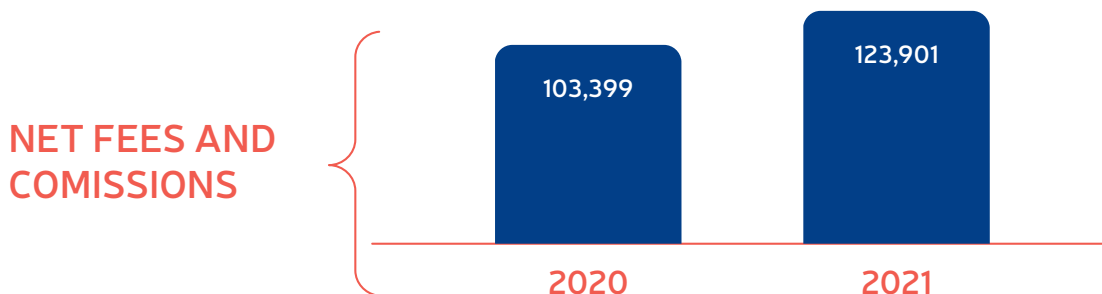


Net interest income, which increased by only 1% (BGN 5 million) to BGN 367 million.

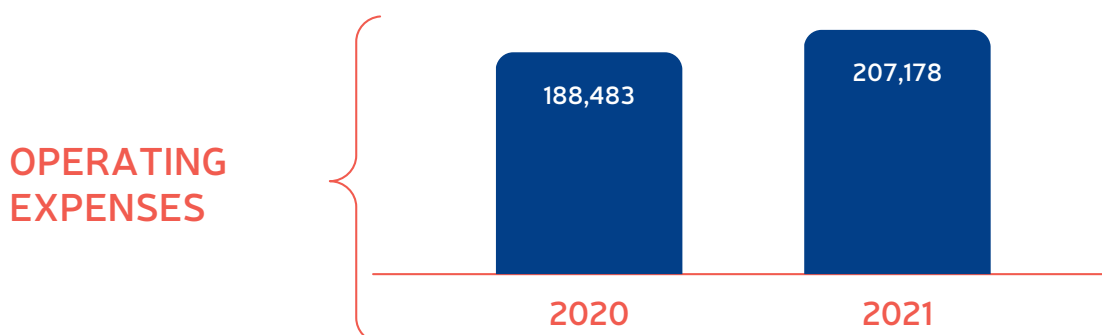
Interest income increased by 1.0% on an annual basis to BGN 378 million, and interest expenses decreased by BGN 1.6 million to BGN 11.0 million (2020: BGN 12.7 million), result of the containment of customer deposits Cost of Funds despite the significantly increasing volumes.



Total operating income rose by 20.5 million leva (20% YoY) to 123.9 million leva. Several factors contributed for the higher fees and commission income – the rebound of the credit and debit card business, the higher deposit base which brought more transactional and safekeeping fees and the higher sales of structured deposits and other treasury products.

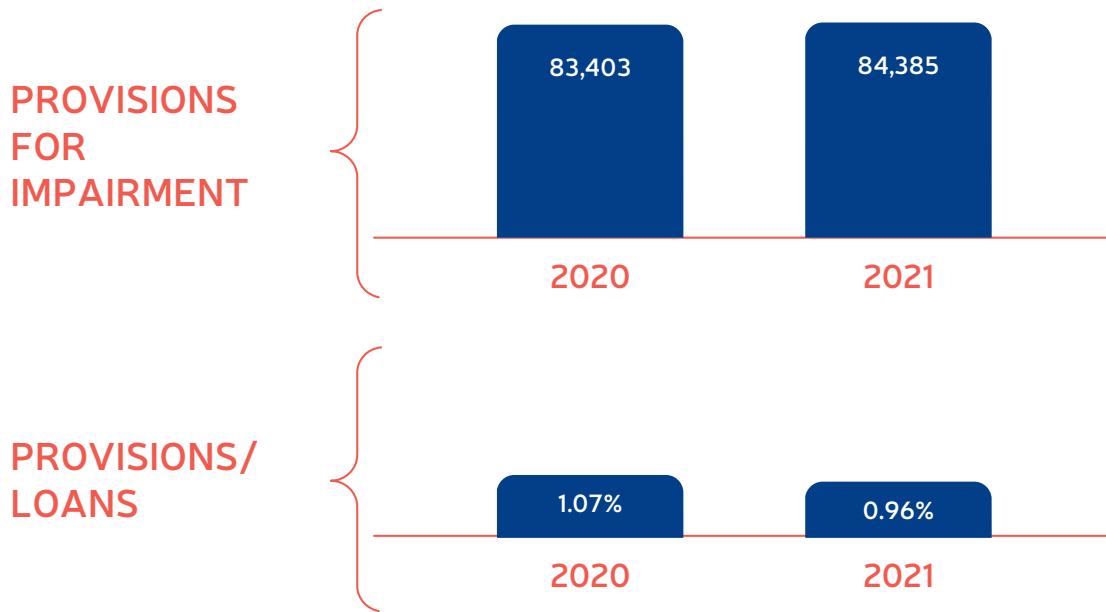


Other operating expenses rose by 10% (18.7 million leva) to 207 million leva. Almost two-thirds of the increase (12 million leva) was spent on salaries in order to be able to attract and retain experienced staff. The surging inflation of goods and services and the additional spending on software and digital technologies accounted for much of the rest. Although the cost-to-income ratio rose by 1.8 pp in 2021 it remains at the respectable level of 41.8%, much lower than the average for the banking system.

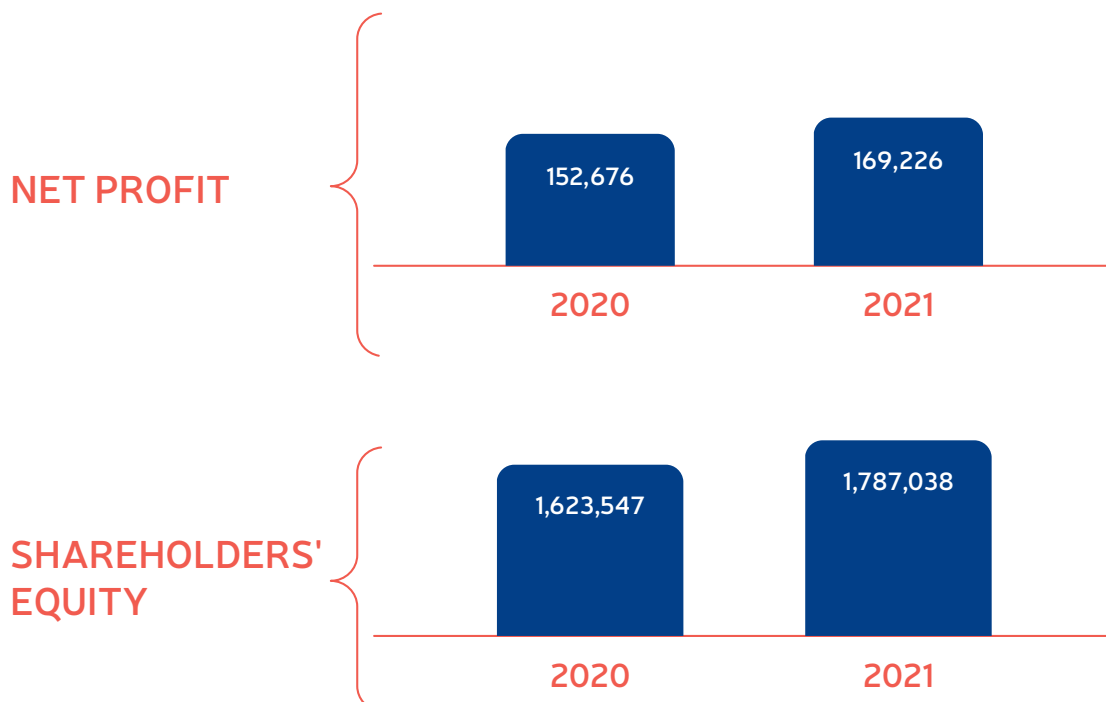


The provisions for impairment (84 million leva in 2021) remained virtually flat, compared to the previous year, but because of the enlarged portfolio the cost of risk changed marginally from 1.1% in 2020 to 1% in 2021. The level is considered adequate in the current environment, being slightly higher than the average for the banking system, and helped the Bank to reduce significantly the stock of the nonperforming exposures. Despite the introduction of the new definition of default in the beginning of

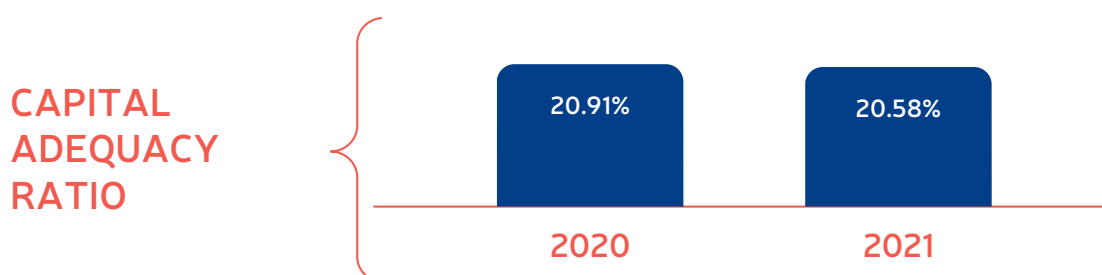
the year and the expiration of the moratorium for most of the loans before its end, the volume of the non-performing exposures shrank by almost 93 million leva to 443 million leva. This was achieved through a variety of measures such as active collection efforts, write offs, debt sales and curing of loans. Thus, the nonperforming exposures ratio at the end of the year was 4.9%, just below the very important 5% threshold. Despite the fact that some 48 million leva were written off in 2021, the coverage ratio jumped by close to 20 pp to 67%, an all-time high.



Eurobank Bulgaria net profit for the year 2021 is 169,2 million leva. Return on equity and return on assets almost kept their 2020 levels – 9.9% and 1.3% respectively. The net profit for the year will be retained complying with BNB’s decision from January 2021 on non-distribution of dividends, further strengthening the capital adequacy of the Bank.



The Capital Adequacy (CAD) ratio as of the end of 2021 was 20.58%, only 33 basic point lower than the previous year and well above regulatory requirements.



EVENTS AFTER THE BALANCE SHEET DATE

On 24 February 2022, Russian president Vladimir Putin announced that Russia is initiating a "special military operation" in the Donbas and launched a full-scale invasion into Ukraine. Current geopolitical situation is preceded by several key events dated back to 2014. In December 2021, Russia advanced two draft treaties that contained requests for what it referred to as "security guarantees", including a legally binding promise that Ukraine would not join the North Atlantic Treaty Organization (NATO) as well as a reduction in NATO troops and materiel stationed in Eastern Europe, and threatened unspecified military response if those demands were not met in full. NATO has rejected these requests, and the United States warned Russia of "swift and severe" economic sanctions should it further invade Ukraine. On 21 February 2022, Russia officially recognized the two breakaway regions in eastern Ukraine, the Donetsk People's Republic and the Luhansk People's Republic, as independent states and deployed troops to Donbas, in a move interpreted as Russia's effective withdrawal from the Minsk Protocol. On 22 February, Putin said that the Minsk agreements were no longer valid and on the same day, the Federation Council unanimously authorised the use of military force in the territories.

In response, United States, the European Union (EU) and other countries and international organizations started to roll out sanctions against Russia, Russian individuals, businesses and officials from Russia and Ukraine. Russia responded with sanctions against a number of countries, including a total ban on food imports from Australia, Canada, Japan, the United States and EU. The sanctions contributed to the collapse of the Russian ruble and led to a financial crisis in Russia.

As the situation with the conflict and related sanctions is very dynamic with far-reaching and long-term consequences, any assessment of potential impact would be premature. Currently the Bank has no direct or indirect exposure to Russia or Ukraine, yet potential spillover effects would be closely monitored. The Bank has robust internal control system which encompasses EXCO, ALCO, Operational Risk Committee, Special Handling Monitoring Committee, MB, SB, Risk Committee as well as Compliance & AML Divisions. The Bank regularly monitors and updates sanctions lists, analyses the impact on its business activity and is ready to take appropriate measures to ensure compliance. Therefore, management considers the going concern assumption adopted in the preparation of these financial statements as appropriate.

BUSINESS OVERVIEW

RETAIL BANKING SECTOR

RETAIL BANKING SECTOR

Despite the pandemic of COVID-19, Postbank Branch Network continued to operate successfully, maintaining a high level of customer service in 2021. Branch Network of the bank 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 2021 the Bank continued with developing the new outlook for branches with innovative design with a look to the future and at the end of 2021 the branches with new outlook are 31.

Digitalization of the Branch Network during the year was one of the main priorities of the Bank keeping with clear vision for the future. In connection with the digital transformation several projects were implemented or were are in progress a process of development. During the year, the number of Teller Cash Recyclers (TCR) in the branches achieved 44, which led helping to decrease in customer service time for cash transactions and improved cross-selling. In 2021 year, 44 Self Service Zones (SSZ) were installed in branches in Sofia and another cities, reaching the total number of 72 SSZ, 60 of which have 24/7 access allowing the clients to independently perform operations related to deposit of money in their accounts, transfers in BGN, WU transfers, utility payments, online application for credit cards, consumer and mortgage loans, which improved the experience of customers who visited the branch and the process of their service.

E-signing for basic teller transactions and account opening was successfully deployed in the entire Branch Network, decreasing the usage of paper, shortening service time and allowing customers to archive their transaction documents and customer file digitally.

Postbank remains its focus on building and maintaining a long-term partnership of trust and loyalty with our customers. In 2021, the Bank continued the constant upgrade of the level and the quality of provided consultation and worked actively for an excellent customer experience in branches, adapting to the limitations and challenges of the global pandemic. In order to increase customer satisfaction, in addition to the regular monitoring of customer feedback throughout the year, the Bank is actively working to develop the professional skills and competencies of its experts.

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

STRATEGIC DEVELOPMENT INDIVIDUAL BANKING DIVISION

HOUSEHOLD LENDING

Y2021 was the year of recovery after COVID-19 caused restriction and even closure of businesses, especially in the field of physical retail, as well as restaurants, cafes and clubs where there are usually crowds. The economy managed to grow by 4.10% of GDP, covering a significant part of the decline of -4.20% in the previous year. Bank lending has fully recovered, with historically low interest rates on loans. The tourism industry, restaurants and large retail chains have managed to adapt to the pandemic situation, implementing a measures to limit the spread of the virus observing the anti-epidemiological measures prescribed by the health authorities. Many sectors, such as online commerce, courier services, the IT sector, part of the manufacturing sector, the food and home goods trade, continued

to grow as much of the population rediscovered the benefits of e-shopping and distance contracts signing, including for banking products. Demand for basic goods, as well as investment in real estate and home renovations, remained high as much of the population continued to work from home and the need for more spacious and well-furnished homes came to the fore. The pandemic and the restrictions it caused, forced the digitization of a lot of services, which would otherwise have taken many years to develop. In terms of household lending, the year was extremely strong, both in terms of mortgage and consumer lending. The government assistance to business through various measures to preserve jobs and employees' incomes also had a positive impact on the fast recovery.

In 2021 the pace of lending accelerated significantly compared to 2020, as according to the Bulgarian National Bank, it has grown by 31.2% in newly granted loans to households. The largest growth was in mortgage loans, where new volumes were 37.4% higher than in the previous year. The growth of consumer loans is 12.3%. Balances in the portfolio also grew by 13.9% for the entire household sector. Main reasons for the growth was the easy access to financing provided by the bank, the growing salaries in the country and the record low interest rates for loans to households.

Against the background of general growth in the banking sector in terms of loans to households, Postbank is no exception and remains the leader for another year, achieving growth exceeding that of the market, increasing its lead over a number of major direct competitors. The main factors contributing to the positive results were our proactive approach, flexible credit policy, adequate product offerings on the market, distinctive business initiatives and strong marketing campaigns. The year was also quite successful in terms of new, customer-oriented solutions, as we continued to successfully develop several unique market concepts - "Consumer loan with pre-approved overdraft with 0% interest rate for the first year", "Super mortgage loan with a fixed interest rate for 30 years", as well as a metal credit card "Mastercard Universe". These proposals once again positioned Postbank as a leader and creator of market trends, helping to achieve excellent sales results, a high level of cross-selling and many new payroll customers.

Consumer lending

In 2021, the consumer lending market returned to the path of growth, after a significant decline in 2020 due to the COVID-19 crisis. The year started strong, as most of our direct competitors offer significantly improved, even aggressive, pricing, trying to regain market positioning from the previous year. Although the whole 2021 was overshadowed by the epidemiological emergency, businesses, people and banks continued their usual socio-economic activities, successfully adapting to the new situation. Vaccines and the belief that the coronavirus situation is temporary and has no cause for concern about the near future have had a further positive impact on economic recovery and the normal rhythm of life.

Postbank once again managed to establish itself as one of the leaders in the consumer lending banking market, following its successful model of flexible credit policy, appropriate marketing messages and attractive product offers. We reported an increase in new loans of 28% compared to the volumes realized in the previous 2020, as well as an increase in portfolio balances by 18.5% (more than twice as high as our main competitors), reaching BGN 1,609 million in the end of the year. In result, the Bank holds the second place on the market with 11.24% market share according to the official statistics of the Bulgarian National Bank as of December 2021.

The main goal for 2021 was again to accelerate the growth in the field of consumer lending, which is a major step towards achieving the bank's strategy for market positioning and increasing its share in the segment. In a market environment characterized by strong competition and increased customer demand, the main focus was on attractive offers and flexible financial solutions. A number of successful campaigns and initiatives were carried out, maintaining a very competitive margin compared to the main peers, achieved through price differentiation, according to the customer profile, deal parameters and the overall relationship with the bank.

We started the year very strong with execution of our commercial strategy from the first weeks of the year. New sales were supported by the launch of our communication platform "Now is the time" that proven its successful message to the customers during the previous year. In addition, we focus on expanding the business relationships with customers who are working in sectors with best perspectives for development proven during the pandemic.

In the following months of the year we continued our efforts to offer competitive and flexible lending solutions as well as an offer for consolidation of credit debts, responding to the increased demand from customers looking for solutions to optimize costs by reducing monthly installments on loans.

In line with our business strategy to attract more new-to-bank payroll customers and build long-term relationship, we introduced our novel product concept – consumer loan with a pre-approved overdraft with 0% interest rate for the first 12 months. Thus we managed to provide product proposition with added value and real benefit for the customer. The product offer were positioned in a new light with impactful message, supported with extensive marketing campaign and an entirely new creative concept "Every Dream Worth It".

Thanks to our focused approach for attracting solvent customers, as well as those with stable incomes from well-performing sectors, at the end of the summer months we achieved another impressive, even record results, achieving 24% growth in new consumer loans compared to the same period in the previous year and exceeding the set budget targets.

The last months of the year complemented our impressive results so far, as we managed to achieve 35% growth in volumes compared to the same period in 2020. For the beginning of the new school year we launched a specialized product with attractive and easy conditions for application, aimed at supporting families with students. The product received the trade name "Back in class" and immediately aroused real interest, thanks to which we exceeded the set sales targets for the product by over 37% on a volume basis. Until the end of the year, we continued with our promotional offer for consumer loans with pre-approved interest-free overdraft for the first year, which ended a very successful year for the bank.

Thanks to its innovative products, forward-looking solutions, balanced credit policy and numerous sales channels, Postbank has once again strengthened its position as a leader in the segment and continues to offer high quality products and services to its customers with a view to even more impressive results in the future.

Mortgage lending

In the past 2021, the mortgage market was characterized by a dynamic and competitive environment, maintaining a steady growth in new volumes and a gradual decline in average interest rates. Postbank has succeeded to keep its position among the top 3 banks in the mortgage business despite the strong competition. Innovative lending products, new digital solutions, high quality customer service and proactive sales approach were among the key priorities for Postbank in 2021, as a result of which Postbank's mortgage portfolio reached BGN 2.58 billion in the end of Y2021 compared to BGN 2.28 billion as of December 31, 2020, recording 13 % increase, identical to the growth of the mortgage market in the country. In terms of new mortgage loans volumes, the bank recorder another successful year, reporting 33% growth in 2021 compared to 26% growth in 2020, overachieving the initially set budget targets. In 2021 main key priority of the bank was to provide its customers flexible financial solutions, tailored to their needs and preferences in the current market environment.

In 2021 we realized successful product campaigns for mortgage loans, focusing on different product propositions from our diverse portfolio and covering wide spectrum of customers needs.

Significant contribution to the excellent results and growth achieved in new business volumes had the attractive and unique features of the product offerings introduced to the market, which were supported with distinctive marketing communication such as Super Mortgage loan with fixed interest rate for the entire loan term and Saving loan which gives customers the opportunity to decrease significantly loan expenditures based on the saving accumulated in their bank account. For boosting our Top of mind position as first choice for our customers and attract their attention in an extremely competitive market environment, a deducted TV campaign for mortgage loans had great contribution, aiming to raise awareness of our attractive offer for housing loan bundled with overdraft with 0% interest rate for the first 12 months. In October, we traditionally launched “Mortgage Lending Days” campaign for fifth consecutive year, promoting strong preferential conditions and distinctive marketing communication, and in addition we supported sales initiatives with a strong offer for covering existing loan exposures, where customers with existing housing loans can take advantage of attractive conditions for refinancing.

In view of the changing customer behavior and their ever evolving expectations, as well as the transformation of business in general and accelerated digitalization, in 2021 we realized another digital project, providing opportunity for online payment of housing loan fees via Virtual POS to the clients of the Digital Center for Mortgage loans of Postbank. By upgrading the solutions for digital services in the sphere of mortgage lending, we aimed to meet changing expectations, needs and lifestyle of customers. Aiming to further support the positioning of the Digital Center for Mortgage loans of Postbank and boost sales of mortgage loans via digital channels, our customers had the possibility to take advantage of promotional conditions if apply for a housing loan on-line.

While seamless digital experience is highly important for Postbank as a modern financial institution, mortgage lending clients still appreciate professional face to face communication with their mortgage expert. Personal consultation 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 centers, providing high quality professional services for all aspects related to mortgage lending. The efficiency of this specialized sales channel maintain the share in the total new mortgage loans production by 60% in 2021.

In terms of marketing positioning and brand awareness Postbank’s is among the top of mind banks for mortgage business. The marketing campaigns and PR initiatives held during 2021, supported new mortgage business generation and fostered the image of Postbank as customer oriented and reliable financial institution.

Card business

Over the past year, the trend of permanent positioning of bank cards as a preferred method of payment by the bank’s customers has strengthened. Despite the dynamic and competitive environment, Postbank managed to maintain its market share of almost 19%.

In 2021, Postbank focused on offering innovative products and services and attractive campaigns to its customers. The conditions for issuing of new credit cards were the best so far, and existing cardholders had the opportunity to participate in numerous campaigns encouraging the usage of card products.

At the beginning of the year the bank launched the first metal credit card issued by a bank in Bulgaria - Mastercard UNIVERSE. With a unique metal design and special privileges for its cardholders, this card meets the highest expectations of our premium customers. In less than a year, the product has become a symbol of prestige and luxury and by the number of credit cards the bank’s market share in this class is now almost 70%.

As a leader in the digitalization of banking services, in 2021 the bank started offering also a new card product that is completely digital, without a physical plastic and without any maintenance fees - digital card. The card is automatically issued to each customer who registers in ONE wallet by Postbank mobile wallet and can be used for contactless or online payments.

After launching the "Instant Issuance" service for credit cards in 2020, in 2021 the bank made the service even more accessible by doubling the number of locations where it is offered. In the bank branches and Momento centers, which have machines for instant card issuing, customers can request and receive a new or reissued card in minutes. This service is not offered by any other major bank in the country and is another factor that makes Postbank preferred by customers because the institution values their time.

Another time-saving service that has become even more popular with customers in 2021 is the completely remote request and delivery of debit or credit card. The process is as easy and simple as possible and is preferred by active people with a dynamic lifestyle.

The introduction of electronic signing of requests related to actions with credit cards led to optimization and automation of a number of operational processes, faster service and increased customer satisfaction, which are key principles in the concept of card business development at Postbank.

All initiatives implemented during the year led to a record increase in credit card turnover (29%) and an increase in the number of approved new credit cards in 2021 compared to 2020 by over 10%. The increase in debit cards' turnover is 25%, and in the number of newly issued cards - 20%.

DEPOSITS AND ACCOUNTS

In 2021, the positive trend in attracting funds from individuals in all segments continued. Another record growth of the deposit market in the country of BGN 5.47 billion on annual basis was reported for the year. It was caused on the one hand by the funds provided for stimulating the economy as anti-crisis measures after COVID-19, and on the other hand due to the gradual recovery of the economy, as well as the payment of additional remuneration and dividends at the end of 2021. The Bank achieved remarkable results during the year with an increase in retail deposits of more than BGN 1 billion reaching to an overall portfolio of more than BGN 7.6b. Due to this result the Bank conquered the 3rd position on household deposits market in accordance to its strategy for deposits gathering and increasing its market share to 11.17%.

The trend towards zero interest rates on savings products continued after Y2020, with some banks in the market ceasing to offer deposits at all and even introducing a safekeeping fee for savings of individuals. Thanks to the well-established information campaign and the smoothly introduced safekeeping fee by Postbank, it did not have a negative impact on attracting customers and funds.

The main focus of the Bank's deposit strategy in 2021 continued to be portfolio increase through a properly established communication and product policy. Postbank continued to be the market leader, offering a variety of product solutions and an excellent customer experience. Unlike its other competitors, the bank continued to offer deposit products, thus strengthening its position among customers as a reliable partner.

With the rich portfolio that Postbank has, there is a wide range of innovative savings solutions that are personalized and designed to meet the financial needs of customers to provide them with an even better user experience. This was proven by the launch of the innovative for the banking market product – structured deposit. For the last year, the Bank offered three new structured deposit emissions, which were linked to various market indexes that contains the shares list of public foreign companies following to the best worldwide market examples and the undertaken market research. The structured deposit is

an instrument with the potential to obtain a profit for its holder on the maturity of the deposit without risk for the invested amount. The benefits of investing in a structured deposit are that it combines the security of a bank deposit with the ability to obtain a return tied to the result of stock market indicator. The acceptance of the structured deposit product from the customers was very strong and has become popular alternative of the standard deposits as well as alternative of the direct investments on the stock markets for the customers with conservative investment profile.

After the successful sales and the change in the market conditions, where in practice the savings accounts no longer differ from the current accounts, in 2021 we provided the opportunity to issue debit cards to Standard Savings Accounts, which made it an equal member of the family of transaction products. Thus, debit cards will be able to be issued to all active savings accounts, except for children's savings accounts.

PACKAGE PROGRAMS FOR DAILY BANKING

The package programs for daily banking aim to provide an optimal combination of financial services, adapted to the individual customer's needs, which leads to achieving maximum customer satisfaction and at the same time optimizing the customer's expenses. Flexible value-added products continue to be the preferred option for everyday transactional banking by our customers. The high customers' appreciation is confirmed by the constantly growing number of new package programs "My Banking", "My Family" and "Super Account @", which in 2021 reported 13% growth on an annual basis.

The two package programs for everyday banking, designed for the Premium segment, have proven to be optimal solutions, covering to the maximum extent the customers' needs for complex banking service. The "Premium" and "Premium Extra" programs are one of the foundations for the development of the segment. The proof of customers' appraisal is the several times increased number of package programs in 2021 by 74% compared to 2020.

The new reality has enforced increasing the usage of alternative payments, such as contactless payments, e-banking, mobile banking, digital wallets with NFC, etc. As a leader in the processes of digitalization in the banking sector and customer - oriented services, the Bank has adopted a new strategy and pricing model for creating, positioning and presenting our products - "Use more, pay less", aiming to respond to the usage of accounts from digital and card channels and to reward loyalty and primary relationship..

As a result of the launched strategic partnership between Postbank and PIC "Doverie", we created an attractive offer for the clients of the pension insurance company - a special Package Program "Trust". Every client who is about to reach retirement age and receive a pension from PIC "Doverie" can benefit from the Package Program.

Postbank was the first certified bank in Bulgaria to offer the modern instant payment service so our customers have been able to order transfers from account to account in other banks, included in the national Blink system, within 10 seconds.

BANCASSURANCE AND CROSS SALES

In the last year, Postbank continued to successfully develop the insurance business, thus increasing income and fulfil our goals for a consecutive year. The clients become much more aware of the need of high quality insurance protection, leading to an increase in the loan related policies. There were significant increases in the individual insurances' sales, especially on the saving insurance "My plan", where we have reached 130% increase compared to 2020.

Nearly 1 000 customers monthly have chosen the individual insurance “Safe day”, which started in the beginning of the year with the partnership of Bulstrad Life VIG. We have witnessed high interest towards the product, coming from the balance between relatively high levels of financial support in case of an event and affordable monthly premium, as well as the option for an annual one-off payment.

In line with our strategy to provide innovative products and services, as well as to improve the overall customer journey, we developed an innovative opportunity – distance selling of our most attractive insurance products. Only few steps are needed, free of charge, sitting in comfort at home or in the office for our customers to buy an insurance to assure protection in case of robbery or loss of money and personal belongings, financial support in case of unemployment, long-term sick leave or other unexpected situations. This is another proof that we are a reliable partner for covering insurance protection needs in an easy and comfortable way.

During the last quarter we have launched a strategic partnership with one of the leaders in pension insurance market – pension assurance company Doverie, part of Vienna Insurance group. This opportunity enlarged the services we provide to our customers, who can transfer their universal or professional fund, or sign a new contract when they are starting their labour career. The process is fully digital, free of charge and without notary signature needed.

In December we launched “My future” insurance – investment insurance product, which assure insurance protection as well as investment income opportunity. It is an alternative of the pure investments and the traditional saving life insurances, specially designed for the premium segment.

In the very year-end, some very good news were received for our customers who has the 1st emission of our investment insurance “Everest 1” (joint product with Bulstrad Life VIG). The investment insurance product matured at the end of its 5Y period reaching the maximum possible as per the product characteristics - 28% income for our customers. It is very similar as a structure to the very well accepted structured deposits. The general difference is that Everest adds a life insurance coverage in case of fatal accident. Having been successful and assuring the maximum income of the first emission, we are planning to offer a fifth one in June 2022. Overall, the structured products are getting more and more popular and wanted in the last few years, having more clients prefer them to the standard saving accounts due to the possibilities to gain profitability in zero interest rate deposits environment.

Even though the times are tough, we managed again to confirm our leading role on the market, assuring financial and insurance support for our customers and to provide key and valuable products and services.

CUSTOMER SERVICE CENTER

In 2021, the trend of increasing the number of customers who received support from the Customer Service Center continued. In this year was reported the highest number of received and handled calls, reaching almost 500 000. The reason for that was continuing COVID-19 pandemic situation and the increase of the bank’s customer base. Also the possibility for remote customer service has become more attractive and preferred by them, which has led to the development and expansion of the core competencies of the department.

The specialized phone line for assistance of Premium customers, established in 2020, has expanded its core competencies with additional services following to the needs of the customer segment focusing in constant improvement of the customers’ satisfaction and fraud prevention.

In 2021, the Customer Service Center continued to be one of the main channels for supporting Postbank customers that use online banking and digital wallet - One Wallet, as the total number of customers who received support about these services of the bank reached almost 100 000.

Despite the increase of the incoming calls and the increased demand for support in Y2021, the Customer Service Center continued to provide high level of service to our customers.

SALES DEPARTMENT

MOMENTO Centers

Aspired to offer top quality and innovative products and services and following the desire to be in line with the needs of the customers, in 2021 Postbank successfully opened its first MOMENTO Center for express banking, additionally enlarging the portfolio of products and services it is offering.

MOMENTO Center for express banking combines the possibility of the customers to bank independently, using the innovative digital zone for express banking with modern design, intuitive navigation and many functionalities, and at the same time to receive professional consultation for different products from highly qualified professionals.

In addition to the express review of the loan application and granting of the loan within up to 40 minutes, customers will be able to quickly and conveniently take advantage of variety of express products and services like:

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

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

After the successful start of the first MOMENTO Center for express banking, Postbank will take steps to renovate and rebrand all of its MOMENTO Centers from centers for consumer lending to MOMENTO Centers for express banking.

WHOLESALE BANKING SECTOR

For the Corporate Banking and Capital Markets Sector, the past 2021 has again been a very successful one. Despite the difficulties for many of the businesses, the economic slowdown and the still on-going Covid-19 pandemic, the units within the sector achieved several record high results, some of the most important of which are as follows:

- Postbank had again one of the largest achieved portfolio growths in corporate lending volumes among the top largest banks operating in the country. We are stably at the third position in business volumes, right after Unicredit and DSK.
- The volume of Corporate loans portfolio exceeded EUR 2 bln. for the first time. The amount of the newly booked loans exceeded EUR 540 m, which is the highest annual new loans volume ever.
- Transactional banking and Factoring services also reported record-high achievements in terms of volumes and revenue. For the ninth year in a row Eurobank Bulgaria AD is the leader in Bulgaria in terms of Factoring services with appr.50% market share, according to FCI.
- During the last eleven years – 2011 – 2021 – Postbank has been awarded the prize of “Best custodian” on the market by the prestigious world magazines “Global Custodian” and “Global Investor Magazine”.

CORPORATE BANKING DIVISION

Postbank **Corporate Banking Division** provides financing to companies with annual sales turnover above BGN 4 million. The Division incorporates the departments for Large and Medium-sized corporate clients, as well as Project financing, Greek- and international business and EU programs and sales development.

We provide specialized business solutions directly from the HQ of the Bank or through our well-developed network of 11 Corporate Business centers throughout the country. In 2021 the network has been optimized in order to assure 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 managed to distribute more than EUR 540 million new loans, EUR 226 million out of which were booked by “**Large Corporate Clients**” department to leading Bulgarian and international companies from different sectors of the economy. Purpose of the financing was a variety of projects, as well as working capital needs, factoring, leasing.

EUR 254 million have supported the business of middle-sized companies. With the kind assistance of colleagues from the “European Programs and sales development” department, in 2021 were granted credits to many clients under joint programs and guarantee mechanisms of NGF, BDB, EIF, BEIA, FoF and others. With the help of the national and European guarantee programs supporting the business, Postbank managed to offer various measures, incl. Moratoria on the payments, individual repayment plans and guarantee schemes financing, which supported them throughout the difficult period.

Thanks to the specialized business knowledge of the experts in the “Project Financing” and “Greek and International business”, more than EUR 60 million new loans were booked by both departments.

Due to all these initiatives, as well as the high professionalism, motivation and proactive actions of the employees in “Corporate Banking” Division, Postbank managed not only to maintain the volume and quality of its portfolio, but also to increase significantly up to record high volume.

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 6500 companies from the country and abroad. In 2021, in a period of global pandemic and growing uncertainty, the stable growth of the customer base revenues and is an indicator of the increasing trust. The tendency of using digital channels has been accelerated in the period of restricted physical contacts, as our internet and mobile banking remain the main tools for conducting customer transactions. Division consists four units that cover all aspects of the transaction business of our 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 factoring business. From sales to contracts administration, the team continues to strengthen our leadership position in Bulgaria. Our market share for 2021 is again nearly 50% (according to FCI) 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 meeting the specific needs of each corporate partner of Postbank.

CORPORATE BANKING OPERATIONAL RISK DEPARTMENT

Risk is a key part of our business and as a responsible institution we seek to manage opportunities and threats as effectively as possible. Applying the necessary KYC control mechanisms and AML policies, our goal is to protect the interests of all stakeholders utmost.

CAPITAL MARKETS DIVISION

In 2021, Capital markets achieved a consecutive successful year and affirmed its leading position on Bulgarian financial market. The bank managed to exceed the setting goals – to optimize the excess liquidity, to manage effectively the investments in securities, to retain the stable volumes in the FX markets, to strengthen the focus of mutual funds in terms of their saving alternative status, to improve the quality of client services 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 profitability, diversification of funding sources and optimization of liquidity buffers. Liquidity position and liquidity ratios were managed effectively and retained significantly above the regulatory thresholds.

In 2021, Postbank continued its successful cooperation with local and international financial institutions for supporting the small and medium business and became a partner-bank under 2 new guarantee

programs of European Investment Fund. Guarantee programs affirmed themselves as a fundamental instrument for supporting not only the economic recovery from Covid-19 pandemic, but also lending growth of the bank.

TREASURY SALES

In 2021 Postbank affirmed its leading positions both in FX operations and the offering of a variety of financial products. In 2021 there is also recovery of client activity related to FX operations amid the pandemic crisis.

The volume of the attracted deposits from institutional customers rose by around 70%, thus increasing the Bank's market share in this segment, while at the same time continuing to mark a decrease in the cost of the attracted funds.

In 2021 Treasury Sales enhanced the scope of structured deposits which are mainly targeted towards investment needs of individuals.

Brokerage section contributed for the stable position of the Bank as one of the active participants at Bulgarian Stock Exchange (BSE) and as one of the leading investment intermediary amongst the banks. Customers of the Brokerage section have access to financial instruments on foreign stock markets in 26 countries in Europe, Australia, Asia and North America.

TRADING & INVESTMENT BANKING

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

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

In 2021, the Bank successfully implemented a new investment strategy for diversification by regions and instruments, which led to 52% growth of the securities portfolio for the year. In addition, the department continued to expand its trading lines and contacts with leading international banks and brokers.

CUSTODY

In 2021, 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 under Custody increased by 10% in 2021. The customer base grew by nearly 3%, attracting new institutional customers.

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

PRIVATE BANKING AND MUTUAL FUNDS DEPARTMENT

In 2021 Private Banking achieved a solid 30% annual growth in assets under management. Client base is additionally enlarged and successfully developed thanks to financial solutions provided by teams of two leading financial institutions - Postbank Private Banking team along with Eurobank Private Bank Luxembourg S.A.

In terms of Luxembourg Mutual Funds business which Eurobank Bulgaria AD successfully distributes since 2008 last year was record high. There is an enhanced interest in low to medium risk profile Luxembourg mutual funds due to their saving alternative status and attractive risk/return profile. Net assets increased with 48% throughout of the year.

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

The key accent and enhanced client presence on automatic Investment Plan also were sustained.

GOVERNMENT STRUCTURE AND RISK MANAGEMENT

MANAGEMENT AND REPRESENTATIVE BODIES

BANK STRUCTURE

Eurobank Bulgaria AD has no subsidiaries as of 31 December 2021. The Bank employs 3,289 people (2020: 3,267).

OBJECTIVES FOR 2022

The strategy of the Bank remains unchanged and rests on three pillars – organic growth, digitalization and innovation and customer service.

Postbank will continue to expand its lending portfolio, leveraging on the higher demand in the retail segment. The focus will be on building profitable business relationships with the clients, rather than just acquiring new ones and gaining market share. Maintaining solid profitability is vital in the current environment as the regulatory requirements continue to rise thus requiring more capital in order to sustain the expanding business. With the inflation likely to remain elevated in the medium term, the need for strict cost control is becoming more important in order to keep the cost-income ratio at acceptable level. The net profit for the previous year will be retained in order to ensure enough resources to expand the business further and also to cover the announced increase of the countercyclical buffer. The bank will continue to issue more eligible liabilities in order to comply with the interim MREL targets which will enter into force from the beginning of 2022. This additional funding will be added to the expected deposit inflow, so it will be vital to find profitable alternatives to invest the excess liquidity. One of the ways to do this is by developing ESG related products and financing of environment-friendly and energy efficiency investments following the EU Green Deal strategy.

With regard to the nonperforming exposures, Postbank achieved an important milestone with the nonperforming exposures ratio falling below 5% of all loans. The focus in 2022 will be on further reduction of the volume and in the first few months of the year careful monitoring of the performance of the loans which exit the moratorium to ensure that they will smoothly return to their pre-pandemic behavior.

The Bank will continue to invest in digital transformation, upgrading and replacing its IT systems in order to make sure that all front office and back office functions are fully automated and up to the level of the customers' expectations.

Providing excellent customer service also means investing in the physical distribution network since many customers share the personal experience. The ongoing branch transformation project includes more renovations of branches, business and specialized centers as well as expansion of the self-service zones and enhancement of the services offered in them.

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

29 March 2022
Sofia, Bulgaria



Dimitar Shoumarov

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

CORPORATE GOVERNANCE STATEMENT 2021

1. Corporate Governance Code and Practices.

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

2. Compliance with the National Corporate Governance Code

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

2.1. Internal Corporate Governance Code

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

2.2. Ethics Code

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

2.3. Conflict of interest

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

2.4. Remuneration

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

The 2021 Boards and key management remuneration disclosures are included in Annual Disclosures according to the requirements of Regulation (EU) 575/2013 (art. 431-455).

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

3.1. General Meeting of the Shareholders

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

3.2. Supervisory Board and Supervisory Board Committees

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

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

As at 31 of December, 2021 the members of the Supervisory Board are:

- 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 have been established to assist the Supervisory Board in discharging its responsibilities:

3.2.1. Risk Committee

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

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

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

In 2021 the RC held 4 (four) regular meetings and 6 (six) extraordinary meetings.

3.2.2. Audit Committee

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

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

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

The Audit Committee shall comprise of at least three members. As of December 2021 the Audit Committee consisted of five 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 2021 two new members of the Audit Committee were appointed. The Audit Committee members’ term of office was renewed until June 2024.

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

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

During 2021 the Audit Committee held 4 (four) regular and 6 (six) extraordinary meetings.

3.2.3. Remuneration Committee

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

- remuneration policy and its implementation and for the incentives created while managing risks, capital and liquidity;
- safeguard the proper exercise of its duties and responsibilities, the efficient alignment of the personnel’s remuneration with the risks the Bank undertakes and manages the required alignment between the Eurobank S.A. and the Bank;
- approve or propose for approval all remunerations of the key management personnel.

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

In 2021 the Remuneration Committee consisted of three members. During 2021 the Remuneration Committee held 7 (seven) meetings.

3.2.4. Nomination Committee

The Nomination Committee (“NomCo”) has the responsibility to consider and make 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 April 28, 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 Bulgarian National Bank).

In 2021 the Nomination Committee consisted of three members. During 2021 the Nomination Committee held 4 (four) meetings.

3.3. Management Board and Management Board Committees

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

The composition of the MB as of 31 December 2021 is consisted of 4 (four) members as three of the MB members are appointed as Executive Directors. The MB assigns, with the approval of the SB, the responsibilities for the management and the representation of the Bank to Executive Directors elected amongst Board’s members. The authorization of the Executive Directors to represent the Bank can be withdrawn at any time by the MB, with the approval of the SB.

As of 31 December 2021 the members of the Management Board are:

- 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.

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

3.3.1. Assets and Liabilities Committee

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

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

ALCO has the following authority:

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

3.3.2. Regional Credit Committee

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

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

3.3.3. Country Credit Committee

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

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

3.3.4. Special Handling Committee I

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

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

3.3.5. Special Handling Committee II

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

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

3.3.6. Troubled Assets Committee

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

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

The main duties and responsibilities of TAC are the following:

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

3.3.7. Loans and Products Committee

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

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

3.3.8. Operational Risk Committee

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

3.3.9. Country Procurement Committee

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

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

3.3.10. Related Employees Committee

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

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

3.3.11. Environmental and 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, Risk, Corporate Communications and Marketing, Retail and Wholesale.

3.3.12. Special Handling Monitoring Committee

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

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

3.4. CEO Management Committees

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

3.4.1. Executive Committee

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

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

3.4.2. Ethics Committee

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

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

3.5. Main issues the SB dealt with during 2021

In discharging its responsibilities for 2021 the main issues the Board dealt with are related to:

a) Corporate governance:

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

b) Capital Adequacy:

- review of the 2021 Internal Capital and Liquidity Adequacy Assessment Process (ICAAP and ILAAP) – Pillar 2 Report.
- Capital Adequacy report was reviewed every quarter.

c) Business monitoring:

- approval of the 2020 Annual Financial Statements;
- review of business developments and liquidity.

d) Risk Management and Internal Control:

- review of annual reports on evaluation of Internal Control Systems and Compliance Polices;
- review and approval of the 2020 Pillar 3 Report;
- review on the Risk and Capital Strategy and Risk Appetite Framework;
- review of Audit Committee meeting minutes and Key Audit Issues.

4. Board Diversity Policy

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

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

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

5. Board Nomination Policy and Board Induction Policy

In compliance with the requirements of the newly adopted Ordinance No.20 of BNB which promulgates European Banking Authority Guidelines EBA/GL/2017/12, in 2021 Eurobank Bulgaria approved updated Board Nomination Policy and Board Induction Policy.

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

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

The objectives of the program are to: communicate Eurobank Bulgaria AD vision and strategy, to communicate practical procedural duties so as to reduce the time taken for an individual to become productive in its duties, to integrate an individual as a welcome member of the Board, to ensure retention of individuals for future periods, to become familiar with Eurobank Bulgaria AD organizational structure and to give new Members an understanding of Eurobank Bulgaria AD business and the markets in which it operates, create a connection with the Bank's employees and to provide an understanding of its main relationships with the regulators Bulgarian National Bank and Financial Supervision Commission.

6. System of Internal Controls and Risk Management Main Features

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

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

6.1. Principles of Internal Controls System:

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

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

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

- **Control Environment:** The control environment is the foundation for all components of Internal Control System, providing discipline and structure and influencing the control consciousness of employees. Integrity and high ethical values stem from management's philosophy and operating style and appropriate recruitment and training policies ensure the competence of the Bank's people. The Bank's organization structure is suitable for its size and complexity with clearly defined responsibilities and reporting lines and clearly specified delegation of authority;
- **Risk Management:** The Bank acknowledges that taking risks is an integral part of its business. It therefore sets mechanisms to identify those risks and assess their potential impact on the achievement of the Bank's objectives. Because economic, industry, regulatory and operating conditions will continue to change, risk management mechanisms in place shall be set (and evolve) in a manner that enables to identify and deal with the special and new risks associated with changes;
- **Control Activities:** Internal control activities are documented in the policies and detailed procedures that are designed to ensure that operations are carried out safely and all transactions are recorded accurately in compliance with Management's directives and regulations. They occur throughout the organization and business processes, at all levels and in all functions. One of the prime organizational measures to ensure control effectiveness in the Bank is segregation of duties.

Functions that shall be separated include those of approval (limits, limit excesses, specific transactions), dealing, administration (administrative input, settlement, confirmation checks, transaction approval check, documentation check, file keeping, custody and controlling (reconciliation, limit monitoring, excess approval check, risk management, compliance checks, physical counts);

- **Information and Communication:** Information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. The Bank has set effective communication channels to ensure that information is communicated down, across and up within the organization. Mechanisms are also in place to obtain appropriate external information as well as to communicate effectively with outside parties including regulators, shareholders and customers;
- **Monitoring:** The Bank has established mechanisms for the ongoing monitoring of activities as part of the normal course of operations. These include regular management and supervisory activities and other actions personnel take in performing their duties that assess the performance of internal control systems. There are also independent evaluations of the internal control system by the Internal Audit function, the scope and frequency of which depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies are reported upstream, with serious matters reported to the Management Board, the Audit Committee and the Supervisory Board.

6.2. Internal Audit

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

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

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

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

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

6.3. Compliance

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

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

Compliance Division duties and responsibilities indicatively include:

- Raise compliance awareness throughout the Bank;
- Ensure the development of a robust compliance risk identification and assessment framework, provide support and challenge, if required, the business line management regarding the effectiveness of the compliance risk management activities;
- Handle issues related to combating financial crime, in accordance with applicable laws and regulations as well as existing sanctions. The Division is responsible for the development of the necessary policies and procedures related to anti money laundering and combating financing

of terrorism, as well as for monitoring adherence to them. Moreover, it is responsible for the provision of relevant training and guidance to the staff, as well as, for the cooperation with the relevant Authorities;

- Provide advice to the Boards and Senior Management on compliance with applicable laws, rules and standards and keep them informed of related developments;
- Issue policies, procedures and other documents such as compliance manuals, internal codes of conduct & ethics and practice guidelines, in order to provide guidance to staff on the appropriate implementation of applicable laws, rules and standards as well as to assist the business to develop and implement regulatory compliant policies and procedures;
- Monitor and test whether staff applies effectively the internal processes and procedures aimed at achieving regulatory compliance;
- Monitor the timely submission of reports to competent authorities and report any delays and fines for any alleged breaches of regulations to the Audit Committee;
- Fulfil any statutory responsibilities and liaise with regulators and external bodies on compliance issues.

6.4. Risk management

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

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

The Risk Committee is empowered to:

- Review and analyze the Bank's risk profile, identify and assess significant risks;
- Develop adequate policies and procedures in order to identify, assess, monitor and control significant risks;
- Inform the SB about significant problems or developments that could have an impact on the Bank's risk profile;
- Monitor the implementation of policies related to the management of significant risks;
- Approve adequate methodologies and models for risk assessment and exposure limitation.

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

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

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

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

The above processes are embedded in each of the risk types, supported by the appropriate infrastructure and staffing and are described in detail in the following sections.

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

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

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

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

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

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

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

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

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

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

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

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

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

7.1. The Bank has not been involved in any significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34 /EC.

7.2. The Bank has not registered any holders of any securities with special control rights.

7.3. No restrictions have been implemented or exercised on the rights to vote, such as restrictions on the rights to vote of holders of a certain percentage or number of votes, deadlines for exercising the rights aloud or systems through which through the co-operation with the company the financial rights attached to the securities are separated of the possession of the securities. All of the Bank's capital shares are ordinary with a nominal value of BGN 1.00 (one) each, giving voting right, dividend right and liquidation quota proportionate to the nominal value of shares.

¹ Information regarding the Share Capital Structure is included in the relevant section of the Annual Activity Report.

- 7.4.** The main AoA, namely Statute of the Bank regulates the appointment and replacement of Boards members. It incorporates the main provisions and principals of the applicable commercial law. The document is publicly available on the account of the Bank in the Commercial Registry to the Registry Agency at the Ministry of Justice. The responsibilities that rest with the MB and SB members are given in Statute of the Bank and detailed in the ToR of the relevant Board. It also contains provisions governing the fundamental powers and manner of interaction between the Boards in the decision making process.
- 7.5.** The provisions providing the competences of buy-back of shares are implemented in Art.11of the Bank's Statute.
- 7.6.** No information for takeover bids has been received by the Bank as of the date of issuance of these Financial statements.

RISK MANAGEMENT

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

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

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

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

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

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

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

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

Credit Risk

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

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

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

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

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

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

Market risk

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

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

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

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

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

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

a) Interest Rate Risk

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

b) Foreign exchange risk

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

c) Equity price risk

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

Liquidity risk

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

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

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

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

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

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

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



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Independent Auditors' 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 49 to 176, which comprise the statement of financial position as at 31 December 2021 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 2021, 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 2021, the financial statements include:

- Gross loans and advances to customers of BGN 9,092,689 thousand (31 December 2020: BGN 8,063,843 thousand) and ECL allowance of BGN 298,738 thousand (31 December 2020 ECL allowance: BGN 264,968 thousand), as presented in note 18 to the financial statements.
- Impairment charge for credit losses recognized in the income statement of BGN 83,375 thousand (2020: BGN 82,719 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

<i>Key audit matter</i>	<i>How this key audit matter was addressed in our audit</i>
<p>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.</p> <p>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</p>	<p>Our audit procedures performed where applicable with the assistance of our financial risk management specialists, included among others:</p> <ul style="list-style-type: none">— 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;

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.

— 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 2021;

— 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 2021 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 EOOD were appointed as statutory auditors of the financial statements of the Bank for the year ended 31 December 2021 by the general meeting of shareholders held on 30 September 2021 for a period of one year. The audit

engagement was accepted by a Joint Audit Engagement Letter dated 8 November 2021.

— The audit of the financial statements of the Bank for the year ended 31 December 2021 represents a fourth total uninterrupted statutory audit engagement for that entity carried out by KPMG Audit OOD and a fourth total uninterrupted statutory audit engagement for that entity carried out by Baker Tilly Klitou and Partners EOOD.

- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the Bank's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Bank.
- 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 or financial statements:
 - Audit of the special purpose financial information of Eurobank Bulgaria AD prepared as of and for the year ended 31 December 2021 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 2021 in accordance with the accounting instructions of Eurobank SA Group to the components subject to consolidation;
- 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 2020.
- For the period to which our statutory joint audit refers, Baker Tilly Klitou and Partners EOOD 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 2020.

For KPMG Audit OOD:



Ivan Andonov
Authorised representative



Sevdalina Dimova

Registered auditor, responsible for the audit

Sofia, 31 March 2022

45/A Bulgaria Boulevard
Sofia 1404, Bulgaria



**Baker Tilly Klitou and Partners
EOOD**



Spyridon Gkroulis
Authorised representative



Galina Lokmedjieva

Registered auditor, responsible for the audit

5 Stara Planina Str., 5th floor
Sofia 1000, Bulgaria



ANNUAL ACTIVITY REPORT

The management presents the annual Activity report as of 31 December 2021.

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 licenced credit institution and an investment intermediary providing retail, corporate and investment banking services in Bulgaria. Its Head Office is located in Sofia. The address of its registered office is as follows: 260 Okolovrasten pat Str, 1766 Sofia, Bulgaria.

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

BUSINESS OVERVIEW

Macroeconomic Environment

The COVID-19 pandemic continued to shape the social and economic environment in the past year. The start of the mass vaccination programs in the beginning of the year gave hope that the crisis will soon be over and that the economies will rebound strongly, swiftly returning to their pre-pandemic levels. While this was true for some countries, the renewed waves of infections in the second half of the year forced governments across the world to reintroduce containment measures, thus hampering the economic expansion. Although the developed and some less developed countries reached substantial rates of vaccination, this proved not enough to contain the new variants of the virus, prolonging the duration of the crisis into the next year.

The new waves of infections were not the only factor that slowed the pace of recovery. The persistent logistics constraints, the shortages of raw materials and labor as well as the resurgence of inflation, all exerted downward pressure on the economies. The fiscal and monetary stimulus in the developed countries led to increased consumption and demand for raw materials and goods which disrupted the fragile supply chain network and led to shortages and higher prices. In the same time, the labour markets in some countries have tightened and employers found it difficult to fill in empty positions, despite the fact that the labor force participation rates reached almost pre-pandemic level. All this was aggravated by the rising prices of energy which ultimately led to inflation levels unseen in the recent past. Thus the world economy enters the year 2022 in a weaker position than previously anticipated. Although it is expected to grow by 5.5% in 2021, the projections for the next two years are for a fast deceleration – to 4.1% and 3.2% respectively.

The main downside risks are renewed COVID infections, prolonged supply chain disruptions, higher inflation, including wages, earlier withdrawal of monetary accommodation and faster than expected increase of policy rates. The latter deserves special attention as in the past two years the debt levels across the world have risen further as governments have relied on various fiscal stimuli to support their economies throughout the crisis. Rising geopolitical tension and climate related disasters are also two important factors with unpredictable consequences.

The economies of the EU countries show a mixed picture. In many of the biggest countries, the GDP has still not reached its pre-pandemic level, especially in those that rely more on tourism and foreign trade. In the EU as a whole the GDP is expected to grow by 5.3% in 2021, but the next two years will see lower rates – 4.0% and 2.8% respectively, while for the Eurozone countries the rates are forecasted to be 4.0% and 2.7%. By the end of 2022, the real GDP in all EU countries will exceed the pre-pandemic level and in 2023 the growth will return to its normal long-term expansion level. It will be, however, a bit higher than previously expected due to the deployment of the Recovery and Resilience Facility whose effect will start to be felt from the second half of this year onwards.

The monetary policy remained supportive throughout the year, however, the rise of the inflation and the expectations that this is not a temporary phenomenon forced the central banks to consider returning to their original mandates – i.e. maintaining the price stability. Several central banks have already raised the policy rates last year and the Federal Reserve is expected to do so at its meeting in March with four more to follow throughout the year. There are even discussions whether the central banks should initiate quantitative tightening and start shrinking their swollen balance sheets. For the time being, the ECB intends to maintain its accommodative monetary policy. It announced that it will continue the net purchases under the Asset purchase programme (APP) until it begins to raise the key interest rates. In the same time, the net asset purchases under the Pandemic emergency purchase programme (PEPP) will be stopped at the end of March, but ECB will continue to reinvest the principal payments from the maturing securities at least until the end of 2024.

Bulgaria's economy fared relatively well in 2021. After contracting by 4.4% in 2020, it rebounded in 2021 by an estimated 4.2%. As most of the other EU countries it failed to reach its pre-pandemic level for which several factors played part – the resurgence of the COVID infections in the second half of the year, the low level of vaccination, the political instability, the delay of large public infrastructure projects and the rise of inflation. The main driver of growth was the consumption which rose by 7% YoY – the decrease of the unemployment rate, the rising salaries and the government handouts to the pensioners increased the disposable income of the households and most of it was spent. On the other hand, the investments were below expectations, declining by 1.1% YoY, as for the better part of the year the country was governed by a caretaker governments which withheld the capital expenses, thus keeping the budget at a surplus. The contribution of the external sector was negative – the export was up by 9.9%, while the import increased by 12.2%, compared with the previous year.

Bulgaria's foreign trade marked increased activity in 2021 reaching record levels. In nominal terms the exports rose by 24% YoY to 67.9 billion leva, while the value of the imports jumped by 27.5% to 76.7 billion leva. Bulgaria's trade with the EU members moved in parallel – both the imports and the exports rose by a little more than 26% YoY. On the other hand, the imports from third countries increased by 29%, while the exports were up by close to 20%. More than a quarter of the increase of imports is coming from machines and equipment which suggests that the Bulgarian companies continue to invest and upgrade their production capacity. However, the second biggest factor is negative and is related to the prices of oil and natural gas which saw hefty increases over the last year. The weaker Turkish lira benefited the Bulgarian importers – imports from the country was by 40% higher than in the previous year, while the country is by far the biggest trading partner outside the EU.

The foreign direct investments were €1.04bn, less than half their level a year ago. The debt instruments recorded a significant outflow of €461m in 2021, compared with an inflow of more than €1.18bn in the previous year. What is more, the equity investments were also negative (-€91m), while a year ago they were €350m. On the other side, the reinvested profit (€1.59bn) is more than twice the level a year ago (€740m) which is a positive sign about the overall economic situation in the country.

The biggest net inflow of investments came from Luxembourg (€455m), Germany (€285m) and Austria (€213m), while the biggest outflows were to Russia (€344m) and Switzerland (€144m).

Inflation has been on the rise since the beginning of the year. Measured through the consumer price index, it reached 7.8% at the end of December, a level not seen in the last 13 years. The main driving forces are the prices of liquid fuels, natural gas and food. Since December 2020 the prices of natural gas doubled, while the prices of liquid fuels rose by close to 40%. In the same time, the prices of food and beverages rose by 8.9% YoY and since they have the biggest weight in the consumer basket, their increase cannot be easily offset. The volatile prices of electricity have not been felt yet by the households, since they are still on the regulated market. However, the businesses are already trying to pass some of their higher production costs, including wages, to the consumers which will sustain the inflation in the medium term.

The unemployment rate declined by 0.7 pp to 4.6% at the end of 2021, according to the data by the National Statistical Institute. The number of unemployed was 147 thousand – a decrease of 26 thousand over the last year. The employment ratio in the age group 15-64 years worsened slightly to 68.5% (compared with 68.8% in December 2020). More concerning, however, is the fact that the workforce decreased by close to 73 thousand people in the last year because of the negative demographic trends. The decline in the age group of 15-44 years is more than 60 thousand people. The preliminary data from the Census conducted in 2021 is also discouraging, the number of people living in the country was 6.52 million which is 844 thousand fewer than in 2011 and around 300 thousand fewer than expected, where the most likely reason for the latter is the emigration.

The positive news is that the number of long-term unemployed (unemployed for more than 2 years) decreased by around 14.5 thousand people, while the ones with basic or no education have decreased by 12 thousand. Surprisingly, the region with the highest unemployment rate is no longer the Northwestern, but the North Central with 7.8% unemployment rate vs. 7.1% for the Northwestern. The Southwestern region (which includes Sofia) regained its first place and has an unemployment rate of just 3.1%, compared with 3.3% for the South Central region (which is around Plovdiv).

The tight labor market is forcing the employers to raise the salaries in order to attract and retain staff. On average the salaries in the country rose by 14.2% to 1,676 leva over the last year. In just a few sectors the increase is a single digit (mining, utilities and finance), while in others (hospitality & entertainment) it is around 50%. The public sector is paying an average salary of 1,872 leva (15% YoY) and is widening the gap vs. the private sector, which is paying 1,611 leva (13.9% YoY) on average. The ITC not only remains the highest paying sector, it is also one of the fastest growing. The average ITC salary rose by 15.3% to just over 4,000 leva. The Supply of Electricity and Gas is the second highest paying sector with 2,695 leva (10.9% YoY), followed by Finance and Insurance with 2,602 leva (8.5% YoY).

The interim governments were careful to preserve the fiscal stability and kept the budget on a surplus until November. In the last month of the year the newly elected government decided to maximize the fiscal stimulus that it was allowed as per the revised budget law and increased the spending on pensions and subsidies. Thus, the budget finished the year on a cash deficit of 3.9 billion leva (3% of the GDP), although some of the expenses were transferred to special interim accounts and will be used in 2022. Budget revenues were 52.3 billion leva, 8 billion leva higher than in 2020 of which 5 billion came from direct and indirect taxes. In the same time, the government spent 8.8 billion leva more on social expenses (4.1 billion), subsidies (2.8 billion) and salaries (1.9 billion). The better part of the increase of the social expenses (3.1 billion leva) went to the pensioners who received additional 50 leva per month from January to September and 120 leva from October to December.

The pensions were indexed at the end of the year, but the pensioners will still receive additional 60 leva per month for the first six months of 2022 in order to preserve their disposable income. The 2.8 billion leva increase of the subsidies covers the compensation to companies for the higher prices of electricity, various labor market supporting measures (such as 60/40 and 80/20), as well as additional subsidies for the health care system. The only saving came from the capital expenditures which decreased by 1.12 billion leva to 3.8 billion leva – the lowest level since 2017.

The state debt was up by 3.65 billion leva in 2021 to 32.5 billion leva (24.9% of the GDP). The government chose to finance itself exclusively from the local market and issued 3.8 billion leva throughout the year, most of which were acquired by the Bulgarian banks. While the yield of the first issuances was close to zero or negative, toward the end of the year it climbed to 0.5% for an eight-year notes, suggesting that the local market is saturating. This should be taken into account by the government which plans to issue another 7.3 billion leva in 2022 to finance the deficit and repay the maturing GMTNs.

In February 2021 the rating agency FITCH confirmed the credit rating in the country at BBB, but raised the perspective to positive. At the end of the year it reconfirmed the rating and the perspective. S&P confirmed the rating of the country in May 2021 at BBB with a stable perspective. The third big rating agency, Moody's did not make any updates within the year and the rating is Baa1.

Banking system

The results of the Bulgarian banks in 2021 are encouraging. Assets, loans and deposits are reaching new heights, income is rising and provisions and costs are under control. The combined net profit for the year was 1.4 billion leva, 74% (601 million leva) higher than in 2020, but still some 15% below the pre-crisis year 2018 and 2019. The return on equity was 8.5%, a significant improvement from the 5.3% in 2020, especially taking into account the fact that in the last two years the banks have not distributed any dividends which strengthened their capital buffers, but affected the profitability ratio.

After the slowdown in 2020, the lending rebounded strongly in 2021 with the retail segment being at the forefront. Total loans increased by 9.2% YoY to 75.9 billion leva. In nominal terms the net increase was 6.4 billion leva, the highest on record and double the result from a year ago. Loans to companies rose by 2.8 billion leva (6.4% YoY) to 46.4 billion leva. Most of the new loans are with maturity of more than 5 years, suggesting that the companies are confident in the near future and are willing to invest in long-term projects. In the same time, the loans to households increased by 3.6 billion leva (13.9% YoY) to 29.5 billion leva. The net increase is not only the highest in history, but also around 50% higher than the second best year. Both retail segments show record increases – the mortgage loans expanded by just over 2 billion leva (15% YoY) and the consumer ones by 1.4 billion (11% YoY) to 15.8 and 14.3 billion leva respectively. The increased lending, especially in the mortgage segment, is a consequence of the rising consumer confidence, the booming real estate market and the higher salaries.

The competition and the excess liquidity are pushing the rates of the new loan production to new lows. The average interest rates on new loans in leva to companies dropped from 2.8% at the end of 2020 to 2.4% a year later. Rates of the new mortgage loans fell by 20 bps to 2.62% at the end of the year, while consumer lending segment rates are much more volatile, but are still some 10 bps lower on average than in 2020.

The growth of deposits was also impressive – 8.7 billion leva for the year (8.6% YoY) to 109.4 billion leva, just short of the record delta in 2020 (8.8 billion leva). Deposits from financial and nonfinancial companies rose by 3.2 billion leva (8.5% YoY) to 41.2 billion leva, which is around 15% below the net increase in the previous year. The households, however, added 5.5 billion leva to their savings and reached a total of 68.1 billion leva, which is 9% more than in 2020 and the highest annual delta in history. The gross loans to deposits ratio remained flat at 69% which translates into more than 30 billion leva surplus liquidity for which the banks are paying interest charge. In 2021 the banks were charged 107.8 million leva in the form of negative interest rates, up from 70 million in 2020. Expectedly, the banks are trying to transfer some of this cost to the corporate customers by imposing a safekeeping fee on large deposit amounts and in 2021 this was expanded to include also deposits from individuals.

While banks' total income rose by 290 million leva (7% YoY) to 4.45 billion leva, only 40 million leva of it came from interest income. The competition and the low interest rate environment make it increasingly

difficult for the banks to rely on interest income as a source of growth. Thus, even though total loans rose by 9.2% in 2021, the growth of the interest income on loans was just 3.9%. The banks managed to realize a slight incremental saving of 68 million leva on their interest expenses, however, just 33 million of it came from deposits from clients. Full year interest cost on client deposits was around 51 million leva so there is limited possibility for further savings. Therefore, the banks are increasingly relying on net fees and commission income, which grew by 202 million leva (19.5%) to 1.24 billion leva and accounts for 28% of the total banks' income.

The administrative expenses rose by 108 million leva (6.4%) to 1.78 billion leva which was predominantly influenced by the increase of salaries expenses (66 million). On the other hand, the fact that Bulgaria is now part of the banking union yielded significant savings for the banks – the contribution to resolution funds was virtually zero which saved some 145 million leva from these charges.

The higher profits of the banks were also supported by the decrease of 282 million leva in impairment charges on loans and securities, the cost of risk returned to the more normal 0.8%, compared with 1.3% a year earlier. This also reflected the improving quality of the lending portfolios. The nonperforming exposures ratio decreased by 1.7 pp to 6.5%, a new low point. Throughout the year the volume of the nonperforming exposures decreased by 740 million leva to just below 5 billion leva. A third of the decrease (245 million leva) was from loans overdue more than 180 days which are down to 2.78 billion leva. The coverage ratio has been steadily improving and already stands at 72% which is almost 10 pp above the level as of December 2020.

For a second consecutive year, the Central Bank adopted a decision requiring the banks to capitalize the full amount of banks' profit for 2020 which strengthened the CET 1 capital by more than 800 million leva. However, this was just enough to keep up with the growth of the lending so the capital adequacy decreased by 12 bps in 2021 to 22.62%. The CET 1 ratio as of the same date stood at 21.66%.

Major Changes in The Regulatory Environment

On 16 September the BNB Governing Council adopted a decision to increase the countercyclical capital buffer rate, applicable to credit risk exposures in Bulgaria, to 1.0% in effect from 1 October 2022. On 16 December with another decision the Governing Council raised the level to 1.5% in effect from 1 January 2023. Although the value of the reference indicator corresponds to zero, BNB justified its decision stating that it has taken into account additional indicators which are focused on development in the credit market, indebtedness, real estate market as well as the general economic outlook. The loans to households and in particular the segment of loans for house purchase is of concern, therefore BNB takes proactive measures to build-up buffer capacity against cyclical risks.

On 1 January the EBA Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013 (EBA/GL/2016/07) entered into force. The aim of the guidelines is to harmonise the definition of default across the EU prudential framework and improve consistency in the way EU banks apply regulatory requirement to their capital positions. A detailed clarification of the definition of default and its application is provided and key aspects are covered, such as the days past due criterion for default identification, indications of unlikelihood to pay, conditions for the return to non-defaulted status, treatment of the definition of default in external data, application of the default definition in a banking group and specific aspects related with retail exposures.

The EBA Guidelines on loan origination and monitoring (EBA/GL/2020/06) were applicable from 30 June 2021. The Guidelines specify the internal governance arrangements for granting and monitoring of credit facilities throughout their lifecycle. They introduce requirements for borrowers' creditworthiness assessment and bring together the EBA's prudential and consumer protection objectives. The guidelines aim to ensure that institutions have robust and prudent standards for credit

risk taking, management and monitoring, and that newly originated loans are of high credit quality. The Guidelines also aim to ensure that the institutions' practices are aligned with consumer protection rules and AML requirements

On 24 February 2022 BNB decided as of 1 April 2022 to discontinue the measure on the limit of banks' foreign exposures introduced as part of the package of measures addressing the crisis in 2020 and prolonged in 2021.

This will certainly have a positive effect on liquidity management in the whole banking system and our Bank in particular.

Eurobank Bulgaria performance and key indicators

Eurobank Bulgaria had a very successful 2021 year and managed to achieve the best performance in the history so far by increasing its income and net profit, gaining market share through organic growth, while maintaining its strong capital adequacy, risk and liquidity ratios. The profit after tax increased by 11% YoY to 169 million leva which is the highest level in history achieved through core business activities excluding one-off effects. The return on equity was 9.9%, the same as in the previous year and around 1 pp above the average for the market.

The lending portfolio expanded by 12.8% YoY (1.03 billion leva) to 9.09 billion leva, outpacing the market (9.2% YoY) and gaining 40 bps market share to 12.0%. More importantly, this was achieved without sacrificing the profitability – the average yield on the Bank's portfolio is around 40 bps above the market average and higher than the main peers. In line with the market trends, the retail segment outperformed the corporate one – corporate loans rose by 11.2% (428 million leva) to 4.26 billion, while retail loans were up by a little more than 600 million leva to 4.83 billion. For a second consecutive year, consumer loans were the fastest growing – by 21.3% (263 million leva) to just short of 1.5 billion leva. Mortgage loans were also in high demand because of the booming real estate market and rose by 13% (295 million leva) to 2.57 billion. After falling in 2020, the SBB segment fully recovered its lost volumes and finished the year with a portfolio of 760 million leva – the same as at the end of 2019. The recovery was helped by the programs which Eurobank Bulgaria signed in 2020 with EIF, the Bulgarian Development Bank and the Fund Manager of Financial Instruments in Bulgaria to support the small and medium sized businesses.

In terms of deposit gathering, the previous year was by far the best in the history of the Bank. Client deposits jumped by more than 2 billion leva (20.3% YoY) to 12.3 billion leva. The market share increased by more than 1 pp to 11.3% and Eurobank Bulgaria became the third biggest bank by deposits. In nominal terms, the deposit delta was more than double the one of the net loans which lowered the net loans to deposits ratio by 5 pp to 71% and strengthened the liquidity buffers. In contrast to the market, the corporate deposits rose much faster than the retail one – by 31% (789 million leva) and 17% (1.29 billion leva) respectively, which had a positive effect on the fee and commission income. Other borrowed funds rose by 137 million leva as Eurobank Bulgaria took 75 million euro at the end of the year in the form of eligible liabilities from Eurobank S.A.

Total operating income rose by 5% (25 million leva) to 495 million leva. The main income driver was the net fee and commission income which expanded by 20.5 million leva (20% YoY) to almost 124 million leva. Several factors contributed for the higher fees and commission income – the rebound of the credit and debit card business, the higher deposit base which brought more transactional and safekeeping fees and the higher sales of structured deposits and other treasury products. On the other hand, the intense price competition exercised a strong pressure on the net interest income which increased by just 1% (5 million leva) to 367 million leva.

Other operating expenses rose by 10% (18.7 million leva) to 207 million leva. Almost two-thirds of the increase (12 million leva) was spent on salaries in order to be able to attract and retain experienced staff. The surging inflation of goods and services and the additional spending on software and digital technologies accounted for much of the rest. Although the cost-to-income ratio rose by 1.8 pp in 2021 it remains at the respectable level of 41.8%, much lower than the average for the banking system.

The provisions for impairment (84 million leva in 2021) remained virtually flat, compared to the previous year, but because of the enlarged portfolio the cost of risk changed marginally from 1.1% in 2020 to 1% in 2021. The level is considered adequate in the current environment, being slightly higher than the average for the banking system, and helped the Bank to reduce significantly the stock of the nonperforming exposures. Despite the introduction of the new definition of default in the beginning of the year and the expiration of the moratorium for most of the loans before its end, the volume of the non-performing exposures shrank by almost 93 million leva to 443 million leva. This was achieved through a variety of measures such as active collection efforts, write offs, debt sales and curing of loans. Thus, the nonperforming exposures ratio at the end of the year was 4.9%, just below the very important 5% threshold. Despite the fact that some 48 million leva were written off in 2021, the coverage ratio jumped by close to 20 pp to 67%, an all-time high.

By capitalizing the profit for the previous year, Eurobank Bulgaria was able to cover the expanding risk-weighted assets through internal capital generation. The capital adequacy ratio at the end of the year stood at 20.58%, just 33 bps lower than in the previous year and well above the regulatory requirements. In preparation for the interim MREL target which is to be applicable from 1 January 2022, Eurobank Bulgaria took 75 million euro loan from Eurobank S.A. which is to be recognized as eligible liabilities and allows the bank to comfortably comply with this requirement too.

Events after the balance sheet date

On 24 February 2022, Russian president Vladimir Putin announced that Russia is initiating a „special military operation“ in the Donbas and launched a full-scale invasion into Ukraine. Current geopolitical situation is preceded by several key events dated back to 2014. In December 2021, Russia advanced two draft treaties that contained requests for what it referred to as „security guarantees“, including a legally binding promise that Ukraine would not join the North Atlantic Treaty Organization (NATO) as well as a reduction in NATO troops and materiel stationed in Eastern Europe, and threatened unspecified military response if those demands were not met in full. NATO has rejected these requests, and the United States warned Russia of „swift and severe“ economic sanctions should it further invade Ukraine. On 21 February 2022, Russia officially recognized the two breakaway regions in eastern Ukraine, the Donetsk People’s Republic and the Luhansk People’s Republic, as independent states and deployed troops to Donbas, in a move interpreted as Russia’s effective withdrawal from the Minsk Protocol. On 22 February, Putin said that the Minsk agreements were no longer valid and on the same day, the Federation Council unanimously authorised the use of military force in the territories.

In response, United States, the European Union (EU) and other countries and international organizations started to roll out sanctions against Russia, Russian individuals, businesses and officials from Russia and Ukraine. Russia responded with sanctions against a number of countries, including a total ban on food imports from Australia, Canada, Japan, the United States and EU. The sanctions contributed to the collapse of the Russian ruble and led to a financial crisis in Russia.

As the situation with the conflict and related sanctions is very dynamic with far-reaching and long-term consequences, any assessment of potential impact would be premature. Currently the Bank has no direct or indirect exposure to Russia or Ukraine, yet potential spillover effects would be closely monitored. The Bank has robust internal control system which encompasses EXCO, ALCO, Operational Risk Committee, Special Handling Monitoring Committee, MB, SB, Risk Committee as well as Compliance & AML Divisions.

The Bank regularly monitors and updates sanctions lists, analyses the impact on its business activity and is ready to take appropriate measures to ensure compliance. Therefore, management considers the going concern assumption adopted in the preparation of these financial statements as appropriate.

RISK MANAGEMENT

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

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

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

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

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

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

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

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

Credit Risk

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

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

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

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

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

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

Market risk

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

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

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

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

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

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

a) Interest Rate Risk

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

b) Foreign exchange risk

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

c) Equity price risk

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

d) Liquidity risk

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

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

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

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

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

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

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

IMPORTANT EVENTS DURING THE FINANCIAL YEAR

Postbank, legally known as Eurobank Bulgaria AD, is the fourth biggest bank in Bulgaria in terms of assets. It has an extensive branch network throughout the country and significant customer base comprising individuals, companies and institutions. It is a leading player in digital innovations and a trend setter in the banking sector in the country during the recent years, with multiple awards for its innovations. The financial institution holds a strategic place in retail and corporate banking in Bulgaria. The Bank is one of the leaders at the credit and debit cards market, residential and consumer lending, savings products, as well as corporate client products – from small businesses to big international companies operating in the country. The financial institution has one of the best developed branch networks and modern alternative banking channels, with special focus on high quality services to the customers.

2021 is a special year for the Bank, because it marked its 30th anniversary on the Bulgarian market. During this period Postbank operated with great care for the people, community and nature, combining the best aspects of traditional and digital banking. The Bank is one of the most active and committed legal entities in Bulgaria, a statement backed by many successful projects which it implements every year together with its employees. In May 2021, on the occasion of its 30th anniversary, the Bank launched its largest scale, innovative and completely online-based corporate social responsibility initiative „A Universe of Opportunities”, supporting social entrepreneurship in the country. The final stage of the competition was reached by 30 projects out of 238 applicants, which have potential in the key areas Digital Innovations, Education and Green Projects and a reputable jury chose the final three winners – one for every key area. This long-standing initiative is another contribution of our financial institution to the positive change in our society.

Postbank continued its transition towards innovative operation. Its strategy envisages good customer servicing, modern products and services, implementation of new solutions in the back-office processes and convenient ways for internal communication. The efforts of the team were recognised once again as Postbank was awarded for a second consecutive year with two prestigious international awards in the World Finance Digital Banking Awards 2021 competition of the highly respected World Finance magazine - the Best Consumer Digital Banks, Bulgaria and Best Mobile Banking Apps, Bulgaria categories for users in Bulgaria. The Bank was also awarded with the special prize in the Innovations category in the prestigious Mr. and Mrs. Economy competition, organised by the Confederation of Employers and Industrialists in Bulgaria (CEIB) and Economy magazine.

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In July 2021, Mrs. Petia Dimitrova, Chief Executive Officer and Chairperson of the Management Board of Postbank, received Postbank's prestigious award in the Efficiency category of the Annual Bank Awards of Bank of the Year Association. Our bank was one of the four banks awarded in the prestigious competition where the assessment criteria are based on the indicators and results reported in the audited financial statements of the 25 banks and branches of foreign banks in our country. Shortly afterwards, Mr. Dimitar Shumarov, Executive Director, Chief Financial Officer and Member of the Management Board of Postbank was awarded with the prestigious Banker of the Year prize for consistent and long-lasting dynamic in the Bank's development and for the Bank's social engagement.

In July 2021 the Bulgarian Credit Rating Agency (BCRA) raised Postbank's long-term rating from BBB- to BBB, with retained short-term rating A-3 and changed the outlook to stable. It also raised the long-term national scale rating from A+ (BG) to AA- (BG) and raised its short-term national scale rating from A-1 (BG) to A-1+ (BG), thus assessing highly the Bank's stable position in the country.

Postbank also received the Deal of the Year prize in the 7th Annual Company of the Year Awards, organised by the Bulgaria Business Review Group magazine. The prizes acknowledge the best companies in various industries, giving visibility to their achievements and focusing the public attention towards their innovative and successful governance models. The recognition came shortly before Postbank won two prizes in the seventh issue of the competition of b2b Media Annual Awards 2021 in the Mobile Innovation category for the Digital Office application, which the Bank added to its portfolio of digital solutions for fast and easy internal communication with its employees, as well as the award in the category Sustainable Development Investment / Green Initiative for its multi-layered policy of CSR, which includes a number of important projects in the area of education, environmental protection, sports and corporate charity. Postbank's communication team also won first prize for the Digital Office mobile application in the prestigious BAPRA Bright Awards 2021 competition. The Bank stands boldly on the verge of its 30th anniversary as one of the leaders in the sector, ready to look for the best solutions for its customers, employees and partners.

As a top employer, measuring its success through the satisfaction of its employees, Postbank has always strived to develop the skills of its team and ensure an environment facilitating the unwinding of their potential, which brought Best Employer of the Year award for the Bank in February 2021. Another prestigious recognition for Bank's efforts in successful implementation of multiple projects and an employer branding strategy with a perspective for successful talent attraction, management and retention, was the golden prize in the Employer of the Year category of the Annual Employer Branding Awards, organised by b2b Media. Bank's wide range of activities aimed at work environment development, continuing professional development and training, engagement of the employees in corporate social responsibility projects with high added value to the society won the first place in the Employer Branding Innovation (in Pandemic Times) category in the same competition.

The Bank is also among the most preferred employers at various career-related events in the country. Its employees participate in different forums and conferences, amongst which are the innovative podcast Finance in the Focus, Money Talks and the prestigious Finance Forum Innovations of Bank of the Year Association. Postbank also launched a large-scale education project with Sofia University and it is the only bank involved in the faculty's curriculum with two separate modules entirely developed and created based on its proposal. The modern Bank Management and Investment Banking subjects are an integral part of the 2021-2022 compulsory curriculum and the lectures are conducted by more than 20 of the Bank's experts.

In 2021 Postbank became the first certified bank in Bulgaria, which offers its clients the modern instant payments service in Bulgarian leva under the Blink Programme of the National Card and Payment Scheme (NCPS), part of BORIKA AD. It gives the Bank's customers the opportunity to make Bulgarian lev transfers from account to account (P2P/P2B) for amounts of up to BGN 30 000 in just 10 seconds,

within the vast branch network of the Bank, in accordance with the implemented Pan-European Instant Payment Scheme SEPA of the European Payments Council.

In September 2021, Postbank was also the first bank in Bulgaria offering a contactless payments mobile application, transforming a smart phone into a POS terminal. The innovative service Smart POS by Postbank which the financial institution added to its diverse portfolio of digital products focuses on the development of the entrepreneur ecosystem and it is the Bank's response to the changing needs of the consumers.

In October 2021, Postbank and Doverie Pension-Assurance Company, member of Vienna Insurance Group – one of the leading international insurers, signed a large-scale strategic partnership agreement, which will ensure their clients access to some of the most innovative bank and pension insurance solutions in the market. With this agreement, the Bank expanded its diverse portfolio in order to ensure complex and meaningful servicing of its customers, by offering individual financial solutions customised to reflect their specific needs and expectations.

By setting customer interests as a top priority Postbank continued to offer various support measures to its clients – individuals and legal entities with difficulties in servicing their loans due to COVID-19 pandemic. In June 2021, the Bank joined the new Recovery programme to support the business through guarantees from the Fund Manager of Financial instruments. The objective of the programme is to facilitate the access of business to loans for recovery of their operations after the gradual revocation of the measures related to the COVID-19 pandemic. Companies will be able to receive funds to cover their current liquidity needs, but also for new investment, transformation and growth. Furthermore, in December 2021, Postbank signed two new guarantee agreements with the European Investment Fund (EIF). They are under the European Guarantee Fund programme for guaranteeing a portfolio of loans amounting up to EUR 650 mln. The Bank's involvement in the programme will allow it to provide easy access to financing to the business at preferential terms and conditions, thus supporting the liquidity needs and projects of small and medium-sized entities in the current challenging economic environment.

Postbank once again won a spot among the best banks in the world, and for the fourth consecutive year was awarded Best Retail Bank in Bulgaria in the World Finance Banking Awards, organized by the prestigious World Finance magazine. The magazine monitors and analyses the financial industry, international business and economy. The recognition comes for Postbank's innovative, sustainable and customer-oriented retail banking approach, the vast portfolio of value adding products and innovations, the extensive branch network and the high level of customer trust.

In 2021 for the seventh time, the European Bank for Reconstruction and Development (EBRD) awarded the high prize Most Active Issuing Bank in Bulgaria in 2020 to Postbank. The prize was presented during the 30th official jubilee meeting which was conducted in an online format hosted in London.

Postbank has taken yet another step towards expanding its innovative services offered to its clients by presenting the new generation Momento express banking centre. This unique for the market service which was implemented in line with the newest global trends in financing ensures convenience and speed to the users and guarantees exceptional customer experience. The modern solution for a new kind of banking builds upon two of the successful concepts of the financial institution by uniting the Momento express consumer lending centres and the digital express banking zones.

Postbank continued developing its digital express banking zones to provide speed of service and convenience to its customers. The new service is now available in 75 offices of the Bank in 32 cities throughout the country where specialized devices with a modern design, intuitive navigation and multiple functionalities are located. The new digital express banking zones give customers the opportunity to carry out almost all transactions available in the Bank's branch and to bank conveniently

at times outside the working hours. The service is unique on the Bulgarian market and it offers speed, convenience and cuts the costs for the customers thanks to the wide range of transactions charging up to 65% lower fees compared to the fees in the bank branch.

As of January 2021, more than 120 ATMs and self-service devices in the digital express banking zones of Postbank throughout the country offer a new contactless functionality, which allows the customer to execute transactions by placing the card close to the device's contactless reader.

Through its partnership with Eurobank Private Bank Luxembourg and its 100% specialised and highly personalised private banking services, Postbank continued developing its modern Private Banking centre. The Bank's customers can take advantage of a set of investment trust services, asset management and business consultation.

In February 2021, Postbank opened its unique Premium Banking centres. In fulfilment of the long-term strategy of the financial institution for overall renovation of its branch network and with the special attitude of the Premium Banking segment customers, the specialised centres ensure comfort and confidentiality, in combination with outstanding service standards.

Another innovative service of the Bank, which aims to provide convenience and to save time of our clients is Postbank's mobile service for servicing our customers on their demand in a designated area in business centres and malls with free-of-charge expert advice on various financial products and current offers. The customers receive personalized and flexible solution for their needs and a support in filling-in the relevant application documents for specific bank's products and services.

Postbank also offers its modern and convenient service Bankers to Rely on. The service is a free-of-charge professional consultation on the specific needs of our clients, an assistance in filling-in the application documents and in submitting them to a branch of the Bank.

Postbank reports noticeable progress in its business activities related to the application of the Principles for Responsible Banking (PRB) within the United Nation's Environment Programme Finance Initiative (UNEP FI). The progress on the various aspects is presented in the institution's report, drawn up in 2021, reflecting all current practices, objectives and key performance indicators, which it has undertaken and implemented to achieve overall wellbeing and in unison with its sustainable development in the financial sector. Postbank became a signatory of the Principles for Responsible Banking in back in 2020. This important step made Postbank the only financial institution in Bulgaria which chose to comply in all aspects of its operations with the single framework for sustainable development in the banking sector, developed through the innovative partnership between leading banking institutions globally and the Finance Initiative to the Programme. Furthermore, Postbank confidently follows the ESG (Environmental, Social and Governance) principles and believes that this is the way to contribute to social sustainability and environmental protection.

In 2021 the Bank, a traditionally preferred partner of the businesses in our country, supported for a third year in a row the unique growth programme Dare to Scale. It is the first of its kind in Bulgaria, oriented to businesses having potential for larger scale expansion of their operations. Due to the huge interest this year, 10 local companies were chosen in the project of the Bulgarian office of the Global Endeavor Network. The selected entrepreneurs underwent training and interactive sessions led by successful practitioners and leaders from the Endeavor network and with the participation of Postbank experts. The Dare to Scale growth programme will continue in the future in order to encourage the growth of even more new local businesses.

In 2021, the financial institution was a key partner in series of business discussions in Sofia, Plovdiv, Stara Zagora, Varna, Russe, Bourgas, Veliko Tarnovo and others, as part of the Annual Awards of Imoti.

net project, which is held for the sixth consecutive year. The project promotes the good practices in the sector. This is the only forum assessing the achievements, fairness and good reputation of companies and experts in the real estate sector. During the meetings with representatives of the real estate business, the Bank's experts discussed the trends for the development of the sector and as the leader in lending they presented their analysis of the market, consumer profile and most current residential loans terms and conditions offered by Postbank during this challenging year.

For the seventh consecutive year, Postbank was the main partner to The Big Small competition organised by 24 Hours newspaper, recognizing the best small business of the year. Every year, small and innovative Bulgarian companies present the ideas they developed successfully in a product or service on the market.

NEW PRODUCTS

The Bank traditionally strives to launch innovative products and services with focus on customer satisfaction. The COVID-19 pandemic further challenged companies to act faster in implementing solutions creating convenience for the customers to continue being successful. Postbank embraced current macroenvironment developments and demonstrated its full potential to support its clients by offering added value products and services through digital, remote or an alternative custom channel of convenience for customers.

In February 2021, on the eve of its 30th anniversary, Postbank was the first bank in Bulgaria to launch a new generation credit card on the market - the metal credit card Mastercard UNIVERSE. The new high end card was created to meet the highest customer requirements and expectations. It has a stylish design and along with all advantages of credit cards as a product it brings about many privileges and additional conveniences to its holders.

ONE wallet by Postbank is the newest service in the vast portfolio of digital solutions that Postbank develops for its customers. The latest generation mobile portfolio is a high-tech application that follows the strategic framework for development of the ecosystem of digital banking channels of the financial institution. Through this channel, the customers practically have immediate, contactless access to major bank services, because they transfer their physical wallet to their mobile phones. They can add all of their Postbank cards to their new wallet and manage them freely and effectively due to the huge set of functionalities which are embedded in the application. These also include contactless payment at a POS terminal using the phone, card management in the mobile wallet, possibilities to add loyalty cards issued by different traders, and many others.

Postbank offers an innovative service for entirely remote underwriting of insurance. The new solution allows existing customers to contract in just a few hours selected insurance products from the diverse portfolio of the Bank quickly, easily, free-of-charge and entirely online – using their smart device. The financial institution offers its existing customers the newest insurance products Income Protection and Calm Day entirely online. They offer highly sought and innovative coverage, including unemployment, care for a sick relative and more. At the end of the year, the financial institution also offered an investment insurance product, designed specifically for the Bank's Premium customers, which simultaneously provides insurance protection and the opportunity to generate a return on investment, a good alternative to solo savings or insurance products.

In November, Postbank became the first certified bank in Bulgaria offering its clients the modern instant payments service in Bulgarian leva under the Blink Programme of the National Card and Payment Scheme (NCPS), part of BORIKA AD. The new Blink instant payments service is available as a pilot in the extensive branch network of Postbank throughout the country, and in 2022 the financial institution plans to offer the service through its digital channels.

In September 2021, Postbank was among the first Bulgarian banks to offer contactless payments mobile application turning a smart phone into a POS terminal creating value for both the merchants and the end customers. This is an easy and efficient payment solution both for micro and small traders, and for big companies managing their business on the go, such as taxi and courier companies, delivery and fast food companies, transport companies, beauty saloons, etc.

Smart POS by Postbank will allow many small businesses which currently do not meet the requirements for installing a POS terminal to accept contactless payments in their shops or on the go at any location. For industries using mobile POS devices, the transition to the software POS is much more advantageous and an easy-to-maintain solution.

The Bank continues to offer its customers an end-to-end remote process of issuance of credit and debit cards allowing its customers to apply for their cards online and to receive them at an address of their choice, so the entire procedure is carried out without the need to visit a bank office.

Postbank constantly develops its portfolio of deposit products. In 2021 Postbank launched few more innovative deposit products – Index Duo Gold, Index Climate Change and Index Artificial Intelligence, oriented to clients looking for additional solutions for their savings. The newest deposit solutions of the Bank are offered in Euro and USD, with guaranteed principal and a yield linked to the performance of the Solactive Climate Change Europe BTI PR Index. These deposit products are a good alternative with yield-generating option in comparison with the existing standard term deposits.

The one-year-interest-free overdraft consumer loan combines two of the most preferred products and gains momentum as a top offering in the portfolio of Postbank in 2021 as well. The loan may be used both to cover current needs and to unite liabilities. The video advertisement for this product revives the amazing story of Maxim and Stefan Ivanov. They crossed the Atlantic Ocean in the summer of 2020 during the peak of the global pandemic and the worst hurricane season in the Atlantic, after 105 days sailing in the ocean rowing the Neverest boat they built. With this ad, the Bank wants to inspire more people to follow their dreams. With its product, combining consumer loan with interest free overdraft for an entire year, the Bank offers the users the financial freedom they need to implement large and small personal projects.

Postbank linked the green idea of its primary consumer lending with the growing desire of consumers for more environmentally friendly transportation and provides to its customers an opportunity for easy transition to the new future. ECO Autocredit is the newest product oriented entirely towards financing electric, environmentally friendly vehicles.

Postbank continued offering targeted consumer loans for business training throughout the world. This product is unique for the Bulgarian market. It can be used to finance the fees for different programmes such as Master of Business Administration, Executive Master of Business Administration, Advanced Management, etc. The product was developed to meet the increased interest noticed by the Bank during the past few years for financing education that opens the path to career growth and development.

In response to the increasing consumer interest for digital bank services, Postbank continues providing convenient options for online consultation for residential loans through the EVA Postbank mobile application. The innovative service facilitates the access to information for residential lending features and the loan application process. The addition of new functionalities to the mobile application is part of Postbank's strategy for overall digitalisation of the processes and its effort to communicate with the clients in a way that is most convenient for them.

Postbank's clients can also take advantage of the convenience offered by the Online Mortgage Lending Centre, which introduces a new model for fast and convenient customer service. The new digital solution in residential financing is a continuation to the services offered by the Bank in its specialised Mortgage Lending Centres. The Bank builds its online mortgage loan application service to transfer the process in a digital setting and meet consumer expectations for remote consultation and communication with the Bank in the process of granting the loan.

Postbank continues to offer its customers the Super Mortgage Loan – the first mortgage loan with a fixed interest over the entire term of the loan. The product provides customers planning to purchase a property long-term certainty and predictability in the future.

The maximum amounts to EUR 250 000 and the funds may be used to purchase, repair, build a residential property or for finishing works on a residential property, as well as to refinance an existing residential loan.

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The financial institution continues to offer the Savings Residential Loan which gives the customers the opportunity to pay interest only on half of the loan. This results either in smaller monthly instalments, or faster repayment of the loan. In October, the financial institution started for a fifth consecutive year its special initiative – Residential Lending Month. The clients have the opportunity to take advantage of excellent financing terms and conditions, saving up to BGN 1 200 of the initial loan-related costs. Its start is in line with the consumers' behaviour and the traditionally increased demand for mortgage loans during the last quarter of the year.

Postbank offers more spare time and a lot of possibilities with the Golden Time pension transfer programme. It is specially developed for pensioners, including bank products, which meet their needs to a maximum. Another option is the Golden Rent deposit, which offers a fixed interest rate and the possibility to receive the interest every month

SUSTAINABLE DEVELOPMENT

In addition to its primary business, Postbank continues with its focus on the needs of the local communities by supporting programmes and initiatives with reputable institutions and organisations. The Bank is trying to educate its employees, as well as the consumers and the society to have responsible attitude towards our environment. The Bank's aim is not only to create competitive advantages by adding more and more value to the products offered, but also to reduce its adverse impact on the environment.

In 2021, the Bank implemented many socially important projects in the area of entrepreneurship, education, environmental protection, sports and corporate charity. Postbank is an active member and works in support of initiatives of the CEIB, AmCham, HBCB, Association of Banks in Bulgaria, BORIKA AD, Endeavor Bulgaria Association, Bulgarian Business Leaders Forum, Bulgarian Charity Forum Association, Atanas Burov Foundation, the Bulgarian Network of the UN Global Compact, the Bulgarian Association of Advertisers, Bulgarian Public Relations Association and the Bulgarian Fintech Association.

On the occasion of its 30th anniversary, Postbank is focusing on supporting social entrepreneurship. The winners in the innovative digital platform A Universe of Opportunities received their awards on 14 September during a special event at the University Botanic Garden in Sofia. This platform was developed to promote interesting ideas related to social entrepreneurship to the benefit of the public. 30 out of 238 projects with potential in the key areas Digital Innovations, Education and Green Projects reached the final stage of the competition, and at the beginning of September three winners – one in each field – were selected after the decisive vote of the renowned jury.

Postbank and Visa implemented a joint socially responsible campaign in support of the Bulgarian health workers and their efforts in fighting COVID-19. BGN 125,000 were provided to University Hospital for Active Treatment Sofiamed. The funds will be used to purchase respiratory devices of the highest quality for active reanimation, oxygen concentrators and apparatus for high-flow nasal cannula oxygen therapy with permanent positive pressure. Every cardholder, client of the Bank, had the opportunity to participate automatically in the initiative, using their Visa debit or credit card issued by Postbank before 16 April 2021 and to make at least one purchase with the card for a minimum of BGN 30 at a shop or online store during the period of the campaign. For every qualifying payment, Postbank donated BGN 1 in support of the medics who have been on the front lines in the fight against COVID-19 for more than a year.

The education of children and young people in Bulgaria has always been part of the corporate social responsibility projects developed and supported by Postbank.

This is why the Bank continued developing its joint project with SoftUni in support of the Bulgarian education, a project that started back in 2018. It involves various activities aimed at preparing young people for the professions of the future and for professional career in Bulgaria.

Through the strategic partnership, the two organisations aim to encourage students to reach their potential as IT and digital leaders prepared for the dynamically changing environment and the new trends in banking. A new generation digital application, which is intended to facilitate the communication between the employees, won the big prize in the Programming category of Postbank during the third issue of SoftUni Fest.

IT specialists from Postbank once again took part in the online career seminar IT Journey. They presented the attractive employment and career development possibilities in the company to the young students from the Software University. As a leader in the Bulgarian market, Postbank has a diverse and vast infrastructure, based on dynamically developing high tech services and solutions, providing outstanding possibilities for specialisation and development in different technology branches. The Bank is amongst the top preferred employers for the young software specialists who are at the beginning of their professional path.

For the sixth consecutive year, Postbank participated in the most distinguished initiative of the Bulgarian Network of the UN Global Compact I am Proud of My Parents' Work. This time the meeting with the employees' children was completely virtual. Although from a distance, the children had the opportunity to get to know the professions of their parents, to understand exactly what the people in the bank do and why their work is so important. Thanks to the Bank's specialists, they understood that there is a place in Postbank for people with many different interests and skills.

In 2021, for yet another year, the financial institution supported the National Trade and Banking High School in Sofia by committing to become a mentor of one of the school banks.

In April 2021, Postbank started its strategic partnership with the Finance Academy in an educational project aimed to ensure valuable practice-oriented knowledge to raise financial literacy in our country. The two organisations firmly believe that improving the financial culture will also lead to the development of the entrepreneurship ecosystem. This is why their joint activities are focused on sharing current knowledge directly related to the actual business environment.

Postbank and Sofia University cooperate in the field of the education of future financial experts in the Finance and Banking Master's degree programme of the Faculty of Economics and Business Administration. The modern subjects Bank Management and Investment Banking are an integral part of the 2021-2022 compulsory curriculum and lectures in these subjects are conducted by experts from the Bank.

As part of its traditional internship programme, for another year in a row, Postbank gave talented students and motivated young people the opportunity to prove their qualities and start their career in one of the biggest and innovations-leading Bank with a 30-year history on the market. The internship programme is part of the corporate social responsibility policy of Postbank in support of the youth for 14 years now.

For the sixth year in a row, as member of the Association of Banks in Bulgaria (ABB), Postbank participated actively in the European campaign aimed at fighting money laundering schemes and recruitment of financial mules.

In June 2021, Postbank was once again a key partner in the charity relay run Postbank Business Run, annually organised by Runner club. 240 teams from 87 companies from different sectors participated.

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They competed in support of two causes. The biggest teambuilding in Bulgaria was realised in support of two causes. The funds raised exceeded BGN 10 000 and they will be donated to the Children's House project of the For Our Children Foundation in order to secure temporary shelter and a chance for the families of the youngest ones, as well as Water Way Foundation to support children with special needs through physiotherapy, water rehabilitation and modified swimming, so they can grow up as independent adults having a chance at a meaningful life.

Postbank is the only bank in Bulgaria that has a Green Board and an Environmental Office Unit as part of its organisational structure. They work towards environmental protection both with respect to limiting the resources used by the Bank, and with respect to the Bank's financing activities. Furthermore, the members of the Board organise various outdoor initiatives to mobilise other employees.

In 2021, Postbank and Mastercard developed a joint project for reconstruction and expansion of the park infrastructure along the tourist route Bear Museum – Dendrarium Area in Natural Park Vitosha. During the first phase of the project, volunteers from the two companies joined their efforts and together with the Directorate of Natural Park Vitosha they created the Green Classroom, which is situated in immediate proximity to the Bear Museum. The construction of an open amphitheatre study and celebrations spot will shape a creative space, which will give an opportunity for an innovative learning approach, as well as fun for different children's groups that visit the mountain regularly. The second stage of the project in 2022 will include the construction of a connecting path between the Green Classroom and the Dendrarium area, so that tourists could move safely in the forest between the two places without having to take the main road.

In 2021, in partnership with Bloomberg TV, Postbank launched the third issue of the innovative information format – the Finance in Focus podcast. The podcast is issued in seven episodes in which the Bank's experts acquaint the audience with the contemporary solutions in banking, the innovative bank products and services and the various possibilities in the sector provided to us by modern technologies.

Postbank's employees are also regular donors to the National Transfusion Haematology Centre and they participate in blood donation campaigns organised and carried out in the Head Office.

With the support of Postbank, the Specialised Hospital in Obstetrics and Gynaecology Maychin Dom celebrated 1 June with an exhibition of Sandro Arabyan.

The financial institution supported the third issue of the festival A Road Less Travelled: Chamber Music in Kovachevitsa.

The 16th Global Meeting of Bulgarian Media was held under this motto Media and Truth on 17 and 18 October 2021. This event is traditionally organised by the Bulgarian News Agency (BNA). Postbank is a partner of the prestigious forum which unites the representatives of the Bulgarian media abroad.

During the year, the Bank also continued its long-term support and work with the socially disadvantaged groups and incentivising their active role in society. Support was provided to disadvantaged children in Kazanlak, elderly people in Rousse, the national campaign Easter for Everybody – Donate a Holiday to a Grandmother and Grandfather, as well as many smaller initiatives throughout the year.

Postbank traditionally participates in the holiday decoration of Sofia. Following its widely shared values, the financial institution believes that the overall wellbeing and development of society depends on the efforts to improve the environment of each one of us. Therefore, along with the other socially-oriented projects, for several years now the Bank cares for the holiday sparkle in the capital during the Christmas and New Year holidays.

AWARDS:

- Two international awards for Postbank in the prestigious World Finance Digital Banking Awards 2021 competition of the highly renowned World Finance Magazine.
- Postbank once again won a spot among the best banks in the world and for a fourth year in a row it was named Best Retail Bank in Bulgaria in the World Finance Banking Awards competition. The prestigious World Finance magazine which monitors and analyses the financial industry, international business and economy organises the awards.
- The recognition comes due to the many innovations, excellent results and sustainable work model in retail banking, combined with modern products and services to the benefit of the consumers.
- Dimitar Shumarov, Chief Financial Officer and Executive Director of Postbank, and Member of the Management Board was awarded Banker of the Year prize. The prize was presented for the consistent dynamic in the development of the Bank and for its social engagement.
- Prize in the Efficiency category at the Annual Bank Awards of Bank of the Year Association.
- Postbank was named Best Employer of the Year after it won the gold in the Employer of the Year category in the fourth issue of the Employer Branding Awards 2021.
- The Bank won first place in the Employer Branding Innovation (in Pandemic Times) category during the fourth issue of the Employer Branding Awards 2021.
- Silver EFFIE in the Services category for the campaign of Now programme.
- Award in the Innovation category in the prestigious Mr. and Mrs. Economy, organised by the Confederation of Employers and Industrialists in Bulgaria (CEIB) and Economic magazine.
- Postbank won an award in the Talent Management Strategy category at the prestigious best employer awards Career Show Awards 2021.
- For the seventh time, Postbank was presented with an award from the European Bank for Reconstruction and Development (EBRD) – the award for Most Active Issuing Bank in Bulgaria in 2020.
- Bank of the Year award in the seventh annual Company of the Year awards.
- Postbank won first prize in the special category Internal Communications Department of the Year in the PR Prize 2021 competition. The award was presented for the many important projects implemented by the Bank in the fields of education, environmental protection, sports and corporate charity.
- An award in the Communications of Eco Projects category in the PR Prize 2021 competition for the Green Outdoor Stories project, with which an eco-trail in Natural Park Vitosha was completely renovated during two consecutive years.
- Prize in the Communications Project for a Product or Service category for We are All Connected at the PR Prize 2021, a consumer loan campaign with an overdraft, which is strategically important in the development of the Bank's consumer loans portfolio.
- Gold in the Innovations and Sustainable Development category at the Heart of Gold annual awards for charity work and corporate social responsibility.
- First place in the national competition The Greenest Companies in Bulgaria in the Green CSR Campaign category.

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- Postbank won two awards at the prestigious PR and communications competition BAPRA Bright Awards 2021 – in the Campaign Implemented by and Internal PR Department and Corporate Communications (reputation and brand management) categories.

SHARE CAPITAL STRUCTURE

As of 31 December, 2021 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 of 31 of December, 2021 the Management Board consist of the following members

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

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

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

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

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

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

3.1. Partners with unlimited liability

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

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

No member of the Management Board holds more than 25 per cent of the capital of another company.

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

- **Petia Dimitrova**

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;

Hellenic Business Council in Bulgaria – Deputy Chairperson

- **Asen Yagodin**

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

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

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

- **Panagiotis Mavridis**

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 has not entered into contracts specified in Article 240b, paragraph 1 of the Commerce Act during 2021.

SUPERVISORY BOARD

As at 31 December 2021, 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 has owned or transferred shares or bonds of the Bank.

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

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

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

3.1. Partners with unlimited liability

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

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

- **Georgios Provopoulos**

Geonamar P.C - Partner

- **John David Butts**

„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;

- **Theodoros Karakasis**

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

- **Stavros Ioannou**

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

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

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

Eurobank Direktna 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 Direktna 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

- **John David Butts**

Lexrx Capital OOD, Bulgaria – Managing Director;

- **Oliver Ellingham**

Self Storage Number 1 Ltd – Sole Director;

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

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

- **Iasmi Ralli**

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

- **Ivi Vigka**

Eurobank Direktna A.D. Beograd, Serbia – Member of Management Board

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

The Bank has not entered into contracts specified in Article 240b, paragraph 1 of the Commercial Act during 2021.

In 2021 the members of the Management and Supervisory boards have received remuneration amounting to BGN 3,395 thousand.

BANK STRUCTURE

Eurobank Bulgaria AD has no subsidiaries as of 31 December 2021. The Bank employs 3,289 people (2020: 3,267).

OBJECTIVES FOR 2022

The strategy of the Bank remains unchanged and rests on three pillars – organic growth, digitalization and innovation and customer service.

Postbank will continue to expand its lending portfolio, leveraging on the higher demand in the retail segment. The focus will be on building profitable business relationships with the clients, rather than just acquiring new ones and gaining market share. Maintaining solid profitability is vital in the current environment as the regulatory requirements continue to rise thus requiring more capital in order to sustain the expanding business. With the inflation likely to remain elevated in the medium term, the need for strict cost control is becoming more important in order to keep the cost-income ratio at acceptable level. The net profit for the previous year will be retained in order to ensure enough resources to expand the business further and also to cover the announced increase of the countercyclical buffer. The bank will continue to issue more eligible liabilities in order to comply with the interim MREL targets which will enter into force from the beginning of 2022. This additional funding will be added to the expected deposit inflow, so it will be vital to find profitable alternatives to invest the excess liquidity. One of the ways to do this is by developing ESG related products and financing of environment-friendly and energy efficiency investments following the EU Green Deal strategy.

With regard to the nonperforming exposures, Postbank achieved an important milestone with the nonperforming exposures ratio falling below 5% of all loans. The focus in 2022 will be on further reduction of the volume and in the first few months of the year careful monitoring of the performance of the loans which exit the moratorium to ensure that they will smoothly return to their pre-pandemic behavior.

The Bank will continue to invest in digital transformation, upgrading and replacing its IT systems in order to make sure that all front office and back office functions are fully automated and up to the level of the customers' expectations.

Providing excellent customer service also means investing in the physical distribution network since many customers share the personal experience. The ongoing branch transformation project includes more renovations of branches, business and specialized centers as well as expansion of the self-service zones and enhancement of the services offered in them.

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

29 March 2022
Sofia, Bulgaria



Dimitar Shoumarov

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

FINANCIAL STATEMENTS

Income statement

		Year ended 31 December	
	Notes	2021	2020
Interest income calculated using the effective interest method		371,182	364,866
Other interest income		6,951	9,658
Interest expense and similar charges		(11,070)	(12,659)
Net interest income	6	367,063	361,865
Fee and commission income		148,479	122,917
Fee and commission expense		(24,578)	(19,518)
Net fee and commission income	7	123,901	103,399
Other operating income, net	8	2,254	1,318
Dividend income		517	445
Net trading income	9	486	436
Gains less (losses) from trading securities	17	168	(86)
Gains less (losses) from investment securities	196	1,230	3,071
Reposessed assets impairment		(240)	(700)
Other operating expenses	10	(207,178)	(188,483)
Deposit Insurance Fund expense		(15,524)	(28,043)
Impairment charge for credit losses	12	(84,385)	(83,403)
Profit before income tax		188,292	169,819
Income tax expense	13	(19,066)	(17,143)
Profit for the year		169,226	152,676

The following notes set out on pages 62 to 199 form an integral part of these financial statements

The financial statements were authorized by the management on 29 March 2022.



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

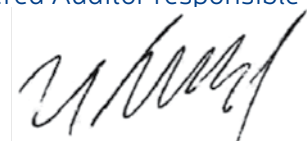
Registered Auditor responsible for the audit

For Baker Tilly Klitou and Partners EOOD:



Galina Lokmadjieva

Registered Auditor responsible for the audit



Ivan Andonov

Authorised representative
For KPMG Audit OOD



Spyridon Gkrouits

Authorised representative
For Baker Tilly Klitou and Partners EOOD

Statement of comprehensive income

	Year ended 31 December		
	Notes	2021	2020
Profit for the year		169,226	152,676
<i>Items that are or may be reclassified subsequently to profit and loss:</i>			
Debt securities at FVOCI			
- net changes in Fair Value, net of tax		(7,089)	(256)
- reclassified to profit or loss, net of tax		(6,348)	(870)
<i>Items that will not be reclassified to profit or loss:</i>		7,702	1,365
Change in FV of property, plant and equipment, net of tax		3,371	912
Remeasurements of retirement benefit obligations, net of tax		4,331	453
Other comprehensive income for the year	14	(5,735)	239
Total comprehensive income for the year		163,491	152,915

The financial statements were authorized by the management on 29 March 2022.



Petia Dimitrova

Chairperson of the Management Board and Chief Executive Officer

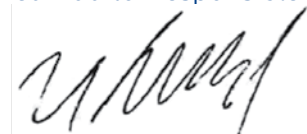
Initialed for identification purposes in reference to the auditor's report:

For KPMG Audit OOD:



Sevdalina Dimova

Registered Auditor responsible for the audit



Ivan Andonov

Authorised representative
For KPMG Audit OOD

The following notes set out on pages 62 to 199 form an integral part of these financial statements



Dimitar Shoumarov

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

For Baker Tilly Klitou and Partners EOOD:



Galina Lokmadjieva

Registered Auditor responsible for the audit



Spyridon Gkrouits

Authorised representative
For Baker Tilly Klitou and Partners EOOD

Statement of financial position

	Notes	As at 31 December	
		2021	2020
ASSETS			
Cash and balances with the Central Bank	15	2,139,549	1,935,834
Loans and advances to banks	16	505,362	515,906
Trading assets	17	38,369	40,672
Derivative financial instruments	25	11,460	1,352
Loans and advances to customers	18	8,793,951	7,798,875
Investment securities	19a	2,635,788	1,463,077
Current income tax recoverable		-	2,518
Deferred tax assets	28	8,556	11,191
Property, plant and equipment, including right of use assets	21	235,255	211,255
Investment property	20	797	890
Intangible assets	22	79,670	76,916
Other assets	23	41,337	45,363
Total assets		14,490,094	12,103,849
LIABILITIES			
Deposits from banks	24	9,535	7,739
Derivative financial instruments	25	9,139	9,442
Due to customers	26	12,313,508	10,234,485
Other borrowed funds	27	166,578	29,370
Current income tax payable		976	-
Provisions for other liabilities and charges	29	11,417	13,426
Retirement benefit obligations	30	3,629	8,238
Other liabilities	31	188,274	177,602
Total liabilities		12,703,056	10,480,302
SHAREHOLDERS' EQUITY			
Share capital		560,323	560,323
Statutory reserves		282,521	282,521
Retained earnings and other reserves		944,194	780,703
Total shareholders' equity	32	1,787,038	1,623,547
Total shareholders' equity and liabilities		14,490,094	12,103,849

APPENDIX

The financial statements were authorized by the management on 29 March 2022.



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:

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Sevdalina Dimova

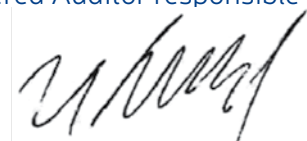
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For KPMG Audit OOD



Spyridon Gkrouits

Authorised representative
For Baker Tilly Klitou and Partners EOOD

The following notes set out on pages 62 to 199 form an integral part of these financial statements

Statement of changes in shareholders' equity

	Share capital	Property revaluation reserve	Fair value reserve	Statutory Reserves	Retained earnings and other reserves	Total
Balance at 01 January 2020	560,323	1,854	20,300	282,521	608,296	1,473,294
Profit for the year					152,676	152,676
Other comprehensive income						
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
Total comprehensive income for 2020	-	912	(1,126)		153,129	152,915
Acquisition of subsidiary (ERB Leasing Bulgaria)					(2,662)	(2,662)
Balance at 31 December 2020	560,323	2,766	19,174	282,521	758,763	1,623,547
Balance at 01 January 2021	560,323	2,766	19,174	282,521	758,763	1,623,547
Profit for the year					169,226	169,226
Other comprehensive income						
Change in fair value reserve on financial assets at FVOCI			(13,437)			(13,437)
Revaluation of property, plant and equipment	-	3,371				3,371
Remeasurements of retirement benefit obligations, net of tax	-	-			4,331	4,331
Total comprehensive income for 2021	-	3,371	(13,437)		173,557	163,491
Balance at 31 December 2021	560,323	6,137	5,737	282,521	932,320	1,787,038

APPENDIX

The financial statements were authorized by the management on 29 March 2022.



Petia Dimitrova

Chairperson of the Management Board and
Chief Executive Officer



Dimitar Shoumarov

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

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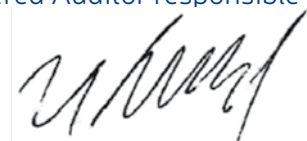
Registered Auditor responsible for the audit

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Spyridon Gkrouits

Authorised representative
For Baker Tilly Klitou and Partners EOOD

The following notes set out on pages 62 to 199 form an integral part of these financial statements

Statement of cash flows

Year ended 31 December

2021 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Interest received	381,992	368,235
Interest paid	(10,563)	(13,937)
Dividends received	517	445
Fees and commission received	148,421	123,447
Fees and commission paid	(23,892)	(17,168)
Amounts paid to and on behalf of employees	(110,659)	(98,484)
Net trading and other income received	503	161
Other operating expenses paid	(94,538)	(98,044)
Tax paid	(14,400)	(13,550)
Cash from operating activities before changes in operating assets and liabilities	277,381	251,105

CHANGES IN OPERATING ASSETS AND LIABILITIES

Net (increase) in reserve with the Central Bank	(104,532)	(45,256)
Net (increase) in loans and advances to banks	-	(97,812)
Net (increase)/ decrease in trading securities	2,303	(31,867)
Net (increase) in loans and advances to customers	(1,091,773)	(714,548)
Net (increase)/ decrease in other assets	2,729	(3,767)
Net (decrease) in derivatives instruments	(3,261)	(425)
Net (decrease)/ increase in due to other banks	1,796	(7,297)
Net increase in amounts due to customers	2,079,352	778,888
Net increase/ (decrease) in other liabilities	14,355	(12,257)
Net cash flows from operating activities	1,178,350	116,764

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment and intangible assets (Notes 21,22)	(29,644)	(25,727)
Purchase of investment securities	(1,919,922)	(1,258,656)
Proceeds on disposal of property and equipment	136	106
Proceeds from sale of investment securities	734,745	342,454
Net cash flow/(used in) from investing activities	(1,214,685)	(941,823)

Year ended 31 December
2021 2020

CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES

Long-term financing received	146,687	-
Long-term debt repaid	(9,566)	(9,566)
Payment of lease liability	(12,398)	(13,798)
Net cash used in financing activities	124,723	(23,364)
Effect of exchange rate changes on cash and cash equivalents	261	163
Net change in cash and cash equivalents	88,649	(848,260)
Cash and cash equivalents at beginning of year	1,891,766	2,740,026
Cash and cash equivalents at end of year (Note 33)	1,980,415	1,891,766

The financial statements were authorized by the management on 29 March 2022.



Petia Dimitrova
Chairperson of the Management Board and
Chief Executive Officer



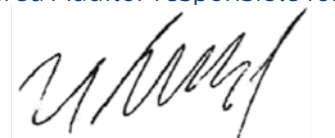
Dimitar Shoumarov
Member of the Management Board,
Executive Director and Chief Financial Officer

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 EOOD:



Galina Lokmadjieva
Registered Auditor responsible for the audit



Spyridon Gkrouits
Authorised representative
For Baker Tilly Klitou and Partners EOOD

The following notes set out on pages 62 to 199 form an integral part of these financial statements

CONTRIBUTION TO SUSTAINABILITY





WE WORK
FOR A BETTER
FUTURE

LETTER TO THE STAKEHOLDERS - 2021



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 2021, 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 COVID-19 pandemic continued to shape the social and economic environment in the past year. The start of the mass vaccination programs in the beginning of the year gave hope that the crisis will soon be over and that the economies will rebound strongly, swiftly returning to their pre-pandemic levels. While this was true for some countries, the renewed waves of infections in the second half of the year forced governments across the world to reintroduce containment measures, thus hampering the economic expansion.

The new waves of infections were not the only factor that slowed the pace of recovery. The persistent logistics constraints, the shortages of raw materials and labor as well as the resurgence of inflation, all exerted downward pressure on the economies. The fiscal and monetary stimulus in the developed countries led to increased consumption and demand for raw materials and goods which disrupted the fragile supply chain network and led to shortages and higher prices. In the same time, the labour markets in some countries have tightened and employers found it difficult to fill in empty positions, despite the fact that the labor force participation rates reached almost pre-pandemic level.

The monetary policy remained supportive throughout the year, however, the rise of the inflation and the expectations that this is not a temporary phenomenon forced the central banks to consider returning to their original mandates – i.e. maintaining the price stability.

CONTRIBUTION TO SUSTAINABILITY

Bulgaria's economy fared relatively well in 2021. After contracting by 4.4% in 2020, it rebounded in 2021 by an estimated 4.2%. As most of the other EU countries it failed to reach its pre-pandemic level for which several factors played part – the resurgence of the COVID infections in the second half of the year, the low level of vaccination, the political instability, the delay of large public infrastructure projects and the rise of inflation. The main driver of growth was the consumption which rose by 7% YoY – the decrease of the unemployment rate, the rising salaries and the government handouts to the pensioners increased the disposable income of the households and most of it was spent.

Postbank had a very successful 2021 year and managed to achieve the best performance in the history so far by increasing its income and net profit, gaining market share through organic growth, while maintaining its strong capital adequacy, risk and liquidity ratios. The profit after tax increased by 11% YoY to 169 million leva which is the highest level in history achieved through core business activities excluding one-off effects. The return on equity was 9.9%, the same as in the previous year and around 1 pp above the average for the market.

The lending portfolio expanded by 12.8% YoY (1.03 billion leva) to 9.09 billion leva, outpacing the market (9.2% YoY) and gaining 40 bps market share to 12.0%. More importantly, this was achieved without sacrificing the profitability – the average yield on the Bank's portfolio is around 40 bps above the market average and higher than the main peers. In line with the market trends, the retail segment outperformed the corporate one – corporate loans rose by 11.2% (428 million leva) to 4.26 billion, while retail loans were up by a little more than 600 million leva to 4.83 billion. For a second consecutive year, consumer loans were the fastest growing – by 21.3% (263 million leva) to just short of 1.5 billion leva. Mortgage loans were also in high demand because of the booming real estate market and rose by 13% (295 million leva) to 2.57 billion. After falling in 2020, the SBB segment fully recovered its lost volumes and finished the year with a portfolio of 760 million leva – the same as at the end of 2019. The recovery was helped by the programs which Postbank signed in 2020 with EIF, the Bulgarian Development Bank and the Fund Manager of Financial Instruments in Bulgaria to support the small and medium sized businesses.

In terms of deposit gathering, the previous year was by far the best in the history of the Bank. Client deposits jumped by more than 2 billion leva (20.3% YoY) to 12.3 billion leva. The market share increased by more than 1 pp to 11.3% and Postbank became the third biggest bank by deposits.

By capitalizing the profit for the previous year, Postbank was able to cover the expanding risk-weighted assets through internal capital generation. The capital adequacy ratio at the end of the year stood at 20.58%, just 33 bps lower than in the previous year and well above the regulatory requirements.

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.

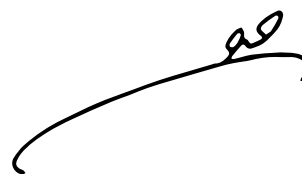
Through the following pages of the report, you can learn in detail about all components of our contribution to creating sustainable benefits to our customers, partners and society.

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

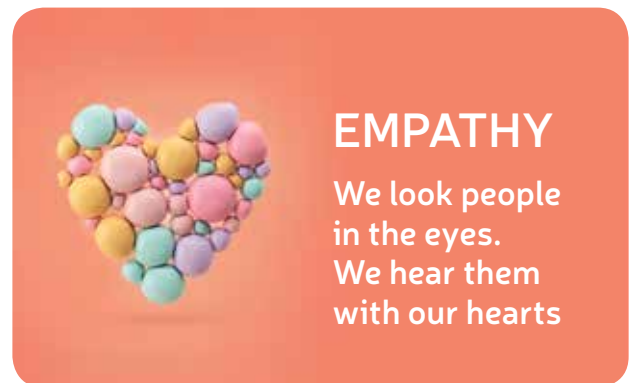
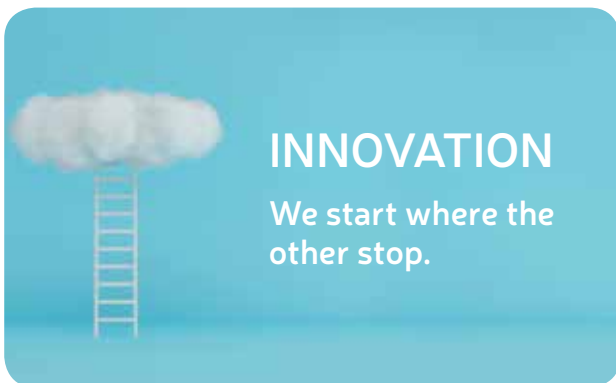
Our Mission

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
We order the world fairly.



SOCIAL CONTRIBUTION
We think plurals, but we succeed as one.




TEAMWORK
Our favorite color? All together.




RESPECT FOR PEOPLE
In our world, everyone comes first.




TRUST
The capital that we rise every day.



EFFICIENCY
We hit our targets. Always.



CREATIVITY
"Impossible" is our favorite challenge.



QUALITY
We are masters of perfection.

Open and transparent relations

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

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

Clients

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

Shareholders and investors

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

Personnel

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

Suppliers

- Contacts with Contractors;
- Committees on supplier selection.

Community and environment

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

ECONOMIC CONTRIBUTION

CONTRIBUTION TO ECONOMIC GROWTH

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

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

Recognizing the need for support to local economies, in 2021 Postbank preferred to work with local suppliers in selected categories of goods and services. The Bank works with a large network of local partners, accounting for around 90% of all its suppliers.



THE CONTRIBUTION OF THE BANK TO THE "SOCIAL PRODUCT"

SOCIAL PRODUCT	PUBLISHED RESULTS 2021		PUBLISHED RESULTS 2020	
	BGN Mio	EUR Mio	BGN Mio	EUR Mio
The contribution of the Bank to the "Social product"				
Turnover	531.3	271.6	502	257
Interest Expense and Fees & Commissions expense	-35.6	-18.2	(32)	(16)
VAT on Added Value of the Bank	-6.3	-3.2	(7)	(4)
Impairment losses	-84.4	-43.1	(83)	(43)
Social Product	405.2	207.2	379	194

The "Social product" and its Distribution

I. Personnel	100.9	51.6	90	46
Gross Pay	112.9	57.7	119	61
Employer contribution to social security institutions	4.8	2.5	5	2
Medical, Retirement and other benefits	1.5	0.8	2	1
Contribution to Social Security Institutions (Employer and Employees)	-26.7	-13.6	-26	(13)
Employees tax	8.3	4.2	-9	(4)
II. Suppliers of Goods & Services	75.4	38.5	49	25
III. Donations and sponsorships	0.2	0.1	0	0
IV. State	59.3	30.3	87	45
Income Tax and various taxes	19.1	9.7	17	9
Value added taxes	6.3	3.2	7	4
Deposit Guarantee and Investors compensation schemes	15.5	7.9	28	14
Contribution to Social Security Institutions (Employer and Employees)	26.7	13.6	26	13
Employees tax	-8.3	-4.2	9	4
V. Company	169.2	86.5	153	78
Retained Earnings / Reserve	169.2	86.5	153	78
Social Product	405.2	207.1	379	194

CUSTOMER SATISFACTION

Against the background of the serious challenges and the large number of restrictions imposed by the Covid-19 situation in 2021, 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 2021, 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.

DEVELOPMENT OF THE HUMAN CAPITAL

Human Resources

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

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

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

Employer Branding

Employer Branding Department was established in 2020 to actively work in support of building and maintaining a strong employer brand of Postbank. At the end of 2021 it was transferred to the structure of the Human Resources Division as part of the Talent Acquisition and Employer Brand Department, consisting of two units: 1.) Recruitment & Talent Acquisition 2.) Staff Development & Employer Branding. In the direction of an employer brand, the new department continues to full-fill the mission 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 department before and after the structural change is to enhance organizational performance in the key areas of employees' engagement, recruitment, retention and talent acquisition, as well as to maintain a supportive and trustful working environment, resulting in motivated and committed employees and loyal and satisfied customers.

In the direction of an employer brand in 2021, three key projects were implemented with a focus on the "Voice of Employees":

1. Creation and popularization of a unique offer for value of Postbank as an employer, the so-called Employee Value Proposition (EVP).
2. Launch and development of a new internal site dedicated to employees - Postbank Dream Team .
3. Campaign for promotion of the redesigned Mission, Vision and Values of the bank.

Employee feedback is a key approach in the employer brand development strategy.

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.

Following the concussions in the economy and in all spheres of social life caused by the pandemic in 2020, in 2021 the application of innovative methods of recruitment was also established. That is why creating a flexible recruitment strategy has become our top priority. For the Bank, the selection process, both in 2020 and in 2021, continued to take place entirely online, and providing a good digital experience to applicants was solidified as the main task of the participants in the process. Digital recruitment provides a number of advantages, main of which is the speed with which contact is made with applicants and meetings are organized.

In order to strengthen the commitment and motivation of employees in the selection of new personnel suitable for positions in the Bank's branch network, in 2021 the development and implementation of a new key project "We Attract - Reffer a friend to the team" was launched.

In an effort to reach a larger circle of potential candidates for various vacant positions in the Bank, in 2021 the proactive approach to contacting suitable candidates using various social networks (in particular LinkedIn, Facebook, Instagram) was increasingly applied.

Since the requirements for appointment at different positions at the Bank are related to both high level of professional knowledge and proven moral and ethical values, the Bank aims at developing its employees – people with high potential. This is why, more than 2/3 of the Bank's openings (56%) are taken by personnel coming from the so-called internal market, i.e. by promoted and reappointed employees. As a result 44% of 2021 openings were occupied by candidates outside the organization i.e. attracted from the so called external market.

Requirements for professional training remained high also for the candidates from the external market. In the changed environment of a competitive recruitment market in 2021, it makes an impression that 18% from the newly-appointed employees had less than two years of professional experience.

Professional Training

The opportunity for professional development and providing professional training to employees is focus of the bank and one of the most powerful means to achieve its strategic goals. The high expectations of the management and the employees in this direction are met through the organization of training initiatives in many directions.

Considering the change related to the in with the epidemiological situation, the approach and the way of training of the employees has changed, but what has remained unchanged is the emphasis on connecting the theoretical training with the real practice.

As a follow up of the first phase of the digital transformation of the Learning approach and content in 2020, when we performed Training for Trainers in the Changed Reality, the second phase of the adaptation of content and approach was related to the creation of short explanatory animated video lessons that explain basic types of banking products, services and practices in an interesting, engaging and interacting way.

The videos are uploaded to the platform of Postbank iKnow - a digital guide in the product list of the successful banker and are constantly accessible by the employees. Their use is repetitive, not one-off - to find a short, synthesized explanation, or to find answers to frequently asked questions. For the first 3 months of its launch, iKnow has been visited over 2,000 times.

We continued to support people's professional and personal development and provided an opportunity for all our employees to enroll in e-learning trainings and to develop their skills.

The topics cover various social and managerial skills that support the successful completion of tasks in everyday work 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 completion of the training, each participant received a certificate of completion.

We continued to put strong emphasis on developing the skills of employees and increasing their understanding of the importance of providing the highest quality customer service. In 2021, after adapting the content and the approach, we successfully completed the second phase of the trainings for improving the quality of service.

In 2021, the number of the man-hours in e-learning increased with 34% compared to 2020 and reached 100 800. Covid-19 forced us to change our approach, but it also brought its positives, we were faster, more flexible and the total number of man-hours for 2021 increased with almost 50 000 and reached 185 802.

Induction Programs

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

Given the changed situation, we revised and adapted the training program for newly appointed employees, paid special attention to the practical part of the training and to the opportunity to work in a real environment under the supervision of the coach, we added the support of a Mentor.

We have focused on their preparation in order to maintain the effectiveness and standardised approach of training.

In Postbank Dream Team a special landing page was created for newly hired employees, including a new onboarding video.

The process of sending personal Welcome e-mail and Viber message to the newly appointed employees has also started, containing a welcome greeting and useful information about the introductory training with a link to the landing page.

Feedback

For Training and Development Department, feedback on the different levels is of particular importance and we seek the views of staff on all stages of the programs. In 2019 we improved this process, as all forms of feedback are electronic, so this provides an opportunity to assess the pros and cons of the relevant training programs and to work towards change and improvement.

Employee Journey Mapping – in the direction of an employer brand with the aim to design desired employee experience started a process of proactively collecting feedback through the entire Employee Life Cycle. The results are analysed and used for identifying areas for improvements with the aim to offer POSITIVE EMPLOYEE EXPERIENCE.

The main directions in the strategy for development of the employer brand are based on feedback collected by employees from different units, regions, positions and experience in the bank through thematic meetings, discussions, focus groups, interviews and questionnaires.

Measuring the Professional Preparation

In 2020 the practice for regular and standardized measurement of employees' professional preparation in terms of systems, products and actual campaigns continued, by conducting regular quarterly trials for Branch Network employees. The tests have been organized online and the results are received immediately. They were used to identify the areas in need of knowledge improvement.

Long-term Qualifications

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

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

Performance Management

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

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

Staff Development

In 2021, the Staff Development processes and the Talent Management Program, which were launched in stages in 2020, were upgraded:

- People Mapping - employee segmentation and talent identification
- Succession Planning - supporting business continuity and sustainability, building the next generation of leaders
- Evaluation for development - tools for identifying strengths and areas for development

The processes covered all nearly 3,000 employees and as a result of them and subsequent stages, several development programs were launched:

- BRANCH MANAGEMENT ACADEMY - leadership development program in which 60 employees participated.
- POSTBANK BOLD MENTORing - a one-year mentoring program in which 71 mentors and 102 mentees participated, and over 65% of the mentors are employees with high potential and talents. Thanks to their participation in the mentoring program, colleagues definitely showed their abilities and were promoted to managerial strategic positions.
- LEADERSHIP DEVELOPMENT PROGRAM - enables 280 people from the Bank's management to upgrade their knowledge and skills in the direction of personal and career development.

Staff engagement and recognition

Approach to employee engagement during the pandemic – focus on health, employee care and open communication with empathy. Creating a more empathetic culture is the way the bank follows 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 with the idea to work together to improve the workplace and optimize 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.

Together with the employees we created a unique value proposition of Postbank as an employer, the so-called Employee Value Proposition (EVP). Colleagues from all regions, different units, with various functions, positions and at different stages of their career development in the bank participated in the process, as they were directly involved through surveys and participation in focus groups.

A video and digital brochure were created to promote our EVP. The accent in the digital interactive brochure are also the renewed values of the bank with their new visions, populated through various internal and external channels.

Postbank Dream Team – the new internal site (SharePoint), dedicated to our team, was developed as a tool for recognition, engagement and additional motivation for employee development. The main focus is on the shared experiences of our colleagues, who tell about their career journey, stories related to the good example, key units in the bank, internal rankings and more.

An anniversary column in Postbank Dream Team was created on the occasion of the 30th anniversary of Postbank in order to present with individual interviews the employees with 30 years of experience in the bank. The materials were also promoted through the internal bulletin.

Digital Ambassadors - a series of activities were organized in connection with this strategic program, which aims to develop the corporate digital culture and strengthen the digital strategy of the Bank. Over 250 digital ambassadors took part in a series of webinars and the two annual meetings focusing on the launch of the bank's innovative product ONE wallet and our digital strategy for business development. Separate activities with the digital ambassadors were realized in connection with EVA Robo Adviser (Digital Assistant) and Self-Service Zones (SSZ) for express banking.

An anniversary raffle was organized with an emphasis on the 30-year history of Postbank and 5 (five) colleagues received a voucher for optional training worth up to BGN 1,000.

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, it started cooperation with leading universities and colleges.

Workshops, presentations and webinars were held 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 the health of employees during the pandemic situation with Covid, the bank switched to a special mode of operation by dividing the teams into 4 main groups. The opportunity for a Home Office 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 has implemented and strives to extend a consistent policy of providing additional benefits to its workforce and of applying strict health and safety standards at the workplace. The Bank provides various forms of support for ad hoc cases. All employees of the Bank have an additional health insurance in a private fund the price of which is fully covered by the employer. The additional insurance covers also the cost of medical treatment if necessary. Employees can also conclude agreements for additional insurance of family members at preferential terms if they wish so. The Bank provides its staff with an additional life insurance, covering the expenses upon occurrence of an insurance event. Moreover, the opportunity to use the Banks products and services at

preferential terms is a significant benefit for Postbank's employees. These include home and consumer loans, credit cards, overdrafts, online banking. Staff members pay no fees for most banking operations such as cash transfers, withdrawals, etc.

The Additional voluntary pension insurance at the expense of the employer is a benefit that aims to motivate and encourage the loyalty of employees in the bank, as well as to show the concern of Postbank, as an employer to employees and their future, providing them with better retirement opportunities.

It applies to all employees with continuous service in the bank for at least 5 years from the date of receipt.

Health and Safety at Work

Related to the Covid-19 pandemic situation we a regular disinfection of office spaces, according to the requirements of the Ministry of Health.

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

NON-FINANCIAL DECLARATION 2021

BUSINESS MODEL

Detailed information regarding Postbank's business model, objectives, structure and products is presented in the Corporate Governance Statement and the Annual Activity Report.

ENVIRONMENTAL POLICY STATEMENT

Postbank Bulgaria believes that environmental responsible action is an essential part of sustainable business growth. As a financial services institution, Postbank acknowledges the impact on the environment from its operations and seeks efficiency in the use of natural resources, as well as minimization of waste. It also recognizes indirect impacts stemming from lending and investment activities and from relationships with its stakeholders and society at large.

Postbank is committed to assess the environmental impact of its activities, set appropriate objectives and targets, continuously control and improve its environmental performance and comply with the local national and international environmental laws and regulations.

Postbank believes that environmental management is an integral part of an enterprise's proper and socially responsible behavior. To this end it pursues responsible environmental attitude towards its shareholders, employees, clients, suppliers and society at large, by implementing sound environmental practices, whilst promoting economic growth.

1. Postbank environmental management overview

Today's world is facing the phenomena of pollution and climate change. There is hardly any individual or organization who would doubt the importance of managing the consequences of the changes pollution and climate change create in the environment, and of coming up with the proper means to curb them.

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

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

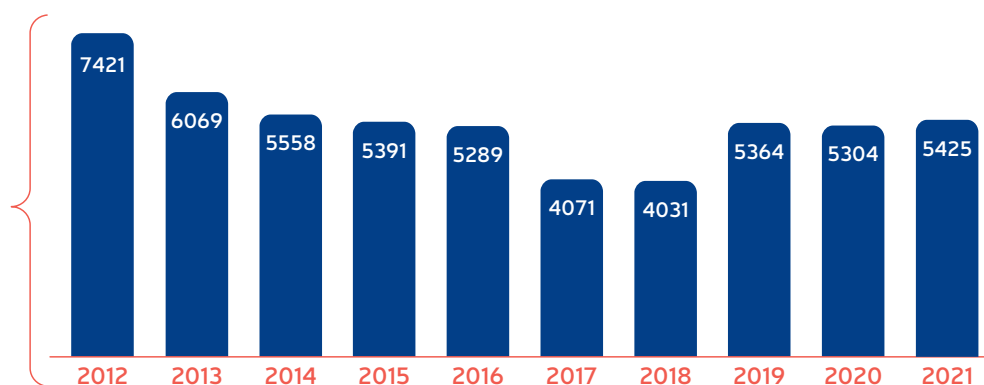
Postbank is committed to actively manage both its direct and indirect environmental impacts on the environment. For that matter it has established Environmental and Sustainability Committee, Green Board and Environmental and Social Affairs Coordinator in its organizational structure, which are in charge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

2. Resource consumption management at Postbank

Postbank have analyzed the materiality of its direct impacts on climate change and the environment and have identified three areas in which to concentrate systematic efforts to manage impacts – CO₂ emissions from electricity consumption, and the use of paper and water.

The outcome of the analysis on 2021 data is presented in Fig. 1, 2, and 3 below through three selected environmental indicators. These indicators are presented in dynamics for a period of 10 years spanning 2012-2021, and they reveal the trends of internal resource use as a result of the various initiatives that the Bank has been undertaking in order to manage them.

Fig 1. Postbank CO₂ Footprint from Electricity Consumption, 2012-2021

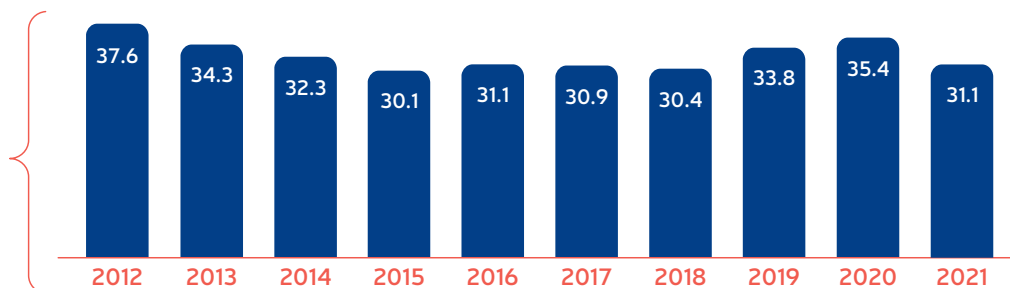


Source: Environmental Office calculations based on Premises Department data

As evident from the chart presented in Fig. 1, CO₂ emissions from electricity use in Postbank have slightly decreased –37% when compared to the base 2012 year.

The data on paper consumption are presented on Fig 2. They show that the Bank has consumed 14% less paper in 2021 YoY. This is mainly a result of the various very successful digitalization projects and the dedicated efforts to decrease internal use of this resource. Compared to the base 2012 year, the decrease is even larger: 21%.

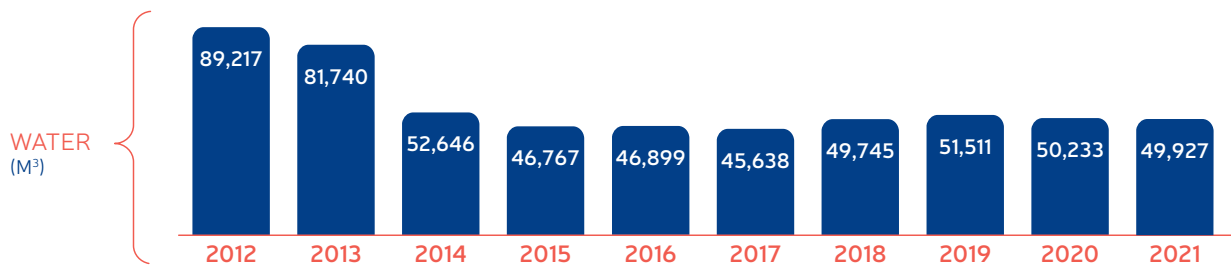
Fig. 2 Paper Consumption in Postbank, millions sheets of paper, 2012-2021



Source: Environmental Office calculations based on Administrative Department data

Water consumption for office needs has shown a slight decrease of 1% in 2021 YoY. Data are presented on Fig. 3 below. The analysis of the data on water consumption for the past 10 years shows that it has been decreased almost 100 % and for the past several years it has stabilized, revealing that the current level is most probably the optimum one.

Fig. 3 Water Consumption in Postbank, m3, 2012-2021



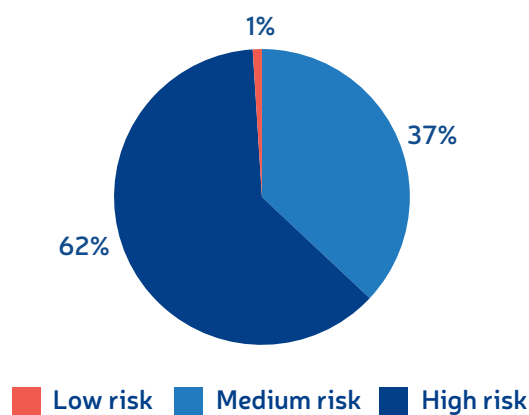
Source: Environmental Office calculations based on Premises Department data

3. Climate-change related, environmental and social risk management in lending

Apart from the direct aspects and its impact on society, Postbank is continuously investigating the indirect environmental aspects from its operations. These are related primarily to its corporate and small and medium enterprises loan portfolio. In this area, Climate Change-Related, Environmental and Social Risk Management Procedure is implemented to ensure that lending is provided accounting for the risks for the climate, the environment and society. The Bank encourages green businesses indirectly through the implementation of this procedure. It prescribes the particular methodology which is followed to ensure that environmental and social risks are evaluated and monitored in the loan approval and subsequently monitoring process.

The data on the distribution of environmental and social risk across the corporate and small and medium enterprises loan portfolio are presented in Fig. 4 below. They show that a significant number of the deals in this portfolio, 37%, have low environmental and social risk, 62% have medium risk, and only 1% are characterized by having high such risks.

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



Source: Environmental Office calculations based on Corporate banking and Small Business banking divisions data

Postbank views responsible relationships with its clients and customers as instrumental for working LChange-Related, Environmental and Social Risk Management Procedure of the Bank. It is applicable to all small business and corporate clients.

CONTRIBUTION TO SUSTAINABILITY

According to it, all commercial deals are evaluated based on how the applicants are dealing with climate change-related, environmental and social matters in their operations. The Bank appraises each such deal based on a number of both quantitative and qualitative environmental, climate-related and social criteria, part of which are then input in an automated scorecard. The aim is to ensure that the customer demonstrates high awareness of the related matters and is making his best efforts to act accordingly.

An important part of the evaluation process includes requesting the customer to fill in a short questionnaire with qualitative questions on how his business activities relate to the environmental, climate and social considerations. This questionnaire is completed by the customer with the assistance of the bank employee in charge of him so that exchange of information could take place as to what the needs of the customers are and how the Bank could meet them.

As a result of the application of the procedure and the automation of the process, deals are being monitored for their environmental, climate-related and social aspects on an annual basis and, if necessary, remedial actions could be requested from the client so that proper management of associated risks is ensured.

Apart from risk management, during the reporting period Postbank formalized the steps that need to be taken inside the bank in order for green banking products to be launched. The Bank intends to encourage the creation and spread of green products that could meet the demands of its customers, which will lead to more sustainable relationships them.

The bank is proactive towards its clients by proposing them green products so that they could benefit from such opportunities. In the reporting period, a structured deposit product INDEX Climate Change has been introduced that allows for receiving income from the dynamics of the index. The bank is planning to expand its green products portfolio in the coming years.

During the reporting period all corporate banking staff as well as small business banking and finance management staff have undergone training in climate-related, environmental and social risk management principles and in the application of the respective Procedure at the bank. Within this period one presentation dedicated on the EU Green Deal impact on banking was presented at an Executive Committee meeting, and a training dedicated to the same topic was done for the Management Board and Supervisory Board members.

The EU Taxonomy (Regulation (EU) 2020/852 of the European Parliament and of the Council) is a green classification system that translates the EU's climate and environmental objectives into criteria for specific economic activities for investment purposes. The Taxonomy Regulation is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy.

For an economic activity to be defined as environmentally sustainable under the Taxonomy, and thereby classified as aligned with the Taxonomy, it must meet the following criteria:

1. making a substantial contribution to at least one environmental objective
2. doing no significant harm to any other environmental objective
3. complying with minimum social safeguards
4. complying with the technical screening criteria

The Taxonomy is currently limited to the classification of environmentally sustainable economic activities. However, work is ongoing at the EU level to review whether the Taxonomy will be expanded to classify e.g. social sustainability and activities that could cause significant harm to the environment.

The year 2022 is the first year that NFRD undertakings, including the Bank, are reporting according to the Taxonomy. For financial undertakings, according to the Art. 10 of the same Delegated Act, the transitional rules for the period from 1 January 2022 until 31 December 2023 are limited to the reporting of the extent to which their customers and counterparties' activities are Taxonomy-eligible as well as information on assets that cannot be assessed under the Taxonomy Regulation, e.g. derivatives.

The Bank has calculated the data needed for the requisite disclosures based on the EBA's recommendations and the European Commission's FAQs and used the FINREP reporting format. "FINREP" is the required format of reporting based on the Regulation (EU) No 575/2013 of the European Parliament and of the Council Regulation (EU) No 575/2013 (CRR) and Regulation (EU) No 680/2014. A conservative approach was utilized in the analysis: if insufficient data is available to assess counterparty's eligibility, the Bank considers it as non-eligible.

The reported KPIs are included in the table below:

Taxonomy KPIs	
Taxonomy-eligible assets/ Covered assets	27.1%
Taxonomy non-eligible assets/ Covered assets	72.9%
Non-NFRD counterparties/ Total Assets	26.7%
Derivatives, hedge accounting / Total Assets	0.0%
Trading and On-demand interbank loans/ Total Assets	1.2%
Central governments, central banks, supranational issuers/ Total Assets	24.9%

Taxonomy-eligible assets include residential and commercial real estate mortgages towards households and non-financial corporations (categories according to FINREP).

Covered assets include financial assets at amortized cost, financial assets at FVOCI, financial assets at FVPL, repossessed collaterals by the Bank. Total covered assets do not include exposures to central governments, central banks and supranational issuers.

The exposure to undertakings that are not subject to NFRD has been identified excluding the counterparties that are subject to NFRD from the total asset of the Bank.

Central governments, central banks, derivatives, trading positions and on-demand interbank loans have been identified according to FINREP.

The Bank will continue developing its environmental management strategy by closely monitoring ESG and climate change regulatory and market developments, identifying and exploiting areas of most significant positive and negative environmental and climate-change impact of its operations and building strategic business opportunities in relation to the increase of positive impacts and reduction of negative impacts.

4. Fines, sanctions or cases brought through dispute resolution mechanisms

In 2021 Postbank had no fines, sanctions or cases in the area of environmental management.

SOCIAL MATTERS AND MATTERS RELATED TO THE EMPLOYEES

1. Number of employees, gender distribution by areas of occupancy

Sustainable Postbank policy is to treat all the employees equally, irrespective of 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 group is presented in the table below.

Fig. 5 Employee distribution based on gender and age group in 2021

Under 25 years		25-34 years		35-44 years		45-54 years		over 55 years	
Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
82.00%	18.00%	75.22%	24.78%	77.03%	22.97%	79.11%	20.89%	79.85%	20.15%

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 the occupied position and the labor market.

Staff distribution by positions and gender is presented in the table below.

Fig. 6 Distributions by areas of occupancy and gender for 2021

	Specialist positions	Expert positions	Managerial positions
Female	91.78%	72.33%	57.52%
Male	8.22%	27.67%	42.48%

2. Development of the Human Capital

Human capital is a key factor in any organization's success. Postbank's management shares the belief that taking care of its employees, their development and motivation is essential for the achievement of both short-term and 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 from one side to the capability to select the right people for appropriate positions, to be ensured effective trainings in order quickly to develop all the necessary professional skills, and from the other - to develop and motivate talents within the organization.

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 selection process took place entirely online, and providing a good digital experience to applicants became the main task for all the participants in the process.

The opportunity for professional development and providing professional training to employees is focus of the Bank and one of the most powerful means to achieve its strategic goals. Considering the

change related to the epidemiological situation, the approach and the way of training of the employees has changed, but what has remained unchanged is the emphasis on connecting the theoretical training with the real practice.

During the pandemic, in an effort to support people's professional and personal development, we have provided an opportunity for all our employees to enroll in e-learning trainings and to develop their skills. Given the changed situation, we revised and adapted the training program for newly appointed employees, paid special attention to the practical part of the training and to the opportunity to work in a real environment under the supervision of the coach, we added the support of a Mentor.

Human Resources Department contributes to the success of the Bank by creating and maintaining the environment, strengthening the achievements of the employees and directing them to continuous improvement of their qualification

Staff Development Processes and the Talent Management Program were launched in stages and the processes include four main stages:

- People Mapping - employee segmentation and talent identification
- Succession Planning - supporting business continuity and sustainability, building the next generation of leaders
- Evaluation for development - tools for identifying strengths and areas for development
- Employee development activities - development programs, trainings

The processes cover the entire branch network and strategic units in the head office. We have launched: BRANCH MANAGEMENT ACADEMY, Mentoring Program – POSTBANK BOLD Mentoring, MBA Essentials Program and Leadership Development Program. The feedback on the different levels is of particular importance and we seek the views of staff on all stages of the programs.

Through RPA technologies and digital solutions we facilitate the work of employees, but we rely on their unique human skills, which no machine can replace. We involve them in teambuilding, internal and volunteer initiatives.

The Bank's focus is on a wide range of activities to optimize the work environment, continuing professional development and training, engaging employees in corporate social responsibility projects with high added value for society.

In 2021, Postbank retained its place among the best banks in the world, and for the fourth consecutive year was awarded the „Best Bank in Retail Banking in Bulgaria“ by the World Finance Banking Awards. Mr. Dimitar Shumarov, Chief Financial Officer and Executive Director of Postbank, was awarded „Banker of the Year“. Among the numerous awards of Postbank in 2021 are also: the award „Bank of the Year“ in the annual awards „Company of the Year“, the award for „Efficiency“ from the Bank of the Year Association, award in the category „Innovation“ of the competition „Mr. and Mrs. Economy“ of KRIB and magazine. „Economy“, „Green CSR campaign“ 1st place in the competition „The greenest companies in Bulgaria“

As a leading employer that evaluates its success through the satisfaction of its employees, Postbank has always strived to develop the skills of the people in the team and to provide an environment for the development of their potential. Thanks to its active policy in this direction, the financial institution received for the third year the award „Best Employer of the Year“ at the Employer Branding Awards 2021 organized by b2b Media, winning first place in the category „Employer Branding Innovation (in

Pandemic Times)" - 2021. The bank's talent management strategy won recognition from the leading awards for the best employer Career Show Awards 2021.

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. We also created the Postbank Dream Team - a new internal site dedicated to the Bank's team, which is a tool for recognition, commitment and additional motivation for employee development. Via the internal e-bulletin, distributed weekly by e-mail, the important new information, relevant to staff members is instantly communicated to all employees.

Postbank actively works in support of building and maintaining a strong employer brand of the company and to enhance organizational performance in the key areas of employees' engagement, recruitment, retention and talent acquisition, as well as to maintain a supportive and trustful working environment, resulting in motivated and committed employees and loyal and satisfied customers.

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 support human 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 upon choice. The Bank provides its staff with an additional life insurance, covering the expenses upon occurrence of an insurance event as well as an additional pension insurance scheme for employees with longer service with the Bank. Moreover, the opportunity to use the Banks' products and services at preferential terms is a significant benefit for Postbank's employees. These include housing and consumer loans, credit cards, overdrafts, online banking.

Postbank continues with its internal donation platform for supporting colleagues in need, called TOGETHER. This is a fund raising charity program of the Bank planned as one of its main long-term projects which aims to upgrade the ongoing efforts to develop loyalty and employee care. The idea 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 purposeful skill development.

Performance management procedures guarantee transparency and equity. Every employee is assessed regardless of their position, having in mind employees' responsibilities and tasks. Moreover, the system assesses not only task performance, but also the way they have been fulfilled, 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.

In addition to the performance management system, for first time, for a group of key employees in the bank, 360 Feedback was applied, which is an opportunity for employees to see each other from the side, through the assessment of their performance made by 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 provide a better idea of their strengths as managers, as well as the areas that need development.

5. Health and Safety at Work

The success and productivity of a business relies on the efficiency of its employees. This is why ensuring healthy and safe working environment for each employee is the basis for health management at the Bank. Postbank not only strictly adheres to all safety standards prescribed by the labour legislation, but also undertakes additional actions to protect its employees' health. These initiatives are the result of the Bank management's belief that the creation of a safe and healthy work environment is a prerequisite for better employee motivation and conditionality 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 based in Sofia which is responsible for the Bank's head office and branches. Related to the Covid pandemic situation we conduct a regular disinfection of office spaces, according to the requirements of the Ministry of Health.

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 2021, the Bank implemented a number of socially significant projects in the field of education, environmental protection, sports and corporate charity. Postbank is an active member and works in support of initiatives of CEIBG, AmCham, NVSV, Association of Banks in Bulgaria, Borika AD, Association "Endeavor Bulgaria", the Bulgarian Forum of Business Leaders, the Association "Bulgarian Donors' Forum", Atanas Burov", the Bulgarian Network of the UN Global Compact, the Bulgarian Association of Advertisers and the Bulgarian Fintech Association.

In addition to its core business, Postbank continued to focus on the needs of the local community, supporting programs and initiatives in conjunction 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 increasing 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.

The education of children and young people in Bulgaria has always been part of the developed and supported projects for corporate social responsibility of Postbank. Therefore, the Bank continued to develop its joint project with SoftUni in support of Bulgarian education, which started in 2018. It includes various activities to prepare young people for the professions of the future and realization in Bulgaria. Through the strategic

partnership, the two organizations aim to encourage students to develop their potential as IT and digital leaders, prepared for the dynamically changing environment and new trends in banking.

In 2021 we proposed an innovative approach to cooperation between education and business - we launched a project with Sofia University to train future financial experts in the master's program at the Faculty of Economics „Finance and Banking“. Two separate modules - „Banking Management“ and „Investment Banking“ were developed by experts of the bank and over 20 key employees of the management staff became lecturers.

MATTERS RELATED TO ANTI-CORRUPTION AND BRIBERY

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 of 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.

UN GLOBAL COMPACT NETWORK BULGARIA

Postbank is an active member of the Bulgarian UN Global Compact Network as part of its purposeful support for initiatives for the benefit of society and the protection of the environment. It's participation in the organization's activity is another proof of the Bank's readiness to pursue a sustainable corporate policy that respects the ten 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; and

Principle 2: make sure that they 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: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: eliminate discrimination in respect of 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

INVESTING IN SOCIETY

In addition to its primary business, Postbank continues with its focus on the needs of the local communities by supporting programmes and initiatives with reputable institutions and organisations. The Bank is trying to educate its employees, as well as the consumers and the society to have responsible attitude towards our environment. The Bank's aim is not only to create competitive advantages by adding more and more value to the products offered, but also to reduce its adverse impact on the environment.

In 2021, the Bank implemented many socially important projects in the area of entrepreneurship, education, environmental protection, sports and corporate charity. Postbank is an active member and works in support of initiatives of the CEIB, AmCham, HBCB, Association of Banks in Bulgaria, BORIKA AD, Endeavor Bulgaria Association, Bulgarian Business Leaders Forum, Bulgarian Charity Forum Association, Atanas Burov Foundation, the Bulgarian Network of the UN Global Compact, the Bulgarian Association of Advertisers, Bulgarian Public Relations Association and the Bulgarian Fintech Association.

On the occasion of its 30th anniversary, Postbank is focusing on supporting social entrepreneurship. The winners in the innovative digital platform A Universe of Opportunities received their awards on 14 September during a special event at the University Botanic Garden in Sofia. This platform was developed to promote interesting ideas related to social entrepreneurship to the benefit of the public. 30 out of 238 projects with potential in the key areas Digital Innovations, Education and Green Projects reached the final stage of the competition, and at the beginning of September three winners – one in each field – were selected after the decisive vote of the renowned jury.

Postbank and Visa implemented a joint socially responsible campaign in support of the Bulgarian health workers and their efforts in fighting COVID-19. BGN 125,000 were provided to University Hospital for Active Treatment Sofiamed. The funds will be used to purchase respiratory devices of the highest quality for active reanimation, oxygen concentrators and apparatus for high-flow nasal cannula oxygen therapy with permanent positive pressure. Every cardholder, client of the Bank, had the opportunity to participate automatically in the initiative, using their Visa debit or credit card issued by Postbank before 16 April 2021 and to make at least one purchase with the card for a minimum of BGN 30 at a shop or online store during the period of the campaign. For every qualifying payment, Postbank donated BGN 1 in support of the medics who have been on the front lines in the fight against COVID-19 for more than a year.

The education of children and young people in Bulgaria has always been part of the corporate social responsibility projects developed and supported by Postbank.

This is why the Bank continued developing its joint project with SoftUni in support of the Bulgarian education, a project that started back in 2018. It involves various activities aimed at preparing young people for the professions of the future and for professional career in Bulgaria.

Through the strategic partnership, the two organisations aim to encourage students to reach their potential as IT and digital leaders prepared for the dynamically changing environment and the new trends in banking. A new generation digital application, which is intended to facilitate the communication between the employees, won the big prize in the Programming category of Postbank during the third issue of SoftUni Fest.

IT specialists from Postbank once again took part in the online career seminar IT Journey. They presented the attractive employment and career development possibilities in the company to the young students from the Software University. As a leader in the Bulgarian market, Postbank has a diverse and vast infrastructure, based on dynamically developing high tech services and solutions, providing outstanding possibilities for specialisation and development in different technology branches. The Bank is amongst the top preferred employers for the young software specialists who are at the beginning of their professional path.

For the sixth consecutive year, Postbank participated in the most distinguished initiative of the Bulgarian Network of the UN Global Compact I am Proud of My Parents' Work. This time the meeting with the employees' children was completely virtual. Although from a distance, the children had the opportunity to get to know the professions of their parents, to understand exactly what the people in the bank do and why their work is so important. Thanks to the Bank's specialists, they understood that there is a place in Postbank for people with many different interests and skills.

In 2021, for yet another year, the financial institution supported the National Trade and Banking High School in Sofia by committing to become a mentor of one of the school banks.

In April 2021, Postbank started its strategic partnership with the Finance Academy in an educational project aimed to ensure valuable practice-oriented knowledge to raise financial literacy in our country. The two organisations firmly believe that improving the financial culture will also lead to the development of the entrepreneurship ecosystem. This is why their joint activities are focused on sharing current knowledge directly related to the actual business environment.

Postbank and Sofia University cooperate in the field of the education of future financial experts in the Finance and Banking Master's degree programme of the Faculty of Economics and Business Administration. The modern subjects Bank Management and Investment Banking are an integral part of the 2021-2022 compulsory curriculum and lectures in these subjects are conducted by experts from the Bank.

As part of its traditional internship programme, for another year in a row, Postbank gave talented students and motivated young people the opportunity to prove their qualities and start their career in one of the biggest and innovations-leading Bank with a 30-year history on the market. The internship programme is part of the corporate social responsibility policy of Postbank in support of the youth for 14 years now.

For the sixth year in a row, as member of the Association of Banks in Bulgaria (ABB), Postbank participated actively in the European campaign aimed at fighting money laundering schemes and recruitment of financial mules.

In June 2021, Postbank was once again a key partner in the charity relay run Postbank Business Run, annually organised by Runner club. 240 teams from 87 companies from different sectors participated. They competed in support of two causes. The biggest teambuilding in Bulgaria was realised in support of two causes. The funds raised exceeded BGN 10 000 and they will be donated to the Children's House project of the For Our Children Foundation in order to secure temporary shelter and a chance for the families of the youngest ones, as well as Water Way Foundation to support children with special needs through physiotherapy, water rehabilitation and modified swimming, so they can grow up as independent adults having a chance at a meaningful life.

Postbank is the only bank in Bulgaria that has a Green Board and an Environmental Office Unit as part of its organisational structure. They work towards environmental protection both with respect to limiting the resources used by the Bank, and with respect to the Bank's financing activities. Furthermore, the members of the Board organise various outdoor initiatives to mobilise other employees.

In 2021, Postbank and Mastercard developed a joint project for reconstruction and expansion of the park infrastructure along the tourist route Bear Museum – Dendrarium Area in Natural Park Vitosha. During the first phase of the project, volunteers from the two companies joined their efforts and together with the Directorate of Natural Park Vitosha they created the Green Classroom, which is situated in immediate proximity to the Bear Museum. The construction of an open amphitheatre study and celebrations spot will shape a creative space, which will give an opportunity for an innovative learning approach, as well as fun for different children's groups that visit the mountain regularly. The second stage of the project in 2022 will include the construction of a connecting path between the Green Classroom and the Dendrarium area, so that tourists could move safely in the forest between the two places without having to take the main road.

In 2021, in partnership with Bloomberg TV, Postbank launched the third issue of the innovative information format – the Finance in Focus podcast. The podcast is issued in seven episodes in which the Bank's experts acquaint the audience with the contemporary solutions in banking, the innovative bank products and services and the various possibilities in the sector provided to us by modern technologies.

Postbank's employees are also regular donors to the National Transfusion Haematology Centre and they participate in blood donation campaigns organised and carried out in the Head Office.

With the support of Postbank, the Specialised Hospital in Obstetrics and Gynaecology Maychin Dom celebrated 1 June with an exhibition of Sandro Arabyan.

The financial institution supported the third issue of the festival A Road Less Travelled: Chamber Music in Kovachevitsa.

The 16th Global Meeting of Bulgarian Media was held under this motto Media and Truth on 17 and 18 October 2021. This event is traditionally organised by the Bulgarian News Agency (BNA). Postbank is a partner of the prestigious forum which unites the representatives of the Bulgarian media abroad.

During the year, the Bank also continued its long-term support and work with the socially disadvantaged groups and incentivising their active role in society. Support was provided to disadvantaged children in Kazanlak, elderly people in Rousse, the national campaign Easter for Everybody – Donate a Holiday to a Grandmother and Grandfather, as well as many smaller initiatives throughout the year.

Postbank traditionally participates in the holiday decoration of Sofia. Following its widely shared values, the financial institution believes that the overall wellbeing and development of society depends on the efforts to improve the environment of each one of us. Therefore, along with the other socially-oriented projects, for several years now the Bank cares for the holiday sparkle in the capital during the Christmas and New Year holidays.

