Head Office
Strategy, Finance and Data Management Division

YEAR END DISCLOSURE
DSK Bank Group

According to
Regulation 575/2013 on prudential requirements for credit institutions and investment firms

2021

DSK Bank AD (“The Bank”, “DSK Bank”) was incorporated on 2 March 1951 in Bulgaria as a centralised deposit accepting institution under the name State Savings Bank. In 1998 the Bank was transformed into a commercial bank through the Act on DSK transformation and is allowed to conduct all the transactions stated in art. 1. par.2 from the Banking Law. Later the Bank receives a full banking license to operate as a commercial bank (by order No. 220882 of 26 September 2002 issued by the Bulgarian National Bank).

On 26 January 1999 Sofia City Court registered the State Savings Bank as a solely owned joint stock company "DSK Bank", 100% owned by the state. In 2001 pursuant to a court decision the Bank has been transformed to a joint stock company with its capital divided between the Council of Ministers -75%, and the Bank Consolidation Company AD - 25 %.

On 29 November 2002 following a decision of the Sofia City Court the Bank Consolidation Company acquired 100% of the share capital of DSK Bank EAD.

On 29 October 2003 following a decision of the Sofia City Court OTP Bank, incorporated in Hungary, acquired 100% of the share capital of DSK Bank EAD.

In 2020 the subsidiaries Expressbank AD and Express Factoring EOOD merged into DSK Bank based on agreements for transformation through merger registered in the Commercial Register on 30 April 2020 and 30 September 2020, respectively. The transformations have been undertaken with the aim to optimise the structure, enhance effectiveness of processes, decrease expenses and improve customer service.

On 30 April 2020 DSK Bank issued new shares in favour of the non-controlling shareholders of the transforming bank Expressbank AD. As a result, the Bank was re-registered from a solely owned joint stock company (EAD) to a joint stock company (AD) as of the same date.

The share capital of DSK Bank is BGN 1 329 m, distributed in 132 865 992 common registered shares with a nominal value of BGN 10 each.

In 2021 DSK Bank strengthened its position in the banking market by maintaining its leading position in the portfolio of loans and deposits in retail banking and managed to maintain its stability in terms of liquidity and capital position. The Bank ranks first in the credit market in terms of exposure to customers (excluding exposures to credit institutions) with a market share of 20.3% compared to 20.2% at the end of 2020. In terms of customer deposits (excluding those of credit institutions), the Bank also leads position in the banking system of the country with a market share of 18.4% compared to a year ago, when the share was 19.1%. Despite maintaining a leading position in deposit products, in 2021 the Bank took a radical measure to terminate the opening of new contracts for time deposits. This measure was taken in order to reduce the excess liquidity in the Bank. Together with the Bank, the main competitors also applied this restrictive policy.

I. Capital and Risk Management and Capital Requirements of DSK Bank Group

This consolidated disclosure is published according to part eight of Regulation 575/2013 on prudential requirements for credit institutions and investment firms (the Regulation). According to art. 434 of the Regulation an equivalent disclosure of non-disclosed here parts is made in the Financial Statements of the Bank published on official web page.

The Management board of DSK Bank allocates the capital amongst various banking activities by maintaining a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Bank Asset and Liabilities Committee reviews the level and trend of credit, market and operational risks and their effects on capital levels on a regular basis. In cooperation with OTP Bank Hungary the Bank's risk profile is assessed in order to determine whether the Bank Group allocates sufficient capital against the various risks and to assess future capital requirement either for regulatory purposes or from the internal understanding for its risk profile coverage according to its strategy.

1. Policy and rules for risk management

The Risk Strategy of the Bank Group is, by its nature, an instrument of the senior management that ensures the control, monitoring and mitigation of risks inherent in normal banking activities to guarantee their adequate management regarding the Group's goals.

The risk management is a process that investigates, analyses and tracks the development of existing risks in order to avoid them or to reduce the negative effect of their eventual occurrence. Risk management aims to be proactive in order to minimise potential negative consequences.

The Group's control and risk management has the following main goals:

- Achievement of the strategic goals of the Bank Group in a way that ensures a reasonable balance between taken risks and realised earnings;
- The potential losses should be limited to an amount which the Bank Group is capable of bearing without endangering its long-term development. This goal is realised through reporting expected losses, applying impairments to cover the expected losses, and inclusion of the expected losses in product pricing so that the latter reflects the risks and guarantees lasting returns;
- DSK Bank Group and OTP banking group are developing processes for risk management which correspond to the applicable regulatory requirements and follow the good banking practices;
- DSK Bank Group and OTP banking group follow a common and consistent risk management policy, which corresponds to the level of development of the banking group and is consistent with its size.

To guarantee the achievement of the main goals of the Bank Group, systems and processes for risk identification, measurement, monitoring, and reporting have been developed. The existent risks are subject to ongoing control in order to ensure they are limited to expected and acceptable amounts.

Bank Group has stress test methodology for estimation and analysis of Bank Group readiness to meet negative effect from significant adverse changes in risk components that can appear outside from expected in normal course of business. Stress Tests are performed under the significant risks of intrinsic activities of the Bank Group. Available stress test scenarios based on potential effect of factors which increase risk in case of possible future events instead of particular economic forecast grants the opportunity for comprehensive research of different adverse or even opposite feature of events under particular risk categories and entirely for the Bank Group. Scenarios are determined for every performed test from competent bodies responsible for performance of the test in dependency of market and economic circumstances under which Bank Group operates as of particular moment of time and ordinary three scenarios are executed: quick economic recovery, quick macroeconomic shock and long lasting crisis. Results from performed stress tests are presented to the management of the Bank Group. In case result from relevant analysis indicates deterioration of financial stability of the Bank Group as per methodology stands process of decision making for implementation of adequate measures.

1.1. Types of risk

The risk identification process is performed on an annual basis or ad-hoc in case of significant change in the operating environment. It is an integral building block from the annual business and risk management framework.

Within the risk identification DSK Bank AD and all its subsidiaries are covered.

The risk identification process follows the so called "gross approach" which considers the initial expected impact from risk without taking into account any specific techniques designed to mitigate the underlying risks.

For the purpose of identification and assessment of risk types, the internal definition of materiality is also considered. It is based on several elements:

(1) If the risk is typical or applicable to the Bank's business model;

(2) The frequency and the potential impact which the risk could have on the overall performance and

(3) The scope of impacted clients or products.

The types of risk are divided into the following categories:

- Risks – from mandatory regulatory requirements (Pillar 1);
- Risks – specific for the banking sector;
- Risks – embedded in DSK business model & strategy;
- Risks from operating environment.

The main output from the risk identification process is the risk taxonomy of the Bank which covers the following main risk categories:

- ✓ Credit risk
- ✓ Market risk
- ✓ Operational risk;
- ✓ Liquidity risk;
- ✓ Interest rate risk in the Banking Book (IRRBB)
- ✓ Business and strategic risk
- ✓ Reputation risk.:

1.2. Structures for the management of the various risk types

The structure of the management of the various risk types is determined in the Risk Assumption Regulation of DSK Bank. The main part of the management of risks is concentrated in the Risk Management Division. This is an independent from the business units division lead by a Head, who is a member of the Management Board of DSK Bank. The mission of this division is to мanage the credit, market and operational risk through adequate controls and methodologies, delivery of the regulatory reporting regarding the assumed risk and improvement of the risk management and risk reporting practices on an ongoing as well as a project basis.

The Functions of the Risk Management Division include:

- Maintains an adequate risk assumption policy and risk assessment methodologies in accordance with the risk appetite and with the adopted risk management strategy.
- Efficient management of the operational risk in order to minimise losses caused by non-adequate or not well functioning processes, systems, human errors or external operational event.
- Establishes an adequate system for the measurement, reporting and management of the market risks (currency risk, interest rate risk, risk related to equity shares and hedge fund shares, with regard to the trading portfolio of the Bank), as well as country and counterparty risk.
- Plans and manages the implementation of risk management related projects.
- Provides regulatory and operational reporting with respect to the management of the credit, market and operational risk.

The Collection Division reporting to the CEO manages problem loans in the entire process from day past due 1 until the full resolving or healing of the exposure, ensuring full dedication and expertise and a faster and more flexible proactive reaction to changes in the environment. The Head of the division is member of the Management Board of DSK Bank and Chairmen of the Work Out Committee of the Bank.

Analysis, Reporting and Third Party Relations Directorate within the Collection Division supports the operational processes and management with data provision, analysis, internal and external reporting.

Loan packages write-off and sale activity is separated from the workout process in order to streamline the process of selection, third party relations, proposals and realisation of write-offs and sales of problem loan packages.

The management of the various risk types is supported also by some collective decision taking bodies. These are:

- Credits and Limits Council
- Assets and Liabilities Committee
- Product Development, Pricing and Sales Committee
- Workout Committee
- Risk Committee
- Retail Credit risk Committee
- Corporate Credit risk Committee

The participants in these bodies and their functions are detailed in the Governance Rules of DSK Bank as well as in the relevant committee rules for its activity.

1.3. Bank Group Strategy and Risk Management Policy

The strategy of DSK Bank Group and OTP Group regarding the control and management of risk has the following main goals:

- Achievement of the strategic goals of the Group in a way which ensures the balance between risks and realised earnings;
- The potential losses should be limited to an amount which the Bank Group is capable of bearing without endangering its long-term development. This goal is realised through considering of expected losses related to events which have occured, allocation of impairments to cover the expected losses, and considering expected losses in product pricing so that the latter reflects the risks and guarantees lasting returns. Correspondingly, the capital of the Bank Group has to be sufficient to provide protection against unexpected losses and at the same time generate the planned return on capital;
- DSK Bank Group and OTP Group have developed processes for risk management which correspond to the applicable regulatory requirements and follow the best banking practices;
- DSK Bank Group and OTP Group follow a common and consistent risk management policy, which corresponds to the level of development of the Bank Group and is consistent with its size.
- To guarantee the achievement of the main goals of the Bank Group, systems and processes for risk identification, measurement, monitoring, and reporting have been developed. The existent risks are subject to ongoing control in order to ensure they are limited to expected and acceptable amounts.

Risk Appetite Framework

The risks identified within the annual or ad-hock Risk Identification Process are reflected in the Risk Appetite Framework on a granular basis.

The Risk Appetite Framework (RAF) sets the Bank's and the Banking Group's Risk Profile. It is part of the overall process of development and implementation of the Risk Strategy. It determines the appetite to undertake risks in relation to the Risk Capacity. The Risk Appetite Framework defines the boundaries within which management is expected to operate when pursuing the Bank's and the Banking Group's business strategy. It expresses the general principles of risk appetite that the Bank considers acceptable to undertake and is aimed at guaranteeing that risk assumption activities remain in line with the expectations of the various stakeholders. It is defined considering the risk position of the Bank and the current and expected economic trend.

The Bank's Risk Capacity is evaluated on the basis of both the regulation in place and the planned regulatory changes that are relevant in terms of the plan and/or budget time horizon. The Risk Profile of the Bank is evaluated with reference to both the Overall Risk Profile (best expressed through the capital and liquidity position), and the main specific risks.

In 2021 review of the Risk Appetite Framework DSK Bank did mainly immaterial changes in the indicators monitored based on the Framework, such as:

✓ Impairments coverage indicator was added for the leasing portfolio as well to mirror the similar indicator for the Bank (incl. OFB);

✓ The Net cost of risk (annualised) and the NPE rate were split to be monitored separately for the loans portfolio and for the leasing portfolio;

✓ NPE indicators for sub-portfolios were added to strengthen the monitoring of the indicators after moratorium expiry;

✓ HLTV limit for housing loans was slightly increased based on the good portfolio quality and market trends.

1.3.1. Credit risk

The credit risk policy of DSK Bank Group is aiming at developing of a diversified portfolio with a stable profitability. The constant monitoring of the portfolio and related risks create the basis on which processes are built aiming to ensure an environment, where the undertaken risk is constantly subject of a preventive and reactive control.

Having in mind the business model of DSK Bank Group being mainly retail the management of the risk is done on a portfolio basis, which is supported through rules, regulations and procedures as well as by appropriate limits subject to a review and approval on an annual basis within the framework of the Credit policy document for the respective year.

With the aim to establish a well-diversified portfolio of business clients, which additionally strengthens the retail position of the bank, through the comprehensive servicing of the business clients and their employees, non-standardised exposures (due to the size of the exposure, the client`s business or the structure of the deal) the decision has to be taken on a case-by-case basis for each client/ client group, whereby the delegated authorities in accordance with the Governance rules of DSK Bank apply. The monitoring and the administration of these credits is set in an appropriate manner in the Credit Control and Administration of Business Clients Regulation and the Credit Monitoring of Business Clients of DSK Bank.

The Risk Management Division consists of the following units engaged in the management of risks:

- General Policy and Risk Management Directorate with the following functions:
  - Maintains an adequate risk assumption policy and risk assessment methodologies in accordance with the risk appetite and with the adopted risk management strategy.
  - Efficient management of the operational risk in order to minimise losses caused by non-adequate or not well functioning processes, systems, human errors or external operational event.
  - Establishes an adequate system for the measurement, reporting and management of the market risks (currency risk, interest rate risk, risk related to equity shares and hedge fund shares, with regard to the trading portfolio of the Bank), as well as country and counterparty risk.
  - Plans and manages the implementation of risk management related projects.
  - Provides regulatory and operational reporting with respect to the management of the credit, market and operational risk.

- Credit Risk - Corporate Clients Directorate with the following functions:

  - Provides methodological assistance as regards company loans to the managers engaged with customer relations and to the credit analysts.
  - Independent assessment of the credit risk regarding the proposed credits of business clients and approves/ proposes for approval the ones with acceptable risk level. The employee and links of the Directorate take decisions on credits according to the provided powers according to it. 3 of Section IV of these Rules.
  - Prepares the meetings of the Credits and Limits Council, by submitting also own proposals.
  - Responsible for the movement of the loan files and administrates the approval process of credits to business clients within their own or higher level of competence.
  - Performs monitoring procedures related with corporate and SME clients

- Retail Credit Risk Directorate with the following functions:

  - Develops, maintains and implements models and analytical system for credit risk assessment;
  - Performs monitoring and provides internal reporting on the loan portfolio quality. Develops early warning mechanisms for increased credit risk;
  - Performs verification and independent credit risk assessment of the proposals for private individuals and micro enterprises financing according to the provided competences.

- Credit Control and Administration Department with the following functions:

  - Execute independent centralised credit control and centralised credit administration of business clients in order to minimise the credit and operational risk;
  - Develop and apply the Bank's policy in respect to credit control and administration of the business clients;
  - Centralised preparation of the loans contracts for the companies in SME segment.
  - Create and support the internal bank regulations which treat the activities of credit control and credit administration to business clients;
  - Make suggestions for reducing the client's, the product's and the portfolio credit bank risk on the grounds of findings on the loans of business clients;
  - Execute effective control for collection of the initially due fees for credit deals to business clients.

The Collection Division consists of the following units engaged in the management, healing and collection of problem loans:

- Retail Collection Directorate - Performs operational and methodological functions establishing and ensuring application of processes, rules and procedures in order to effectively collect overdues and improving the quality of the portfolio.
  - Central Collection Department - Processes and manages loans to individuals and business clients in early delinquency phase with the main task for full payment of overdue amounts and restoring loan exposures to regularity.

- Network Collection Department - Organises, manages and controls the activity of management of overdue and problem loans to individuals after the period of early delinquency, aiming effective collection and/or restructuring of the overdue exposures and improvement of the quality of the portfolio of loans to individuals by coordinating and supporting the work of all participants in the process.
- Legal Collection Department - Manages, coordinates and controls the centralised and decentralised (units of the bank's branch network) processes of initiating and enforcement of court executive actions on collection of receivables from individuals.
- Centralised Collection Processes Department - Manages, coordinates and controls the centralised receivables collection processes, including approvals of financial solutions, administrative handling (back office activities) of overdue loans, actions for data update/retrieval about the debtors (skip tracing actions) in order to accelerate and optimise the process of collecting overdue loans at each stage of their management.
- Colletion Methodology Department - Performs methodological functions in outlining processes, elaborating rules and procedures, training/coaching/mentoring of the employees in the Directorate; in optimising the processes while aiming at efficient collection of the overdue loans, fulfillment of the set targets, and improvement of the portfolio quality

▪ Business Clients and Leasing Collection Directorate - Performs operational and methodological functions for the management of overdue and problem loans of business clients. Monitors and coordinates the implementation of group standards and strategy in order to optimally organise the collection of loan and lease receivables.

- Management of Problem Loans of Business Clients Department - Organises, coordinates and controls the overall activity of managing problem loans of business clients in the Bank.
- Management of Judicial Loans of Business Clients Department - Manages the process of collecting problem loans to business clients, transferred for centralised collection by decision of the Monitoring Committee.
- Legal Servicing of Business Problem Loans Department - Ensures the compliant collection and management of centralised problem exposures of business clients

▪ Analysis, Reporting and 3rd Party Relations Directorate - Through analysis and reporting, monitors and controls the process of managing overdue and problem loans and supports the operational process. Manages the relationship with external counterparties regarding the collection or sale of packages of problem loans. Responsible for the coordination and preparation of an Operational Plan for the implementation of the strategy for reducing problem loans in the banking group.

- Management and Regulatory Reporting Section
- Operational Reporting Section
- Data Analytics Section
- Third-party Relations Section

▪ Real Estate Department - Organises, assists and performs actions for the implementation of the Bank's policy on sale of real estate used as collateral of problem loans. Manages acquired real estate collateral and performs other functions in the Bank related to real estate.

Credit risk assumption appetite

The definition of credit risk appetite is intended to support the achievement of growth objectives in such a way that prevents the accumulated portfolio from jeopardising capital even across cycles. Accordingly, credit risk appetite is a framework that encompasses all risk management tools, methods and processes that ensure – provided that the business plans are implemented as scheduled – that the risks associated with the accumulated portfolio do not jeopardise the strategic goals.

Risk appetite at the strategic level

Strategic-level credit risk appetite reflects shareholder and management objectives regarding the utilisation of the capacities available, as well as the basic attitude to credit risk, on the basis of which DSK Bank Group:

- strives to preserve and reinforce its market position and satisfy demand in dynamically growing segments while pursuing a prudent credit policy;
- carries out its activities in full compliance with legal regulations and supervisory requirements;
- pursues a positively conservative risk assumption practice;
- ensures risk-aware operations by consciously assuming risks instead of avoiding them and by building up and maintaining portfolios that generate stable profits, besides the appropriate identification, assessment and management of risks;
- does not undertake any reputation risk during its activity;
- holds a sufficient level of regulatory capital to maintain its solvency at all times.

Risk appetite at the operative level (Credit Policy)

By defining operative-level credit risk appetite DSK Bank Group:

- ensures the incorporation of strategic directions and expectations into day-to-day risk management activity;
- considers profitability aspects by analysing the income-generation potential of individual customer segments and product groups in the context of specific risk factors;
- assesses the risk indicators that can best ensure the fulfilment of growth objectives in the context of a prudent, conservative risk assumption practice. Such indicators include:
    - expected PD as an indicator ensuring the identification of the customer base that is desirable / eligible subject to certain conditions / to be avoided;
    - product / segment-level risk indicators indicating the quality of the portfolio: cost of risk, NPL portfolio, vintage indicators;
    - LGD indicators in relation to the definition and back-testing of collateralisation requirements.

Determining and adhering to the tolerance levels and the desirable values of the indicators listed above may ensure the formation of a desirable risk profile. The annual Credit policy – as the manifestation of the operative-level credit risk appetite – summarises the behaviour required for the desirable loan portfolio, defining:

- the limits and target numbers reflecting the willingness to take risks;
- the level, proportion and concentration of the assumed risks comprising the portfolio and the expectations about the quality of the portfolio;
- preferences and business orientation, potential tightening or exclusions regarding the customer base, the sectors, collateral, products and product types and the maturity structure.

In order to monitor the credit risk appetite defined at the operative level, DSK Bank Group operates a control system that covers:

- policy framework;
- the risk parameters of products;
- the reporting system, and
- additional, secondary controls (e.g. ex post audits of the compliance of specific transactions within the local competence level).

At the operative level the necessary tools for the monitoring of the assumed risk in the context of the pre-defined risk appetite are ensured through a comprehensive system of regulations, product parameters, IT systems supporting the compliance with the regulations and the product parameters and the Credit policy limits. The frame and the limits at the operative level are detailed in the Credit policy and the applicable regulations. These documents are available to all concerned staff in the Bank's intranet. The compliance with the limits and the monitoring of the overrides are regularly communicated to the business units. Taking the necessary measures, whenever needed for ensuring compliance, is a common task of the risk management function and the respective business unit. In the Credit policy of the bank are presented the applicable credit limits for each month of the year and the document is annually approved by the Management Board of the bank and consented by OTP Bank. The compliance with the retail credit limits are reported to the parent bank on a monthly basis and discussed quarterly by the risk function and the respective business unit. A detailed report for the performance of each main product in each month of the past year is presented to the Management Board upon the review of the proposal for next year's Credit policy. This is the basis for estimating the efficiency of the strategy of the risk management at operative level.

The compliance with the sector limits is reported monthly to the Workout committee.

Lending guidelines

The objective of DSK Bank Group is to develop a diversified portfolio, the performance of which does not excessively depend on the changes in the position of any particular sector, geographical region or debtor group. It is a basic requirement regarding the enforcement of the lending criteria that:

- the primary repayment sources of lending should be the cash flows generated from the enterprise's activity or, in the case of private individuals, long-term, regular income;
- when developing the conditions of new products and upon the review of existing schemes, risk parameters should comply with group standards, reflecting country-specific differences;
- identical risks within the Group should be managed along the lines of the same principles, aligned with the degree and nature of the risk exposure.

The definitions of "delinquent", "impaired" and "forborne" applied in the regulatory reporting, are fully compliant with the EBA definitions. Respectively exposures overdue more than 90 days are considered default (as determined in the Risk Assumption Regulation) and have to be impaired in compliance with the Impairment Policy of the DSK Group as per the IFRS requirements. The policy details also the application of individually and collectively assessed impairment.

1.3.2. Operational risk

A primary ambition of the Bank Group is to minimise the losses arising from any inadequately defined or erroneously executed business processes, errors caused by people or non-compliant operation of systems, or losses originating from the external environment.

1.3.3. Market risk and liquidity management

The main goal of market risk management is to protect from potential losses due to changes in foreign exchange rates, prices of investments, and interest rates. The market risk and the liquidity risk are managed in accordance with the limits agreed with the sole owner, OTP Bank, and through continuous monitoring and control over the data completeness and quality.

1.3.4. Business and Strategic risk

The business and strategic risks are the risks that the Bank would not to be able to deliver the expected by different stakeholders results. During the identification process, we have assessed four main risks grouped into two main sub-categories:

1. Business model risks – these are risks which are embedded in our business model and could impact the mid and long-term performance of the Bank.
2. Strategic risks – these are risks related to the proper definition and execution of the strategic objectives of the organisation.

1.3.5. Reputation risk

The main goal of reputation risk management is not to allow unfavorable perceived image of the Bank Group, loss of trust by clients, counterparties, shareholders, investors, regulatory bodies, rating agencies and employees as a result of Bank Group activity or the activities of the Bank Group employees.

1.4. Description of the operational risk management

Operational risk management control is performed through identification, analysis, monitoring and limitation of the operational risk in DSK Bank Group and its subsidiaries.

Operational risk management is performed through identification, analysis, monitoring and limitation of the operational risk in DSK Bank and its subsidiaries.

DSK Bank has adopted the following categorisation of operational risk events:

Event-Type Category	Definition
Internal fraud	Any intentional act or omission, most often related to non-compliance with or circumvention of laws, regulations or internal prescriptions, in which at least one employee of DSK Group participates and which aims at the perpetrator or another person receiving undue benefits, at the expense of loss or damage suffered by the victim.
External fraud	Any intentional act or omission, most often related to non-compliance with or circumvention of laws, regulations or internal prescriptions, in which no employee of DSK Group participates and which aims at the perpetrator or another person receiving undue benefits, at the expense of loss or damage suffered by the victim.

Employment Practices and Workplace Safety	Operational events related to non-compliance with labor legislation or serious violation of the ethical rules as per the Code of Ethics of DSK Bank, whether unintentionally, due to negligence or intentionally.
Clients, Products & Business Practices	Operational events due to non-fulfillment of the Bank's obligations to its clients or non-compliance with main regulatory and legal requirements for the Bank's activities (market abuse in relation to trading with financial instruments, violation of anti-money laundering measures and financing of terrorism, unfair competition, misuse of confidential information, etc.) as well as all types of unfair commercial practices - misleading advertising, aggressive commercial practices such as persistent and unsolicited messages to customers and others.
Damage to Physical Assets	Operational risk events causing destruction or damage of the Bank's physical assets, besides normal wear and tear, waste and depreciation, most often caused by natural disasters or human actions, even intentionally.
Business disruption and system failures	Operational risk events that disrupt the business continuity, interrupt some of the activities of the Bank, cause difficulties in the functioning or failure of the information and communication systems and services, used in the Bank for executing its activity and providing services.
Execution, Delivery & Process Management	Operational events due to unintentional or negligent errors in the execution of processes, omissions in the activity, poor management of business processes and relationships with business partners, suppliers and external vendors.

The Bank uses the following methods for managing operational risk:

- Internal operational risk events data collection and analysis;
- Data collection and analysis of the operational risks inherent for the particular business processes, conducted within the regular process of risk-control self-assessment and definition of appropriate measures to mitigate the identified high risks;
- Data collection and analysis of the potential impact of significant operational risk events with catastrophic consequences, conducted within the scenario analysis process;
- Maintaining and up-dating the Key Risk Indicators system, regular monitoring and reporting of their values, undertaking the adequate measures in cases of deviations and increase of the risk;
- Regular model risk assessment;
- Regular business impact analysis;
- Regular risk assessment the locations where DSK Bank and its subsidiaries operate;
- Regular assessment of the confidentiality, integrity and availability of IT services;
- Regular conduct risk assessment;
- Regular control testing of the efficiency of some of the controls implemented in the business processes to mitigate operational risks;
- Maintaining an up-to-date system for risk tolerance and regular monitoring of the risk tolerance level in relation to the actual internal losses from operational risk events;
- Root cause analysis, implementation of mitigating measures and monitoring of an action plan in case of an extraordinary event;
- Regular risk assessment of the outsourced critical or important functions in accordance with the Outsourcing Policy;
- Regular assessment of the reputational risk that may arise from the usage of information and communication technologies;
- Regular identification of positions having a material impact on the risk profile of DSK Bank Group, and on the assessment procedure;
- Regular assessment of the adequacy of the allocated capital for operational risk, calculated by OTP Group on the Advanced Approach (AMA approach);
- The operational risk management system is subject to constant monitoring and timely updating in accordance with the emerging changes, regulatory requirements or those of the OTP Group.

The hierarchy reporting of occurred operational events is based on the "bottom-up" approach. Responsibility for identifying and managing risk lies upon the so-called Process owners, which are employees of a managerial positions in the Head Office of the Bank, the Regional Centers or the subsidiaries, appointed by the Heads of the Divisions to be responsible for the organisation and the execution of the business process, as well as upon the senior management. For this purpose, Internal Rules for Operational Risk Management have been developed and are in force.

An independent unit has been created - the Operational Risk Management Section at the General Policy and Risk Management Directorate, part of the Risk Management Division, which carries out methodological and operational control over the operational risk management in DSK Bank and supports the execution of the above activities, the results of which are regularly reported to the Operational Risk Management Committee, the Bank's Management Board and OTP Bank.

Every year the bank performs a stress test for operational risk. Its main purpose is to provide a forward-looking, quantitative assessment of the operational risk losses that the Bank may suffer in case of certain unfavorable changes in the macroeconomic conditions or other factors in the operating environment. A key component of the stress testing is to estimate weather and to what extend various economic, political, geopolitical, environmental, social or other changes affect the materialisation of the operational risk. For that reason the Operational Risk Stress Testing process covers all possible different types of events according the classification above with realistic scenarios for possible aggravation of both their severity and/or frequency. The purpose is to analyse whether the Bank has sufficient capital in hypothetical adverse operational risk scenarios. The Stress Testing program includes analysis of the main pillar of those involved in AMA modelling for the purpose of the calculation of the operational risk capital requirement – the Internal operational loss data.

DSK Bank has concluded several insurance policies that cover losses arising from operational risk (e.g. material damage) detailed in the insurance policy. The need to insure a new risk or change the parameters of an insurance contract for already covered risk can be identified as a result of: analysis of data from annual processes of self-assessment of operational risk and scenario analysis, analysis of occurred operational events, the results of key risk indicators, the analysis of the insurance claims and the received or refused insurance indemnities, normative or regulatory requirement that require the Bank to insure against the occurrence of a certain risk, another change in the circumstances and environment in which the Bank operates. This need to insure a new risk or change the parameters of an insurance contract for already covered risk can be identified by the Operational Risk Management Section, the unit managing (owner of) the insurance contract and the owners of business processes in the Bank.

The process of identifying, measuring and managing the risks related to the outsourcing of banking activities to external providers is also within the scope of operational risk management and reflects the current requirements of the European and national legislation. The classification of the outsourced activities and the determination of the critical or important ones for the Bank, the established mechanisms for control and surveillance on the external providers by the Bank and the supervisory bodies, the defined minimum obligatory contractual conditions, the risk assessments and the due diligence of the external providers and the developed exit strategies aim to limit the risks from the execution of activities by external providers, to avoid the risk of concentration and strong dependence on external contractors as well as to ensure the business continuity in case of unforeseen circumstances related to the ability of the vendor to perform the assigned activity.

As a part of the Bank's operational risk management framework, the management of model risks arising from the used internal models is included. The model risk management aims to build an environment with proper controls by identifying the used models, their categorisation and evaluation, as well as compliance with the requirements of the implemented controls.

Another method of assessing operational risk is the valuation of potential reputational losses arising from the use of information and communication technologies (ICT risk) and in particular from disruptions in the availability and expected functioning of information and communication services and systems used in the Bank, the integrity and storage of data and information in them, the lack of traceability of changes related to them, as well as the lack or poor monitoring and control of activities related to such systems and services provided by external providers.

The framework for assessing operational risk includes another emerging risk - environmental, social or governance risk - ESG (risk to sustainability). It represents an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment and/or assets, financial and earnings situation, or reputation of the Bank. This risk is taken into account in the annual self-assessments of the business processes, as well as in the process of collecting information on operational events. An inventory of the products provided by the Bank is carried out annually, with focus on the improving of the quality of the sales practices. The purpose of the process is to mitigate the incurrence of reputational risk resulting from incorrect sales practices and to minimise the risk of financial loss and loss of customers' trust. The Rules for coordination of credit, payment and deposit products of DSK Bank AD stipulates that when the development of products requires the implementation of a new process, system or activity, or the implementation of significant changes in existing ones, they must be analysed and assessed in terms of all risks associated with them, including the various categories of operational risk in order to determine their impact on the risk profile of the Bank and to ensure the introduction of appropriate measures for their management and control.

The Bank also has a Business Continuity Strategy on the basis of which a detailed Business Continuity Plan has been developed, aimed at ensuring the recovery of the most important business processes to levels predetermined by its business needs. In accordance with it and the Procedures for restoration of the business processes in the bank, a BCP test is performed annually to certify the readiness of the Bank to restore its processes in case of unforeseen circumstances and crisis scenarios.

Operational risk is subject to periodic review by DSK Bank's Internal and Audit Directorate, which performs a regular annually inspections in accordance with the annual audit plan. Additionally, in order to ensure a regular and systematic review of the operational risk management strategies, a review of the Operational Risk Management Rules and activities, related to Operations Risk Management is performed once a year. The current trends in the development of risk regarding major Bank activities are analysed and measures are proposed for its elimination or limitation. The residual risk is reported to the Management Board.

2. Regulatory Capital Requirements

As of 31.12.2021 the Bank Group has to maintain the minimum amount of or above the sum total of the capital requirements for:

- Capital requirements for:

- credit and dilution risk in the banking book;
- position risk in the trading book;
- counterparty and settlement risk from the entire activity;
- exchange rate and commodity risk from the entire activity and
- operational risk from the entire activity.

- Capital buffers, required from the Bulgarian National Bank according to the Regulation:

- Capital conservation buffer - 2,5 % of total risk exposure;
- Systemic risk buffer - 3 % of total risk exposure;
- Institution specific Countercyclical capital buffer – 0,5 %;
- Other Systematically Important institution buffer – 1 % of total risk weighted exposure.
  - Additional own funds requirements related to Pillar II adjustments, determined jointly by the Bulgarian National Bank and the Hungarian National Bank – 0 % of total risk exposure

2.1. Regulatory capital

Total own funds are the sum of common equity Tier 1 capital, additional tier 1 capital and Tier 2 capital, reduced by specific deductions according to provisions of Regulation 575/2013.

The scope of regulatory consolidation of DSK Bank Group is as follows:

EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

Name of the entity	Method of accounting consolidation	Full consolidation	Description of the entity
DSK Tours EOOD	Full consolidation	X	Travel agency services
DSK Mobile EAD	Full consolidation	X	IT services
DSK Trans Security EAD	Full consolidation	X	Security and money transportation services
DSK Rodina Pension Company AD	Full consolidation	X	Retirement insurance activities
DSK Asset Management EAD	Full consolidation	X	Fund management
OTP Factoring Bulgaria EAD	Full consolidation	X	Factoring entity
DSK Leasing AD	Full consolidation	X	Leasing activities
DSK Auto Leasing EOOD	Full consolidation	X	Leasing activities
DSK Leasing Insurance Broker EOOD	Full consolidation	X	Insurance broker
DSK Operative Leasing	Full consolidation	X	Leasing activities
Cash Services Company AD	Equity method		Cash Services Company
DSK Dom EAD	Full consolidation	X	Credit intermediation
OTP Leasing EOOD	Full consolidation	X	Leasing activities
Regional Urban Development Fund AD	Full consolidation	X	Credit intermediation

<u>Capital ratio</u>

Total own funds and capital ratios

In thousands of BGN

	31.12.2021	**31.12.2020**
Tier 1 capital	3 366 271	3 081 559
Common equity Tier 1 capital	3 366 271	3 081 559
Additional Tier 1 capital (AT1)	-	-
Tier 2 capital	-	-
Own funds	**3 366 271**	**3 081 559**
Surplus of total capital	**2 207 986**	**1 982 953**
CET1 capital ratio (%)	23.25%	22.44%
Capital adequacy ratio (%)	**23.25%**	**22.44%**

The Bank Group calculates the total capital adequacy (the 'Basel ratio") as a ratio between total own funds for solvency purposes and the total of the risk-weighted assets for credit, market and operational risks. The total capital adequacy, according to the regulatory framework, ratio should be higher than 14.99 % and the adequacy of Tier 1 capital should be higher than 12.99 % with capital buffers included.

Reconciliation between balance sheet items used to calculate own funds and regulatory own funds

In thousands of BGN

Balance sheet items included in regulatory capital estimation	Amount in Financial Statement	Amount for regulatory purposes
Assets		
Available for sale investments	3 366 271	-
Of which - holdings of the T2 instruments of financial sector entities where the institution does not have a significant investment in those entitles - amount above 10% threshold	3 366 271	-
Of which - holdings of the T2 instruments of financial sector entities where the institution does not have a significant investment in those entitles - amount above 10% threshold	-	-
Intangible assets	78 547	(129 369)
Capital and Reserves		
Ordinary Shares	1 328 660	1 328 660
Retained earnings	461 194	-
General and other reserve	1 710 463	1 709 102
Other comprehensive income	183 120	183 120
of which - reserves from investments in securities	34 489	34 489
of which - negative resesrves from defined benefit liability	(3 255)	(3 255)
of which - positive fair value of tangible assets	151 886	151 886
Minority interest	14 721	-
CET1 additional capital deductions (for specific credit risk)	-	(1 956)
Other transitional adjustments to CET1 Capital	-	276 714
Total own funds	**3 698 158**	**3 366 271**

Capital instruments' main features

Capital instruments' main features template		
1	Issuer	DSK Bank AD
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	BG1100050001
3	Governing law(s) of the instrument	Bulgarian
	Regulatory treatment	
4	Transitional CRR rules	Common equity Tier 1 capital
5	Post-transitional CRR rules	Common equity Tier 1 capital
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	BGN 1 328 m.
9	Nominal amount of instrument	BGN 10
9a	Issue price	100%
9b	Redemption price	100%
10	Accounting classification	Shareholders' equity
11	Original date of issuance	26.Jan.99
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Own funds disclosure template

In thousands of BGN

Common Equity Tier 1 capital: instruments and reserves		(A) AMOUNT AT 31.12.2021	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
1	Capital instruments and the related share premium accounts	1 328 660	26 (1), 27, 28, 29
	of which: Instrument type 1 Ordinary Shares	1 328 660	EBA list 26 (3)
2	Retained earnings	-	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	183 120	26 (1)
3a	Funds for general banking risk	1 709 102	26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	486 (2)
	Public sector capital injections grandfathered until 1 January 2018	-	483 (2)
5	Minority Interests (amount allowed in consolidated CET1)	-	84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**3 220 882**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(1 956)	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	(129 369)	36 (1) (b), 37
9	Other transitional adjustments to CET1 Capital	276 714	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges	-	33(1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	-	36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)	-	32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	33(1) (b)
15	Deflned-benefit pension fund assets (negative amount)	-	36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	36 (1) (g), 44
18	Direct and indirect holdings by the institution of the CET1 Instruments of financial sector entities where the Institution does not have a significant investment in those entitles (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20	Empty Set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	36 (1) (k) (i), 89 to 91
20c	of which: securitisation positions (negative amount)	-	36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258
20d	of which: free deliveries (negative amount)	-	36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions In 38 (3) are met) (negative amount)	-	36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold (negative amount)	-	48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	36 (1) (i), 48 (1) (b)
24	Empty Set in the EU		

25	of which: deferred tax assets arising from temporary differences	-	36 (1) (c), 38, 48 (1) (a)
25a	Losses for the current financial year (negative amount)	-	36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	36 (1) (j)
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**145 389**	
29	**Common Equity Tier 1 (CET1) capital**	**3 366 271**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	51, 52
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	486 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (Including minority Interests not Included in row 5) issued by subsidiaries and held by third parties	-	85, 86
35	of which: instruments issued by subsidiaries subject to phase out	-	486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an Institution of own AT1 Instruments (negative amount)	-	52 (1) (b), 56 (a), 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	56 (b), 58
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the Institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	56 (d), 59, 79
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	
44	**Additional Tier 1 (AT1) capital**	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**3 366 271**	
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	-	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	87, 88
49	of which: instruments issued by subsidiaries subject to phase out	-	486 (4)
50	Credit risk adjustments	-	62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustments**	-	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63 (b) (i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	66 (b), 68
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entitles (amount above 10% threshold and net of eligible short positions) (negative amount)	-	66 (c), 69, 70, 79
55	Direct and indirect holdings by the Institution of the T2 instruments and subordinated loans of financial sector entities where the Institution has a significant Investment in those entities (net of eligible short positions) (negative amount)	-	66 (d), 69, 79

56	Empty set in the EU	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	
58	**Tier 2 (T2) capital**	-	
59	**Total capital (TC = T1 + T2)**	**3 366 271**	
60	**Total risk weighted assets**	**14 478 558**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	23.25%	92 (2) (a)
62	Tier 1 (as a percentage of risk exposure amount)	23.25%	92 (2) (b)
63	Total capital (as a percentage of risk exposure amount)	23.25%	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	6.99%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.49%	
67	of which: systemic risk buffer requirement	3.00%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	18.75%	CRD 128
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	12 340	36 (1) (h), 46, 45 56 (c), 59, 60 66 (c), 69, 70
73	Direct and indirect holdings by the institution of the CET 1 Instruments of financial sector entities where the Institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	36 (1) (i), 45, 48
74	Empty Set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions In Article 38 (3) are met)	-	36 (1) (c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments Included In T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	-	62
77	Cap on Inclusion of credit risk adjustments in T2 under standardised approach	-	62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	484 (3), 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase out arrangements	-	484 (4), 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	484 (4), 486 (3) & (5)
84	Current cap on T2 instruments subject to phase out arrangements	-	484 (5), 486 (4) & (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484 (5), 486 (4) & (5)

EU KM1 - Key metrics template

		a	b
		31.12.2021	31.12.2020
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	3 366 271	3 081 559
2	Tier 1 capital	3 366 271	3 081 559
3	Total capital	3 366 271	3 081 559
	Risk-weighted exposure amounts		
4	Total risk exposure amount	14 478 558	13 732 570
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	23.25%	22.44%
6	Tier 1 ratio (%)	23.25%	22.44%
7	Total capital ratio (%)	23.25%	22.44%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0.00%	0.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.00%	0.00%
EU 7d	Total SREP own funds requirements (%)	8.00%	8.00%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	n/a	n/a
9	Institution specific countercyclical capital buffer (%)	0.48%	0.50%
EU 9a	Systemic risk buffer (%)	3.00%	3.00%
10	Global Systemically Important Institution buffer (%)	n/a	n/a
EU 10a	Other Systemically Important Institution buffer (%)	1.00%	1.00%
11	Combined buffer requirement (%)	6.99%	7.00%
EU 11a	Overall capital requirements (%)	14.99%	15.00%
12	CET1 available after meeting the total SREP own funds requirements (%)	2 207 980	1 982 983
	Leverage ratio		
13	Total exposure measure	26 143 671	24 446 930
14	Leverage ratio (%)	12.88%	12.61%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	n/a	n/a
EU 14b	of which: to be made up of CET1 capital (percentage points)	n/a	n/a
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	0.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	0.00%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)		
EU 16a	Cash outflows - Total weighted value		
EU 16b	Cash inflows - Total weighted value		
16	Total net cash outflows (adjusted value)		
17	Liquidity coverage ratio (%)		
	Net Stable Funding Ratio		
18	Total available stable funding		
19	Total required stable funding		
20	NSFR ratio (%)		

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

In thousands of BGN

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items			
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and current accounts with the Central Bank and other banks	3 959 884	3 959 884	3 959 884	-	-	-
Financial assets held for trading	143 362	143 362	-	-	143 362	-
Derivative financial instruments	33 460	33 460	-	33 460	33 460	-
Loans and advances to banks	1 915 161	1 915 161	1 915 161	-	-	-
Loans and advances to customers	13 366 815	13 366 815	13 366 815	-	-	-
Investments in securities	3 224 862	3 224 862	3 224 862	-	-	-
Net receivables from finance lease	1 100 802	1 100 802	1 100 802	-	-	-
Current tax assets	10 077	10 077	10 077	-	-	-
Investments in associates	3 566	3 566	3 566	-	-	-
Property, plant and equipment and investment property	495 731	495 731	495 731	-	-	-
Intangible assets	157 837	157 837	-	-	-	129 369
Other assets	105 081	105 081	105 081	-	-	-
Total assets	**24 516 638**	**24 516 638**	**24 181 979**	**33 460**	**176 822**	**129 369**
Liabilities						
Deposits from banks	255 502	255 502	-	-	-	255 502
Derivative financial instruments	43 628	43 628	-	43 628	43 628	-
Loans from banks and financial institutions	203 554	203 554	-	-	-	203 554
Deposits from customers	20 052 825	20 052 825	-	-	-	20 052 825
Current tax liabilities	491	491	-	-	-	491
Deferred tax liabilities	17 382	17 382	-	-	-	17 382
Provisions	83 463	83 463	-	-	-	83 463
Trade and other liabilities	161 635	161 635	-	-	-	161 635
Total liabilities	**20 818 480**	**20 818 480**	**-**	**43 628**	**43 628**	**20 774 852**

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

In thousands of BGN

		Total	Items subject to		
			Credit risk framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	**24 392 261**	**24 181 979**	**33 460**	**176 822**
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	87 256	-	43 628	43 628
3	Total net amount under the regulatory scope of consolidation	24 305 005	24 181 979	(10 168)	133 194
4	Off-balance-sheet amounts	3 306 680	1 409 128	-	-
10	**Exposure amounts considered for regulatory purposes**	**27 611 685**	**25 591 107**	**(10 168)**	**133 194**

2.2. Capital requirements

2.2.1. Capital requirements for credit risk

DSK Bank Group applies the standardised approach for calculating its risk-weighted assets for credit risk. For this purpose the Bank Group multiplies its Banking book positions by risk weights fixed from the Regulation or BNB when there is possibility for local regulator's discretion, based on the external credit assessment of each asset issuer. The risk-weighted assets should consist of: risk-weighted on-balance sheet assets, risk-weighted off-balance sheet equivalents, OTC derivative instruments weighted for counter party risk and Trading portfolio positions weighted for counterparty risk.

For risk weighted calculation of rated exposures the Bank Group uses external credit assessments of the following credit agencies: Standard & Poor's, Moody's and Fitch Ratings with strict observation of the requirements of the Regulation. ECAIs assessments are used for the next exposure classes: central governments or central banks, multilateral banks and institutions.

In the table below are represented the amounts of risk weighted assets and capital requirements.

EU OV1 – Overview of RWAs

In thousands of BGN

		RWAs		Minimum capital requirements
		31.12.2021	31.12.2020	31.12.2021
1	Credit risk (excluding CCR)	13 511 844	12 931 251	1 080 948
2	Of which the standardised approach	13 511 844	12 931 251	1 080 948
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which the advanced IRB (AIRB) approach	-	-	-
5	Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-
6	CCR	157 714	79 256	12 617
7	Of which mark to market	157 714	79 256	12 617
8	Of which original exposure	-	-	-
9	Of which the standardised approach	-	-	-
10	Of which internal model method (IMM)	-	-	-
11	Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
12	Of which CVA	-	-	-
13	Settlement risk	-	-	-
14	Securitisation exposures in the banking book (after the cap)	-	-	-
15	Of which IRB approach	-	-	-
16	Of which IRB supervisory formula approach (SFA)	-	-	-
17	Of which internal assessment approach (IAA)	-	-	-
18	Of which standardised approach	-	-	-
19	Market risk	43 525	44 975	3 482
20	Of which the standardised approach	43 525	44 975	3 482
21	Of which IMA	-	-	-
22	Large exposures	-	-	-
23	Operational risk	765 475	677 088	61 238
24	Of which basic indicator approach	-	-	-
25	Of which standardised approach	-	-	-
26	Of which advanced measurement approach	765 475	677 088	61 238
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
28	Floor adjustment	-	-	-
29	**Total**	**14 478 558**	**13 732 570**	**1 158 285**

CCR related mainly to OTC derivatives, REPO-transactions, lending/borrowing of securities or commodities, margin transactions and transaction with prolonged settlement. It is originated by adverse movements in market prices deteriorating credit quality of the counterparty and reveal the risk of counterparty to fall under default before final settlement of transaction.

Bank Group reduces the CCR by using different technics – system of limits and/or via accepting of high liquidity callaterals which are approved as per rules and procedures

The Bank Group manages CCR which are undertaken through the deals by strict rules based on preliminary approved limits of maximum risk exposure (counterparty limit) to counterparty group and/or counterparty.

The Bank Group has approved rules concerning detailed rights and responsibilities of different units of Bank DSK and OTP Bank, Hungary, related to preparation, monitoring and control of counterpary limits set. Approved counterparty limits are obligatory before conclusion of deals with financial institutions. The Council of Credits and Limits (CCL) approves counterpary limits under the competences of Management Rules of the Bank.

The Bank Group acts through policy of CCR reducement by mandatory observation of procedures for margin call, assessment of collateral's market prices as guarantee of deals fulfilment by counterparties which do not have approved limits. For this purpose the Bank Group uses the approved relative risk weights as per type of transactions and counterparties. If there is no approved counterparty limit as a rule the Bank Group accepts as collateral in transactions with financial institutions cash freezed on account.

In accordance with Regulation 575 No. 575/2013 since 1Q 2021 DSK Bank Group has started applying the derivatives' exposure value following the Original Exposure Method in accordance with article 282, paragraph 2. For the purpose of the application of this method the Bank Group complies with the requirement of article 273a, paragraph 2, namely - the size of its on- and off-balance-sheet derivative business is equal to or less than both 5% of the group's total assets or EUR 100 m.

EU CCR1 – Analysis of CCR exposure by approach

In thousands of BGN

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	33 421	137 338		1.4	243 411	243 411	243 411	157 656
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c	Of which from contractual cross-product netting sets			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**243 411**	**243 411**	**243 411**	**157 656**

.

EU CCR8 – Exposures to CCPs

In thousands of BGN

		a	b
		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		**60**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	**60**	**60**
3	(i) OTC derivatives	-	-
4	(ii) Exchange-traded derivatives	**60**	**60**
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

For the purposes of credit risk mitigation the Bank Group applies Financial Collateral Simple Method. During the process of credit risk mitigation for the purposes of capital calculation the Bank Group recognises collaterals as follow: financial collaterals - debt securities and cash on deposits; guarantees; secured by first line mortgage residential property insured in favour of the Bank Group and commercial property

EU CR3 – CRM techniques – Overview

In thousands of BGN

		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans and advances	6 817 877	12 719 327	12 447 497	271 830	-
2	Debt securities	12 813 209	-	-	-	-
3	**Total**	**19 631 086**	**12 719 327**	**12 447 497**	**271 830**	**-**
4	Of which non-performing exposures	148 431	280 277	272 488	7 789	-
EU-5	Of which defaulted	148 431	280 277			

EU CR4 – Standardised approach – Credit risk exposure and CRM effects

In thousands of BGN / %

		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	6 274 445	1 031	6 302 698	3 671	429 716	7%
2	Regional government or local authorities	44 091	62 467	44 091	31 174	19 919	26%
3	Public sector entities	2 797	168	2 768	63	2 831	100%
4	Multilateral development banks	11 709	-	117 584	14 143	2 343	2%
5	International organisations	-	-	-	-	-	0%
6	Institutions	1 773 271	13 747	1 828 902	73 379	689 756	36%
7	Corporates	3 625 227	1 916 876	3 502 220	694 927	4 195 629	100%
8	Retail	5 348 212	572 082	5 220 178	232 136	3 969 736	73%
9	Secured by mortgages on immovable property	5 236 677	732 099	5 206 414	302 634	2 940 799	53%
10	Exposures in default	476 951	8 210	476 951	2 555	497 771	104%
11	Exposures associated with particularly high risk	-	-	-	-	-	0%
12	Covered bonds	-	-	-	-	-	0%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
14	Collective investment undertakings	305	-	305	-	3 809	1249%
15	Equity	28 696	-	28 696	-	28 696	100%
16	Other items	1 420 943	-	1 481 624	54 447	680 697	44%
17	**Total**	**24 243 324**	**3 306 680**	**24 212 431**	**1 409 129**	**13 461 702**	**53%**

2.2.2. Capital requirements for market risk

Market risk is the risk arising from unexpected and adverse changes in market factors that affect the Bank Group's performance or the value of its financial instruments. These may be changes in interest rates, securities prices, exchange rates, negative information, political and economic crises.

Interest rate risk (IRR) is a potential loss from adverse changes in fair value of interest rate sensitivity positions after change of market interest rates. IRR originates form available interest bearing exposures in interest sensitivity instruments as the vast majority of potential loss is a result of adverse market movements of interest rates. Such a movement affects open interest bearing positions and requires special regulation.

Foreign exchange risk (FXR) is the risk of negative changes in value of foreign currency exposures, originated by changes in foreign exchange rate. Positions in foreign currencies /including gold and silver/ bears FXR and have immediate effect on current and potential cash flows of the Bank Group in currency different from local one as the assets and liabilities are every day revaluated.

The policy of the Bank Group regarding management of FXR aims bearing of currency exposures which do not generate losses endangering income of the Bank Group or its safety under observation of all regulatory boundaries. The Bank Group determines its aims of income from foreign currencies exposures based on preliminary approved business plan and strategy.

Concerning the bearing of market risk the strategy of the Bank Group as a part of Bank OTP is in compliance with strategic aims adopted by the Group, local Risk appetite and characterises as a conservative one. Market Risk is observed and contolled through strict build limits system, composed of limits for FXR and IRR. The system of market risk limits are defined in manner which requires on time close-outs of positions with minimum losses. With this purpose there are approved limits for positions by financial instruments, currencies and maturities, turnover rate for bonds and maturity limits, loss limit and triggers, VaR and BPV limits.

All limits of market risk is approved by ALCO of the Bank, after reconciliation and approvement by OTP Bank. These limits are subject of review and actualisation every year taking in account new business targets, possible changes in determinated risk apetite or business strategy.

FXR of the trading portfolio is controlled by position limits set on open currency total position and positions by every single currency (intraday and daily) as well as limit of total open currency position. Utilisation of open currency position limits is observed daily from Market risk Management Section and releated report is sent to the management of the Bank. Every breach of limits is analysed on time and relevant communication is made for the reasons of limits breach and measures undertaken for elimination.

The interest risk of the trading portfolio is controlled daily by unit “Market risk Management” section based on limits of maximum exposures divided by categories as per issuer of securities and maturities; BPV limits as per time bands and currency through permited currencies BGN, EUR and USD; VaR limits and stop loss limits and triggers.

For the purpose ofmarket risk management historical stress test model is used for calculating VaR. Assesment of market risk of portfolio is detrmined by VaR calculation which indicates loss in value within confidence level of probability for time horizon that won’t be exceeded. At present moment historical models are used for determination of Value at Risk for period 252 days, 1 day maintenance period, confidence level 99 % and standard deviation 2,33.

Organisation structure of the companies from the Bank Group related to process of market risk undertaking is built to ensure independency of the units responsible for control of business units.

Risk-weighted assets for position risk on the Trading book and risk-weighted assets for exchange rate risk on both the Trading and the Banking books compile the risk-weighted assets for market risk.

- *Capital requirements for position risk*

Capital requirements for both general and specific risk in each currency are calculated applying standardised approach for the Bank Group's debt securities in the Trading portfolio.

To calculate the capital requirements for general position risk, the Bank Group uses maturity approach where the net position in each debt instrument is assigned a risk weight depending on its residual term to maturity. Fixed-rate instruments shall be assigned on the basis of residual maturity, and variable-rate instruments - on the basis of the period until the next interest rate change.

To calculate the capital requirements for specific risk, the net position in each debt instrument is assigned a risk weight related to the instrument issuer, its external credit assessment and its residual term to maturity.

EU MR1 – Market risk under the standardised approach

In thousands of BGN

		RWAs
	Outright products	43 525
1	Interest rate risk (general and specific)	43 525
2	Equity risk (general and specific)	-
3	Foreign exchange risk	-
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	**Total**	**43 525**

- *Capital requirements for exchange rate risk*

A capital charge for exchange rate risk for the positions in both the Trading and the Banking book is applied only when the net open currency position exceeds 2% of the regulatory capital.

Capital requirements for foreign exchange risk as of 31 December 2021

In thousands of BGN

Market risk Standardised Approach to foreign exchange risk	**All positions**		**Net positions**	**Capital requirement ***
	Long	**Short**		
Total positions	**30 338 843**	**30 339 295**	**(452)**	**-**
Currencies closely correlated	28 299 828	28 302 424	-	
All other currencies	2 039 015	2 036 871	(452)	
Currency positions				
EUR**	8 980 016	8 989 475	(9 459)	
BGN	19 319 812	19 312 949	6 863	
AUD	341	350	(9)	
CAD	3 289	3 406	(117)	
CZK	963	945	18	
CHF	44 285	44 391	(106)	
DKK	4 333	4 209	124	
GBP	137 443	138 163	(720)	
HUF	7 587	7 423	164	
JPY	44 388	44 452	(64)	
NOK	6 482	6 489	(7)	
PLN	11 615	11 653	(38)	
RON	166 839	166 834	5	
RSD	1	-	1	
RUB	9 327	9 238	89	
SEK	1 798	1 058	740	
TRY	143	152	(9)	
USD	1 598 314	1 596 273	2 041	
CNY	35	-	35	
HRK	1 832	1 835	(3)	

***** When Net positions exceed 2% of Total Own Funds for Solvency Purposes

** EUR positions are not included in Net Position nor is subject to capital requirements

- *As of December 31, 2021 the Bank Group doesn't calculate capital for settlement risk.*

2.2.3. Capital requirements for operational risk

From the beginning of 2014 a Joint Decision of the National Bank of Hungary and the Bulgarian National Bank which approved DSK Bank to apply the Advance Measurement Approach for the capital calculation purposes on the individual and also on the consolidated base is in force.

The capital requirement as of 31.12.2021 is BGN 61 238 thousand.

EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

In thousands of BGN

	Banking activities	Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
3	Subject to TSA:	-	-	-		
4	Subject to ASA:	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	734 331	712 321	679 661	53 223	665 288

2.2.4. Detailed disclosure for exposure classes allocation according to criterion defined in Regulation 575

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

In thousands of BGN

		Net value of exposures at the end of the period	Average net exposures over the period
16	Central governments or central banks	6 275 476	4 995 143
17	Regional governments or local authorities	106 558	80 418
18	Public sector entities	2 965	9 591
19	Multilateral development banks	42 603	18 381
20	International organisations	-	-
21	Institutions	2 141 637	3 667 316
22	Corporates	5 635 258	5 480 165
23	Of which: SMEs	2 656	3 889
24	Retail	5 920 294	5 570 532
25	Of which: SMEs	821 084	777 324
26	Secured by mortgages on immovable property	5 968 776	5 709 975
27	Of which: SMEs	206 796	224 389
28	Exposures in default	485 161	484 976
29	Items associated with particularly high risk	-	-
30	Covered bonds	-	-
31	Claims on institutions and corporates with a short-term credit assessment	-	-
32	Collective investments undertakings	819	843
33	Equity exposures	28 696	28 384
34	Other exposures	1 420 943	1 219 961
35	**Total standardised approach**	**28 029 186**	**27 265 683**

EU CRB-C – Geographical breakdown of exposures

In thousands of BGN

		Net value																			
		Europe	Bulgaria	Serbia	France	Hungary	Romania	Germany	Poland	Switzerland	Spain	Belgium	Other countries	**America**	USA	Other countries	**Asia**	Israel	Japan	Other countries	**Other geographical areas**	**Total**
7	Central governments or central banks	6 012 656	4 786 690	98 553	224 997	385 967	-	-	183 440	-	-	-	333 009	115 192	115 192	-	147 628	147 628	-	-	-	6 275 476
8	Regional governments or local authorities	106 558	106 558	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	106 558
9	Public sector entities	2 965	2 965	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 965
10	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42 603	42 603
11	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Institutions	2 122 469	61 178	683 946	290 565	8 545	228 642	198 997	272	173 882	154 507	159 352	162 583	6 915	3 897	3 018	11 912	-	11 769	143	341	2 141 637
13	Corporates	5 626 223	5 276 408	107 904	9 771	17 433	10 896	1 569	-	101	1 141	1 231	199 769	5 260	4 791	469	1 285	56	-	1 229	2 490	5 635 258
14	Retail	5 913 460	5 879 321	705	286	1 196	2 808	1 239	2 441	731	1 774	-	22 959	885	226	659	5 380	1 778	-	3 602	569	5 920 294
15	Secured by mortgages on immovable property	5 960 852	5 932 512	531	1 529	1 462	2 793	1 602	4 295	1 682	3 389	-	11 057	1 829	1 398	431	4 855	2 924	-	1 931	1 240	5 968 776
16	Exposures in default	484 725	479 125	50	-	41	469	19	874	45	70	-	4 032	13	-	13	360	20	-	340	63	485 161
17	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	CICSCA*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Collective investments undertakings	819	819	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	819
21	Equity exposures	16 436	16 187	-	-	-	-	-	-	249	-	-	-	12 260	12 260	-	-	-	-	-	-	28 696
22	Other exposures	1 420 943	1 420 943	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 420 943
23	**Total standardised approach**	**27 668 106**	**23 962 706**	**891 689**	**527 148**	**414 644**	**245 608**	**203 426**	**191 322**	**176 690**	**160 881**	**160 583**	**733 409**	**142 354**	137 764	4 590	**171 420**	152 406	11 769	7 245	**47 306**	**28 029 186**

*CICSCA: Claims on institutions and corporates with a short-term credit assessment

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

In thousands of BGN

		Public Administration	Real estate activities	Manufacturing	Agriculture and forestry	Construction	Transport and communicatios	Trade and services	Financial and insurance activities	Hotels and catering	Individuals	Other industry	Non defined	Total
7	Central governments or central banks	6 275 299	-	-	-	-	-	-	150	-	-	27	-	**6 275 476**
8	Regional governments or local authorities	104 436	-	-	-	-	-	1 999	-	-	-	-	123	**106 558**
9	Public sector entities	-	-	-	-	10	4	15	7	-	-	2 920	9	**2 965**
10	Multilateral development banks	42 603	-	-	-	-	-	-	-	-	-	-	-	**42 603**
11	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Institutions	-	-	-	-	-	-	-	2 141 637	-	-	-	-	**2 141 637**
13	Corporates	148	561 623	2 330 088	182 817	244 548	517 744	1 337 691	24 496	164 081	-	234 727	37 295	**5 635 258**
14	Retail	171	12 519	124 059	213 568	59 584	102 917	249 632	1 699	12 358	4 809 682	297 274	36 831	**5 920 294**
15	Secured by mortgages on immovable property	7 935	193 592	470 395	113 541	258 553	35 798	955 144	28 979	125 570	3 610 867	143 509	24 893	**5 968 776**
16	Exposures in default	575	1 370	24 399	9 588	11 803	5 184	15 020	235	4 874	243 170	29 940	139 003	**485 161**
17	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-	-	819	-	-	-	-	**819**
21	Equity exposures	-	-	-	-	-	-	-	28 696	-	-	-	-	**28 696**
22	Other exposures	-	-	-	-	-	-	29 699	798 111	-	-	-	593 133	**1 420 943**
23	**Total standardised approach**	**6 431 167**	**769 104**	**2 948 941**	**519 514**	**574 498**	**661 647**	**2 589 200**	**3 024 829**	**306 883**	**8 663 719**	**708 397**	**831 287**	**28 029 186**

EU CRB-E – Maturity of exposures

In thousands of BGN

		Net exposure value					
		On demand	**≤ 1 year**	**> 1 year ≤ 5 years**	**> 5 years**	**No stated maturity**	**Total**
7	Central governments or central banks	2 970 049	475 864	1 443 121	663 697	-	5 552 731
8	Regional governments or local authorities	-	7 046	21 124	33 198	-	61 368
9	Public sector entities	-	803	2 238	2	-	3 043
10	Multilateral development banks	-	-	-	-	-	-
11	International organisations	-	-	-	-	-	-
12	Institutions	106 932	2 470 227	5 135	183 403	-	2 765 697
13	Corporates	15 382	3 415 298	1 483 036	699 391	-	5 613 107
14	Retail	47 742	1 415 821	2 412 661	1 267 161	-	5 143 385
15	Secured by mortgages on immovable property	4 622	1 604 368	1 253 665	2 568 872	-	5 431 527
16	Exposures in default	-	6 027	51	511 589	-	517 667
17	Items associated with particularly high risk	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
20	Collective investments undertakings	-	74	-	-	565	639
21	Equity exposures	-	-	-	-	27 631	27 631
22	Other exposures	691 862	36 073	38 614	19 851	468 826	1 255 226
24	**Total**	**3 836 589**	**9 431 601**	**6 659 645**	**5 947 164**	**497 022**	**26 372 021**

EU CR1-A – Maturity of exposures

In thousands of BGN

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	846 154	5 372 028	4 345 020	9 011 275	106 853	**19 681 330**
2	Debt securities	-	587 751	1 554 749	1 056 330	-	**3 198 830**
3	***Total***	**846 154**	**5 959 779**	**5 899 769**	**10 067 605**	**106 853**	**22 880 160**

EU CR1 – Non-performing and forborne exposures

In thousands of BGN

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	3 140 423	3 140 423	-	-	-	-	(365)	(365)	-	-	-	-	-	-	-
010	**Loans and advances**	**16 392 529**	**14 988 783**	**1 400 599**	**830 899**	**-**	**793 526**	**(370 788)**	**(149 676)**	**(221 007)**	**(548 400)**	**-**	**(529 192)**	**(263 880)**	**11 337 933**	**257 366**
020	Central banks	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	35 964	33 861	2 103	617	-	617	(297)	(19)	(278)	(44)	-	(44)	-	21 157	573
040	Credit institutions	1 925 074	1 925 074	-	-	-	-	(9 913)	(9 913)	-	-	-	-	-	219 386	-
050	Other financial corporations	1 123 384	1 123 379	5	246	-	-	(13 508)	(13 508)	-	(16)	-	-	-	35 607	230
060	Non-financial corporations	5 048 165	4 351 710	696 241	146 106	-	121 669	(171 546)	(50 265)	(121 279)	(80 562)	-	(71 706)	(125 704)	3 545 373	62 749
070	Of which SMEs	454 791	430 750	23 827	49 326	-	45 865	(8 998)	(6 032)	(2 964)	(27 384)	-	(25 105)	(61 413)	387 199	20 382
080	Households	8 259 941	7 554 758	702 250	683 930	-	671 240	(175 524)	(75 971)	(99 450)	(467 778)	-	(457 442)	(138 176)	7 516 410	193 814
090	**Debt securities**	**3 204 793**	**3 204 793**	**-**	**-**	**-**	**-**	**(5 963)**	**(5 963)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	3 204 793	3 204 793	-	-	-	-	(5 963)	(5 963)	-	-	-	-	-	-	-
120	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

130	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	**Off-balance-sheet exposures**	**3 352 167**	**3 281 056**	**70 954**	**11 200**	**-**	**11 156**	**28 323**	**23 730**	**4 590**	**3 994**	**-**	**3 984**		**1 200 604**	**4 759**
160	Central banks	150	150	-	-	-	-	1	1	-	-	-	-		-	-
170	General governments	27 147	27 068	79	-	-	-	213	209	4	-	-	-		495	-
180	Credit institutions	13 814	13 814	-	-	-	-	89	89	-	-	-	-		3 706	-
190	Other financial corporations	100 376	100 376	-	-	-	-	118	118	-	-	-	-		6 185	-
200	Non-financial corporations	2 722 561	2 663 583	58 978	8 128	-	8 128	24 887	20 888	3 999	3 133	-	3 133		1 146 281	4 676
210	Households	488 119	476 065	11 897	3 072	-	3 028	3 015	2 425	587	861	-	851		43 937	83
220	**Total**	**26 089 912**	**24 615 055**	**1 471 553**	**842 099**	**-**	**804 682**	**(348 793)**	**(132 274)**	**(216 417)**	**(544 406)**	**-**	**(525 208)**	**(263 880)**	**12 538 537**	**262 125**

EU CQ1: Credit quality of forborne exposures

In thousands of BGN

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	364 366	410 247	410 247	410 247	(93 725)	(264 567)	410 722	143 566
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	245 066	72 278	72 278	72 278	(66 665)	(35 373)	214 469	36 413
040	Credit institutions	3 047	20 579	20 579	20 579	(575)	(10 535)	12 010	9 557
050	Other financial corporations	65 345	38 924	38 924	38 924	(17 135)	(15 318)	71 634	23 523
060	Non-financial corporations	119 300	337 475	337 475	337 475	(27 060)	(229 029)	195 924	106 824
070	Households	-	-	-	-	-	-	-	-
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	3 695	57	57	57	127	19	-	-
100	**Total**	**368 061**	**410 304**	**410 304**	**410 304**	**(93 598)**	**(264 548)**	**410 722**	**143 566**

EU CQ2: Quality of forbearance

In thousands of BGN

		Gross carrying amount of forborne exposures
010	Loans and advances that have been forborne more than twice	68 611
020	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	409 753

EU CQ3: Credit quality of performing and non-performing exposures by past due days

In thousands of BGN

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	3 154 791	3 154 791	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	16 457 149	16 364 911	92 238	986 657	364 978	55 084	67 433	114 418	197 394	88 793	98 557	986 657
020	Central banks	1	1	-	-	-	-	-	-	-	-	-	-
030	General governments	55 294	55 294	-	617	617	-	-	-	-	-	-	617
040	Credit institutions	1 925 074	1 925 074	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	47 514	47 514	-	246	-	-	-	-	-	246	-	246
060	Non-financial corporations	5 928 609	5 916 131	12 478	177 187	79 004	9 684	7 884	15 367	14 899	21 554	28 795	177 187
070	Of which SMEs	834 994	823 888	11 106	69 579	30 157	7 399	3 296	10 867	7 955	5 101	4 804	69 579
080	Households	5 928 609	5 916 131	12 478	177 187	79 004	9 684	7 884	15 367	14 899	21 554	28 795	177 187
090	Debt securities	3 204 793	3 204 793	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	3 204 793	3 204 793	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	3 319 654			11 200								11 200
160	Central banks	-			-								-
170	General governments	-			-								-
180	Credit institutions	11 618			-								-
190	Other financial corporations	462			-								-
200	Non-financial corporations	522 662			797								797
210	Households	11 435			87								87
220	**Total**	**26 136 387**	**22 724 495**	**92 238**	**997 857**	**364 978**	**55 084**	**67 433**	**114 418**	**197 394**	**88 793**	**98 557**	**997 857**

EU CQ4: Quality of non-performing exposures by geography

In thousands of BGN

		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
1	**On-balance-sheet exposures**	**20 648 599**	**986 657**	**986 657**	**20 648 599**	**(1 066 991)**		**-**
2	Bulgaria	16 906 651	971 015	971 015	16 906 651	(1 032 227)		-
3	Serbia	788 468	91	91	788 468	(5 818)		-
4	Hungary	424 739	-	-	424 739	(554)		-
5	Romania	407 585	131	131	407 585	(2 564)		-
6	Germany	232 475	1 318	1 318	232 475	(2 281)		-
7	Austria	204 042	48	48	204 042	(986)		-
8	Russian Federation	191 956	1 793	1 793	191 956	(1 681)		-
9	Belgium	168 913	217	217	168 913	(1 007)		-
10	Luxembourg	160 374	-	-	160 374	(1 412)		-
11	Israel	152 544	34	34	152 544	(370)		-
12	Other countries	1 010 852	12 010	12 010	1 010 852	(18 091)		-
13	**Off-balance-sheet exposures**	**3 330 854**	**11 200**	**11 200**			**32 302**	
14	Bulgaria	3 196 341	11 186	11 186			31 110	
15	Hungary	119 044	-	-			1 066	
16	Netherlands	8 595	-	-			76	
17	Germany	2 021	1	1			19	
18	Romania	864	-	-			7	
19	Poland	520	-	-			4	
20	United Kingdom	462	-	-			4	
21	France	368	-	-			2	
22	Russian Federation	354	1	1			3	
23	Italy	339	8	8			4	
24	Other countries	1 946	4	4			7	
25	**Total**	**23 979 453**	**997 857**	**997 857**	**20 648 599**	**(1 066 991)**	**32 302**	**-**

EU CQ5: Credit quality of loans and advances by industry

In thousands of BGN

		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
1	Agriculture, forestry and fishing	376 424	17 199	17 199	376 424	(15 956)	-
2	Mining and quarrying	38 323	701	701	38 323	(748)	-
3	Manufacturing	1 539 133	38 401	38 401	1 539 133	(61 399)	-
4	Electricity, gas, steam and air conditioning supply	372 352	3 390	3 390	372 352	(5 982)	-
5	Water supply	45 882	642	642	45 882	(1 221)	-
6	Construction	312 391	31 426	31 426	312 391	(20 832)	-
7	Wholesale and retail trade	1 454 834	42 662	42 662	1 454 834	(47 249)	-
8	Transport and storage	633 231	19 363	19 363	633 231	(26 146)	-
9	Accommodation and food service activities	359 264	8 418	8 418	359 264	(75 103)	-
10	Information and communication	100 659	5 900	5 900	100 659	(3 608)	-
11	Financial and insurance actvities	1 272	-	-	1 272	(15)	-
12	Real estate activities	536 178	4 172	4 172	536 178	(16 304)	-
13	Professional, scientific and technical activities	159 618	2 042	2 042	159 618	(3 181)	-
14	Administrative and support service activities	78 663	1 662	1 662	78 663	(2 443)	-
15	Public administration and defense, compulsory social security	206	-	-	206	(2)	-
16	Education	11 639	88	88	11 639	(167)	-
17	Human health services and social work activities	53 463	622	622	53 463	(981)	-
18	Arts, entertainment and recreation	14 626	127	127	14 626	(2 306)	-
19	Other services	17 638	372	372	17 638	(697)	-
20	**Total**	**6 105 796**	**177 187**	**177 187**	**6 105 796**	**(284 340)**	**-**

EU CQ6: Collateral valuation - loans and advances

In thousands of BGN

		Loans and advances											
			Performing		Non-performing								
						Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days						
				Of which past due > 30 days ≤ 90 days				Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
010	Gross carrying amount	17 443 806	16 457 149	92 238	986 657	364 978	621 679	55 084	67 433	114 418	197 394	88 793	98 557
020	Of which secured	13 744 967	12 872 567	82 123	872 400	347 534	524 866	49 313	57 921	88 252	161 295	80 094	87 991
030	Of which secured with immovable property	5 715 474	5 445 906	19 868	269 568	156 005	113 563	12 477	12 042	9 786	21 086	8 596	49 576
040	Of which instruments with LTV higher than 60% and lower or equal to 80%	1 364 908	1 310 661		54 247	36 986	17 261						
050	Of which instruments with LTV higher than 80% and lower or equal to 100%	1 613 151	1 566 564		46 587	30 049	16 538						
060	Of which instruments with LTV higher than 100%	1 348 233	1 264 209		84 024	28 494	55 530						
070	Accumulated impairment for secured assets	(923 387)	(332 531)	(21 789)	(590 856)	(157 077)	(433 779)	(26 354)	(37 857)	(71 030)	(144 654)	(76 333)	(77 551)
080	Collateral												
090	Of which value capped at the value of exposure	12 447 497	12 175 009	54 029	272 488	186 783	85 705	21 348	19 266	15 711	15 375	3 591	10 414
100	Of which immovable property	4 724 569	4 609 810	17 102	114 759	87 926	26 833	7 009	7 163	3 110	3 463	795	5 293
110	Of which value above the cap	8 985 819	8 208 383	27 606	777 436	318 435	459 001	(21 348)	(19 266)	(15 711)	(15 375)	(3 591)	(10 414)
120	Of which immovable property	5 128 875	4 712 976	15 729	415 899	248 590	167 309	(7 009)	(7 163)	(3 110)	(3 463)	(795)	(5 293)
130	Financial guarantees received	271 830	264 041	5 713	7 789	3 340	4 449	1 289	638	1 345	956	177	44
140	Accumulated partial write-off	(378 599)	-	-	(378 599)	(31)	(378 568)	(6)	(24)	(390)	(23 506)	(45 339)	(309 303)

EU CQ7: Collateral obtained by taking possession and execution processes

In thousands of BGN

		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	8 189	(5 830)
020	Other than PP&E	10 952	(6 505)
030	Residential immovable property	2 862	(203)
040	Commercial Immovable property	8 081	(6 302)
050	Movable property (auto, shipping, etc.)	-	-
060	Equity and debt instruments	-	-
070	Other collateral	9	-
080	**Total**	**19 141**	**(12 335)**

EU CQ 8: Collateral obtained by taking possession and execution processes – vintage breakdown

In thousands of BGN

		Debt balance reduction		Total collateral obtained by taking possession									
						Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale	
		Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
010	Collateral obtained by taking possession classified as PP&E	8 189	-	8 189	(5 830)								
020	Collateral obtained by taking possession other than that classified as PP&E	10 447	-	10 952	(6 505)	2 536	-	2 009	(786)	6 407	(5 719)	-	-
030	Residential immovable property	2 521	-	2 862	(203)	1 922	-	883	(166)	57	(37)	-	-
040	Commercial immovable property	7 917	-	8 081	(6 302)	607	-	1 124	(620)	6 350	(5 682)	-	-
050	Movable property (auto, shipping, etc.)	-	-	-	-	-	-	-	-	-	-	-	-
060	Equity and debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
070	Other collateral	9	-	9	-	7	-	2	-	-	-	-	-
080	**Total**	**18 636**	**-**	**19 141**	**(12 335)**	**2 536**	**-**	**2 009**	**(786)**	**6 407**	**(5 719)**	**-**	**-**

EU CR1-D – Ageing of past-due ecrxposures

In thousands of BGN

		Gross carrying values					
		≤ 30 days	**> 30 days ≤ 60 days**	**> 60 days ≤ 90 days**	**> 90 days ≤ 180 days**	**> 180 days ≤ 1 year**	**> 1 year**
1	Loans	265 577	48 617	50 599	54 788	67 622	499 461
2	Debt securities	-	-	-	-	-	-
3	**Total exposures**	**265 577**	**48 617**	**50 599**	**54 788**	**67 622**	**499 461**

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

In thousands of BGN

		Gross carrying amount	Related net accumulated recoveries
010	**Initial stock of non-performing loans and advances**	**1 101 488**	
020	Inflows to non-performing portfolios	263 057	
030	Outflows from non-performing portfolios	(377 888)	
040	Outflow to performing portfolio	(51 341)	
050	Outflow due to loan repayment, partial or total	(148 218)	
060	Outflow due to collateral liquidations	(44 675)	42 985
070	Outflow due to taking possession of collateral	(3 327)	1 943
080	Outflow due to sale of instruments	(13 019)	-
090	Outflow due to risk transfers	-	-
100	Outflows due to write-offs	(108 158)	
110	Outflow due to other situations	(9 150)	
120	Outflow due to reclassification as held for sale	-	
130	**Final stock of non-performing loans and advances**	**986 657**	

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

In thousands of BGN

		Gross carrying value defaulted exposures
1	**Opening balance**	**1 101 488**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	263 057
3	Returned to non-defaulted status	(377 888)
4	Amounts written off	(108 158)
5	Other changes	(269 730)
6	**Closing balance**	**986 657**

EU CR5 – Standardised approach

In thousands of BGN

	Exposure classes	Risk weight										Total	Of which unrated
		0%	10%	20%	35%	50%	75%	100%	150%	1250%	Deducted		
1	Central governments or central banks	5 379 973	-	470 672	-	545 663	-	98 553	-	-	-	6 494 861	5 558 989
2	Regional government or local authorities	-	-	69 183	-	-	-	6 082	-	-	-	75 265	75 265
3	Public sector entities	-	-	-	-	-	-	2 831	-	-	-	2 831	2 831
4	Multilateral development banks	150 912	-	42 603	-	-	-	-	-	-	-	193 515	150 910
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	940 142	-	1 119 891	-	8 374	-	-	-	2 068 407	790 333
7	Corporates	-	-	1 593	-	21	-	4 288 688	-	-	-	4 290 302	4 289 072
8	Retail	-	-	-	-	-	5 452 314	-	-	-	-	5 452 314	5 452 314
9	Secured by mortgages on immovable property	-	-	-	3 249 582	609 332	494 343	1 155 791	-	-	-	5 509 048	5 509 048
10	Exposures in default	-	-	-	-	-	-	442 977	36 529	-	-	479 506	479 506
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-	-	-	819	-	819	819
15	Equity	-	-	-	-	-	-	28 696	-	-	-	28 696	16 436
16	Other items	594 527	-	326 059	-	-	-	615 485	-	-	-	1 536 071	1 536 071
17	**Total**	**6 125 412**	**-**	**1 850 252**	**3 249 582**	**2 274 907**	**5 946 657**	**6 647 477**	**36 529**	**819**	**-**	**26 131 635**	**23 861 594**

Since 3Q 2021 onwards DSK Banking Group has applied the alternative approach with risk weight of 1 250% for the calculation of the risk weighted exposures for investments and shares in collective investment undertakings.

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

In thousands of BGN

	Exposure classes	Risk weight					Total
		20%	50%	75%	100%	Other	
1	Central governments or central banks	-	-	-	-		-
2	Regional government or local authorities	-	-	-	-		-
3	Public sector entities	-	-	-	-		-
4	Multilateral development banks	-	-	-	-		-
5	International organisations	-	-	-	-		-
6	Institutions	54 899	94 903	-	-		149 802
7	Corporates	362	21	-	92 772		93 155
8	Retail	-	-	-	-		-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-		-
10	Other items	-	-	-	-		514
11	**Total**	**55 261**	**94 924**	**-**	**92 772**		**243 471**

EU CCR5-A – Impact of netting and collateral held on exposure values

DSK Group has no netting agreements.

2.3. COVID-19

On 11 March 2020 the World Health Organisation declared a COVID-19 pandemic, and on 13 March 2020 the Bulgarian Parliament imposed a state of emergency in Bulgaria, as a result of which a number of restrictive measures were taken.

On 24 March 2020, the State of Emergency Act was promulgated, imposing measures for the period of the pandemic state of emergency in various areas – employment relations and social security, taxation and annual financial closure, default and forced execution, terms and deadlines, etc. Decisions and orders of the Council of Ministers and the Ministry of Health were adopted for implementing anti-epidemic measures on the territory of the country aimed to protect and preserve the population's life and health in relation to: a ban on entering the country and applying measures (quarantine or provision of a negative lab result from a PCR test prior to entering the country) for countries with high COVID-19 rates and significant pandemic spread; observing requirements on physical distance, hand hygiene, disinfection and wearing protective face masks in indoor public places; temporary suspension or restriction of the operations of public sites and/or other sites or services rendered to citizens, etc.

On 10 April 2020 the Bulgarian National Bank approved a "Procedure for deferral and settlement of liabilities payable to banks and their subsidiaries – financial institutions, in relation to the state of emergency imposed by Parliament on 13 March 2020" (the "Procedure"), resulting from the COVID-19 pandemic and consequences thereof. The Procedure allowed borrowers affected by the restrictive measures applied to defer the repayment of their debts to financial institutions. The Procedure initially provided for deferral possibility for up to 6 months, not later than 31 December 2020. Consequently, the Procedure was amended and the period was extended to 31 March 2021. Pursuant to a new BNB decision, dated 10 December 2020, the Procedure's effect was extended until 31 December 2021, and borrowers were allowed to defer repayments to financial institutions for a period of 9 months.

After 31 March 2021 no borrowers could take advantage of moratorium agreements. For this reason as of 31 December 2021 in the loan portfolio of DSK Bank there are no loans under moratorium.

In March 2020 the BNB implemented a package of measures in relation to the COVID 19 pandemic.

The key measures are intended to further strengthen banks' equity and liquidity, as follows:

- full capitalisation of the banking system's profit;

- cancellation of the increases of the countercyclical capital buffer, scheduled for 2020 and 2021,

- increasing the banking system's liquidity by reducing commercial banks' foreign exposures.

In 2021 the BNB took decision for prolongation of the measures implemented in the prevous year.

CVD-19-1: Information on loans and advances subject to legislative and non-legislative moratoria

As of 31.12.2021 there are no loans subject to moratoriums (legislative and non-legislative) with an active grace period.

CVD-19-2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

In thousands of BGN

		Number of obligors	Gross carrying amount							
				Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	17 695	1 477 317							
2	Loans and advances subject to moratorium (granted)	13 578	1 183 490	-	1 183 490	-	-	-	-	-
3	of which: Households		486 834	-	486 834	-	-	-	-	-
4	of which: Collateralised by residential immovable property		261 637	-	261 637	-	-	-	-	-
5	of which: Non-financial corporations		696 656	-	696 656	-	-	-	-	-
6	of which: Small and Medium-sized Enterprises		206 308	-	206 308	-	-	-	-	-
7	of which: Collateralised by commercial immovable property		314 980	-	314 980	-	-	-	-	-

CVD-19-3:Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

In thousands of BGN

		Gross carrying amount		**Maximum amount of the guarantee that can be considered**	**Gross carrying amount**
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	Newly originated loans and advances subject to public guarantee schemes	208 221	391	189 745	1 184
2	of which: Households	48 920			1 157
3	of which: Collateralised by residential immovable property	-			-
4	of which: Non-financial corporations	159 301	386	141 183	27
5	of which: Small and Medium-sized Enterprises	83 121			27
6	of which: Collateralised by commercial immovable property	8 602			27

3. Liquidity risk

DSK Bank manages its exposure to liquidity risk by:

- accumulating an adequate level of high-quality liquid assets (HQLA);
- developing a modern system for liquidity risk management covering exposures in adequate manner;
- applying a transparent management process;
- performing monitoring and preparing regular and well-grounded analyses and reports to the management body.

The main body for liquidity management is the Asset and Liabilities Management Committee (ALCO). ALCO reports its activity to the Management board quarterly or on demand if needed. Balance Sheet Management Department (BSM) is the unit that performs constant monitoring and prepares a regular information and proposals to the ALCO concerning management of liquidity in short and long term. The intraday liquidity management is delegated to Correspondent Banking Department (CB) . BSM Department provides guidelines to CB Department regarding the targets for operational liquidity.

DSK Bank uses information from various sources to monitor the liquidity position on daily and monthly base. In case of deviations from the strategy or significant changes in liquidity, they are reported to the Group and Local ALCO in order corrective measures to be undertaken.

DSK Bank maintains adequate level of liquidity buffer, so that it can fulfil its obligations in different currencies, when they come due.

Once a year DSK Bank carries out an internal liquidity adequacy assessment process (ILAAP). The final ILAAP report is submitted and approved by the Management Board prior to being sent to the supervisory authority.

DSK Bank has large and well-diversified deposit base. The prevailing part of attracted funds is from retail clients. For that reason, there is not concentration to any client or group of clients.

Exposures in derivatives is not significant. Derivatives are used mainly for servicing corporate and financial clients.

Liquidity coverage ratios (LCR) is above the regulatory and internal limits for the whole year. As of June 2021 the Bank has an obligation to calculate NSFR. The ratio is above the regulatory and internal limits for the whole year.

Liquidity management in foreign currencies is to a large extent coordinated with OTP Group. Irrespective of the level of centralisation of the liquidity management function, the Bank applies group methods and standards for measurement and reporting of liquidity.

There are no significant positions in terms of liquidity that are not considered in the LCR and NSFR.

In the next tables a qualitative information for liquidity coverage ratio and net stable funding ratio is represented on individual basis as the Bank doesn.t report liquidity coverage ratio on subconsolidated basis.

LCR disclosure template, on quantitative information of LCR which complements Article 435(1)(f) of Regulation (EU) No 575/2013

In thousands of BGN / %

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2021	30.09.2021	30.06.2021	31.03.2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					5 118 249	5 037 768	5 018 575	5 148 694
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	14 283 386	13 842 126	13 377 503	12 647 329	910 690	875 541	835 762	778 777
3	*Stable deposits*	11 496 600	11 342 232	11 197 250	10 824 646	574 830	567 112	559 863	541 232
4	*Less stable deposits*	2 786 786	2 499 894	2 180 254	1 822 683	335 860	308 430	275 899	237 544
5	Unsecured wholesale funding	3 034 887	3 111 478	3 111 059	3 098 435	1 560 918	1 565 767	1 508 671	1 532 738
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	3 034 887	3 111 478	3 111 059	3 098 435	1 560 918	1 565 767	1 508 671	1 532 738
8	*Unsecured debt*	0	0	0	0	0	0	0	0
9	*Secured wholesale funding*					0	0	0	0
10	Additional requirements	2 769 304	2 755 789	2 643 488	2 412 579	358 132	356 428	332 451	292 611
11	*Outflows related to derivative exposures and other collateral requirements*	1 360	1 651	1 662	1 869	1 360	1 651	1 662	1 869
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	2 767 944	2 754 138	2 641 826	2 410 710	356 772	354 777	330 788	290 742
14	Other contractual funding obligations	0	0	0	2 750	0	0	0	0
15	Other contingent funding obligations	483 231	492 973	500 497	489 224	24 162	24 649	25 025	24 461
16	TOTAL CASH OUTFLOWS					2 853 902	2 822 385	2 701 909	2 628 587
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	150 288	184 782	174 390	149 544	3 281	3 281	3 281	3 281
18	Inflows from fully performing exposures	1 266 002	1 228 969	1 112 320	976 552	1 142 473	1 109 078	992 913	858 228
19	Other cash inflows	1 615	1 662	1 869	2 012	1 615	1 662	1 869	2 012
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	1 417 905	1 415 413	1 288 579	1 128 108	1 147 368	1 114 021	998 063	863 521
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	1 417 905	1 415 413	1 288 579	1 128 108	1 147 368	1 114 021	998 063	863 521
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					5 118 249	5 037 768	5 018 575	5 148 694
22	TOTAL NET CASH OUTFLOWS					1 706 534	1 708 364	1 703 846	1 765 066
23	LIQUIDITY COVERAGE RATIO					302.50%	297.51%	297.17%	293.94%

EU LIQ2: Net Stable Funding Ratio in accordance with Article 451a(3) CRR

In thousands of BGN / %

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments				**3 301 564**	**3 301 564**
2	*Own funds*				3 301 564	3 301 564
3	*Other capital instruments*					
4	Retail deposits		**16 529 987**	**614 682**	**45 619**	**16 163 252**
5	*Stable deposits*		13 340 741	407 880	26 191	13 087 381
6	*Less stable deposits*		3 189 246	206 802	19 428	3 075 871
7	Wholesale funding:		**3 309 397**	**10 825**	**9 035**	**1 260 515**
8	*Operational deposits*					
9	*Other wholesale funding*		3 309 397	10 825	9 035	1 260 515
10	Interdependent liabilities					
11	Other liabilities:	43 629	**247 009**	-	-	-
12	*NSFR derivative liabilities*	43 629				
13	*All other liabilities and capital instruments not included in the above categories*		247 009			-
14	**Total available stable funding (ASF)**					**20 725 331**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**333 690**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool					
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:		**3 096 915**	**1 628 447**	**11 154 687**	**10 789 992**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		40 466	-	195 583	195 583
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		1 507 225	272 025	1 102 528	1 389 263
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns*, and PSEs, of which:*		1 341 047	1 265 858	6 508 736	6 835 878
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
22	Performing residential mortgages, of which:		100 865	90 564	3 147 906	2 141 853
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		100 865	90 564	3 147 906	2 141 853
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		107 312	0	199 934	227 415
25	Interdependent assets					
26	Other assets:		**33 985**	**0**	**1 618 904**	**1 652 810**
27	*Physical traded commodities*					
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*					
29	*NSFR derivative assets*		33 460			33 460
30	*NSFR derivative liabilities before deduction of variation margin posted*		525			446
31	*All other assets not included in the above categories*				1 618 904	1 618 904
32	Off-balance sheet items		**3 363 483**	-	-	**168 174**
33	**Total RSF**					**12 944 666**
34	**Net Stable Funding Ratio (%)**					160.11%

4. Leverage

DSK Bank Group estimates the leverage ratio according to Regulation (EC) 575/2013, art. 429 and the following improvements as a proportion between CET 1 and the total leverage exposure in percentage.

As of December 31, 2021 the leverage ratio is 12.88 %.

In the next tables is represented information connected with the fulfilment of Regulation (EC) 575/2013, art. 451 and Commission implementing regulation – EU 2016/200.

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

In thousands of BGN

		Applicable Amount
1	Total assets as per published financial statements	-
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	24 412 967
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	(398 574)
7	Adjustment for eligible cash pooling transactions	22 700 071
8	Adjustment for derivative financial instruments	22 668 722
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	45 001 568
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	2 534 014
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	(90 775 097)
13	**Total exposure measure**	**26 143 671**

Table LRCom: Leverage ratio common disclosure

In thousands of BGN

		CRR leverage ratio exposures	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	24 622 397	22 897 159
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(131 325)	(147 646)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	24 491 072	22 749 513
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	-	-
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	-	-
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	243 471	125 458
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures (sum of lines 4 to 10)**	**243 471**	**125 458**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**-**	**-**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	3 363 367	3 412 515
20	(Adjustments for conversion to credit equivalent amounts)	(1 954 239)	(1 840 556)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	**1 409 128**	**1 571 959**
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-

EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	**Tier 1 capital**	3 366 271	3 081 559
24	**Total exposure measure**	**26 143 671**	**24 446 930**
Leverage ratio			
25	Leverage ratio (%)	12.88%	12.61%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	12.88%	12.61%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	12.88%	12.61%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	NA
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	12.88%	NA
EU-26b	of which: to be made up of CET1 capital	0.00%	NA
27	Leverage ratio buffer requirement (%)	0.00%	NA
EU-27a	Overall leverage ratio requirement (%)	15.88%	NA
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	-	-
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	26 143 671	24 446 930
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	26 143 671	24 446 930
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	12.88%	12.61%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	12.88%	12.61%

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

In thousands of BGN

		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	24 622 397
EU-2	Trading book exposures	143 362
EU-3	Banking book exposures, of which:	24 479 035
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	6 491 190
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	226 231
EU-7	Institutions	1 845 226
EU-8	Secured by mortgages of immovable properties	5 206 414
EU-9	Retail exposures	5 220 178
EU-10	Corporate	3 502 220
EU-11	Exposures in default	476 951
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1 510 625

5. Countercyclical Capital Buffer (CCyB)

According to Directive 2013/36/EC, Part VII, Chapter 4 the Bank Group have to keep CCyB which purpose is to protect against potential losses, resulting from accumulated system cyclical risk in period of exess credit growth.

The CCyB is regulated with Ordinance N 8 of the Bulgarian National Bank for capital Buffrs of the banks. BNB discloses information for the fixed level of CCyB and ups to date it quarterly. The level of CCyB for 2021 is 0,5 %.

The specific for the Bank Group CCyB is also 0,49%.

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

In thousands of BGN / %

Row		General credit exposures - exposure value for SA	Trading book exposure - sum of long and short position of trading book	Own funds requirements			Own funds requirement weights	Countercyclical capital buffer rate
				Of which: General credit exposures	Of which: Trading book exposures	Total		
		010	030	070	080	100	110	120
010	Breakdown by country							
	Bulgaria	16 944 220	-	968 340	-	968 340	97.49%	0.50%
	Netherlands	111 785	-	8 845	-	8 845	0.89%	0.00%
	Italy	32 371	-	2 441	-	2 441	0.25%	0.00%
	Albania	24 247	-	1 914	-	1 914	0.19%	0.00%
	Serbia	22 660	-	1 774	-	1 774	0.18%	0.00%
	Romania	19 912	-	1 501	-	1 501	0.15%	0.00%
	United States	18 664	-	1 426	-	1 426	0.14%	0.00%
	United Kingdom	17 020	-	573	-	573	0.06%	0.00%
	Germany	16 851	-	1 102	-	1 102	0.11%	0.00%
	Slovakia	16 578	-	1 310	-	1 310	0.13%	1.00%
	Greece	8 914	-	623	-	623	0.06%	0.00%
	Russian Federation	7 380	-	342	-	342	0.03%	0.00%
	France	6 293	-	290	-	290	0.03%	0.00%
	Hungary	4 803	-	301	-	301	0.03%	0.00%
	Israel	4 708	-	191	-	191	0.02%	0.00%
	Other countries	40 350	-	2 341	-	2 341	0.20%	n/a
020	**Total**	**17 296 756**	**-**	**993 314**	**-**	**993 314**		

Amount of institution-specific countercyclical capital buffer

In thousands of BGN / %

Row		Column
		010
010	Total risk exposure amount	14 478 558
020	Institution specific countercyclical buffer rate	0.49%
030	Institution specific countercyclical buffer requirement	70 945

6. Pillar 2 Requirement (P2R)

The Pillar 2 requirement (P2R) is a bank-specific capital requirement which is determined on the basis of the Supervisory Review and Evaluation Process (SREP).

Under Articles 431(1), 433a(1) and 438(b) of the Capital Requirements Regulation (CRR), large institutions (as defined in Article 4(1)(146) of the CRR) are required to disclose their P2Rs on an annual basis.

As a result of the performed in 2021 Supervisory Review and Evaluation Process (SREP) the Joint Supervisory Team (JST) determined for DSK Bank microprudential capital requirement of 1.8% as Pillar 2 Requirement on consolidated and individual level of DSK Bank to be held in the form of:

- 56.25% of Common Equity Tier 1 (CET1) capital /1.01% as CET 1/;

- 75% of Tier 1 (T1) capital / 1.35% as T1/;

The total SREP Capital Requirement of DSK Bank is 9.8%.

II. Internal Capital Adequacy Assessment Process (ICAAP)

1. Capital Management and Internal Capital Structure

The determination of the required ratios and levels of capital is a part of the annual business planning and risk management process of the Bank and revision of its long-term strategy. The internal management and analysis of the capital adequacy aim at maintaining an adequate amount of internal capital according to the level determined by the Bank's management which corresponds to the risk profile of the bank and to its quality of management through respective systems for risk management. The following principles should be followed:

- A transparent corporate structure which ensures effective and reasonable risk management;
- Clearly defined levels of reporting and distribution of the tasks and responsibilities;
- The entire process of risk management in the Bank is managed by the Management Board;
- Comprehensible and effective systems for risk control and internal control which are independent from the controlled activities;
- The effective internal control system consists of three independent functions – risk control, adherence to rules, and internal audit;
- Public announcement and transparency of the bank's activity and operations;
- The Bank regulates the management process of every significant type of risk within separate rules.

The plan for development of the capital base is consistent with the goals for development of the Bank's activity and the acceptable levels of risk for achieving these goals. So far, the short- and long-term goals of the Bank have always been set within its current risk profile without predicting significant changes in the levels of influence of the separate risk components. This allows a relatively reliable assessment of the necessary development of the capital base and respective planning of an adequate capital position.

The Bank calculates the capital requirements during each process of planning, forecasting, or long-term strategic goal setting. On a regular basis the Bank conducts an updated rolling forecast in order to assesses the sustaibability of the approved business plan and strategy and to assesses the impact from deviations from plan on capital adequacy

The necessity of capital calculated according to regulatory requirements, as well as according to the Internal Capital Adequacy Assessment Process (ICAAP), represented by two different approaches – according to DSK Bank's policy and based on the supervisory assessment (SREP)**.** The regulatory requirements shall be fulfilled with a reasonable reserve above the stipulated minimum. In case the ability to provide capital to cover the higher of the two (with a reasonable reserve above the minimum capital requirement according to the regulatory requirements or the result reached under ICAAP) is under question, the Bank reviews its objectives and risk profile.

Structure of the total capital resource of the Bank

The Bank has the following structure of its capital resource as of the end of 2021 in accordance with Directive 2013/36/EU and Reglament (EU) №575/2013 according to the Internal Capital Adequacy Assessment.

Capital Structure in the Normative perspective

The internal capital in the normative perspective is equal to the regulatory own funds (incl. post-budget developments) according to the approved capital plan of DSK Bank:

In thousands of BGN

	Basel III 2021 Regulatory	Internal assessment Normative perspective 2021
Own Funds for Solvency Purposes	**3 272 918**	**3 272 918**
Common equity Tier 1 capital	**3 272 918**	**3 272 918**
Ordinary share capital	1 328 660	1 328 660
Retained earnings	48 088	48 088
Reserves	1 707 221	1 707 221
Intangble assets	(65 126)	(65 126)
Goodwill	(78 547)	(78 547)
Additional deductions of CET1 Capital due to Article 3 CRR	(20 521)	(20 521)
Accumulated other comprehensive income	153 779	153 779
Adjustments to CET1 due to prudential filters	(2 065)	(2 065)
Insufficient coverage	(58)	(58)
Other transitional adjustments to CET1 in relation to IFRS 9	201 487	201 487
Tier 2 capital	-	-

Capital Structure in the Economic perspective

The economic capital or the so called Available Financial Resources (AFR) represent the economic view on the amount of the capital that is available to cover losses in a going concern perspective, in line with the chosen from us ICAAP approach.

The amount of regulatory Own Funds (Regulatory capital in normative perspective) is the starting point for the quantification of AFR. On top of this amount certain adjustments are made in order to ensure consistency with the economic value concept underlying the economic perspective.

In thousands of BGN

	Internal assessment Economic perspective 2021
TOTAL REGULATORY CAPITAL	**3 366 271**
(-) Goodwill	(78 547)
(-) Other intangible assets	(50 822)
(-) Insufficient coverage	(1 956)
(-) Other transitional adjustments of CET 1 in relation to IFRS 9	276 714
(-) Tier 2 instruments	-
(+) FV adjustments on balance-sheet items	699 636
TOTAL ECONOMIC CAPITAL	**3 920 518**

The concept of the economic capital is to include in it:

- Capital elements with long term character (i.e. share capital, general reserves)
- Items which represent deductions of regulatory CET 1 but are related to the profit generation on a long-term basis (i.e. Goodwill, intangible assets)
- FV adjustments on balance-sheet items - eventual difference between fair value and book value is included in the AFR to assure consistency with economic capital calculation and coherence with overall risk assessment.

Excluded from economic capital are:

- CET 1 elements with short term character are excluded (i.e. transitional arrangement related to IFRS 9 which shall be applied until the end of 2024)

- Tier 2 instruments – Tier 2 capital instruments are not included in the AFR, in accordance with ECB guide on ICAAP (Nov-18), as these components would have loss-absorption capacity only in the case of non-continuation of the institution.

  Details on FV adjustments on balance-sheet items:

- FV adjustments on loan portfolio – the calculation is done by stepping on the residual maturity structure of the portfolio as of 31.12.2021. The methodology is based on NPV of cash flows.

The parameters of capital adequacy are as follows:

In thousands of BGN

	Regulatory requirement Normative perspective 2021	**Internal assessment Normative perspective 2021**	**Internal assessment Economic perspective 2021**
TOTAL CAPITAL ALLOCATED FOR DIFFERENT RISKS	**1 157 649**	**1 389 813**	**2 182 559**
CREDIT RISK	1 093 565	1 290 017	1 433 117
MARKET RISK	2 846	12 276	12 276
OPERATIONAL RISK	61 238	61 238	75 293
INTEREST RATE RISK IN BANKING BOOK (IRRBB)	n/a	23 882	23 882
BUSINESS & STRATEGIC RISK	n/a	n/a	634 792
REPUTATIONAL RISK	n/a	2 400	3 200
Total Regulatory buffers	**1 022 624**	**1 022 624**	**NOT APPLICABLE**
Capital Conservation Buffer	365 745	365 745	NOT APPLICABLE
CCyB	71 686	71 686	NOT APPLICABLE
Systemic Risk Buffer	438 895	438 895	NOT APPLICABLE
O-SII buffer	146 298	146 298	NOT APPLICABLE
Management buffer	72 393	72 393	NOT APPLICABLE
Total required capital	2 252 666	2 484 829	2 182 559
Bank capital	**3 366 271**	**3 366 271**	**3 920 518**
Free capital	**1 113 605**	**881 442**	**1 737 958**

The Bank has a stable and adequate capital position which allows coverage of the risks specific to its operations. Bank estimates a capital buffer compared to both the regulatory requirements for capital adequacy and the necessary capital base obtained as a result of internal capital adequacy assessment under both normative and economic perpsective. This capital buffer is a result mainly from the followed policy for capitalisation of profit from previous years, as well as a reasonable risk management and defining risk appetite in the activity. As a result of these the Bank has a sufficiently stable position of Tier I capital.

2. Internal Risk Assessment

According to 2022 risk identification process the following risks specific to the actiiviry of the Bank were covered in ICAAP

- Credit risk
- Market risk
- Operational risk
- Liquidity risk
- Interest rate risk in the banking book (IRRBB)
- Business and Strategic risk
- Reputational risk

The identified risks are divided in their assessment based on their nature into:

- Risks evaluated in normative perspective;
- Risks evaluated in economic perspective.

These are two different concepts, which inform each other but are not directly comparable.

They are presented next to each other in order to draw the management's attention to the change of challenges for the long-term strategic orientation of DSK Bank.

Normative perspective	Economic perspective
Short-to-mid term	Mid-to-long term
Compliant with 3-year business plan and strategy	Ensures the sustainability of the business model in a long term perspective
Follows the concept of Pillar 2 capital requirements	Follows a market value based logic
Risks are covered by regulatory own funds	Risks are covered by long term available financial resources
Established methodologies and models	Methodologies adapted and focused on one-off events
Historical data used for evaluation	Evaluation of future losses not only based on historical trends

3. Additional capital under ICAAP

- Additional capital for credit risk

For the purpose of ICAAP DSK Bank assesses the required capital for counterparty credit risk using the following calculation:

Internal Capital Requirement (CR) = Total loss (TL) – Expected Loss (EL) = Unexpected Loss (UL)

As at 31.12.2021 the capital requirement for credit risk is above the capital requirement of the standardised approach and additional capital for counterparty credit risk is allocated in the normative and economic perspective.

In the economic perspective the Bank also assessed additional internal capital the for counterparty credit risk arising from higher inflation and increasing interest rates amounting to BGN 143 100 thousand. Assessed were also counterparty credit risk arised from FX deviation, from supply chain disruption and the residual risk from concentration collateral price decrease but the results from these calculation did not lead to additional internal capital allocation.

DSK Bank also assessed concentration risk and in country risk in normative and economic perspective but the calculations indicated that no additional internal capital has to be allocated.

As final outcome, for credit risk DSK Bank stands at BGN 1 290 017 thousand under the normative perspective and BGN 1 433 117 thousand under the economic perspective.

- **Additional capital for market risk**

Additional capital for currency risk*:*

In accordance with the adopted interbank rules, the currency positions on trading portfolio are monitored on a daily basis. Additionally, an independent of the business unit calculates and reports the condition of the positions and the risk of the positions as a whole for the Bank. The level of currency risk is measured through VaR models, prepared based on the applied stressed values of currency rates. The model is back-tested regularly and the results are reported to the management of the Bank periodically.

The additional capital that the Bank allocates according to the calculations regarding the level of currency risk is lower than 0.1% from the capital base.

Additional capital for interest rate risk in the trading portfolio

In the assessment of the interest rate risk in the trading portfolio of the Bank are applied models which generally assess the exposure and VaR. The applied VaR has a confidence level 99% and 1 day time horizon. As most of the assets in the portfolio are not actively traded on the market, the management considers that VaR is not an adequate tool for the allocation of the capital requirements. Therefore for the assessment of the capital requirements of the trading portfolio is applied the result from the standardised method, while the additional capital requirements are based on the applied stress-test scenario.

Overall, the total required capital for market risk for 2021 is assessed at BGN 12 276 thousand under both the normative and economic perspectives, the main driver being interest rate risk in the trading portfolio.

Additional capital for interest rate risk in the banking book

The capital requirements for this type of risk are based on the applied stress-test scenarios. They are done according to Guidelines on the management of interest rate risk arising from non-trading book activities – EBA/GL/2018/02. The Bank calculates two main indicators – change in the net interest income (earning based indicator) and change in the economic value of equity (value based indicator). There are limits set for those two indicators in the interest rate risk in the banking book management policy of the Bank. For the calculation of capital needed under ICAAP the impact of all shocks scenarios is calculated as a sum of positive and negative changes in economic value of equity (EVE) and net interest income (NII). This is done for every significant currency. Then the results for both indicators are compared and the worst of them is taken into consideration.

Based on the asset and liability structure, the management considers that the proposed standard shock determines adequately the level of interest rate risk of the Bank and the result should be used for determining the required capital. The required capital for 2021 is assessed at BGN 24 906 thousand under both the normative and economic perspectives..

Additional capital for liquidity risk

The liquidity risk management principles of the Bank are following all regulatory and OTP Group requirements and sound bank practices. The Bank has set in place a Liquidity Risk Management policy (LRMP). The policy sets out a robust liquidity management framework which is well integrated into the Bank risk management process. It clearly defines the internal liquidity governance and the liquidity risk measurement and control practices. The Bank has established monitoring system for all regulatory, OTP Group and internally defined indicators. On a regular basis are executed liquidity stress tests to assess the sufficiency of the liquidity position. In addition, DSK Bank incorporated Contingency Funding Plan which defines the management actions during periods of liquidity stress.

The Bank considers that the capital is not an adequate tool for covering liquidity risk.

- Additional capital for operational risk

For the purpose of the normative perspective under ICAAP the bank assesses the capital needed for operational risk coverage applying the Advanced Measurement Approach (AMA) which is also applied for the assessment of the regulatory requirement for operational risk according to Pillar I requirements.

In the economic perspective DSK Bank assesses additionally aspects related to internal and expernal fraud, business disruption risk, cyber risk and compliance risk

The assessed required capital for operational risk in the fourth quarter of 2021 amounts to BGN61 238 thousand. under the normative perspective through the Advanced Measurement Approach. In the economic perspective the internally allocated capital for operational risk is BGN 75 293 thousand .

- Additional capital for business and strategic risk

The business and strategic risk assessment is performed based on two main components, each one having two sub-categories, i.e.:

1) Business model risks, further categorised into:

    i. Client base structure - this is a risk related to the decreasing potential of our client base to generate the necessary economic value in a long-term perspective. There are two main directions of the decreasing potential: overall demographic trend in Bulgaria and client base composition effect (the age buckets split).

    ii. Own real estate value deterioration - there are two aspects of assessment of the possible impact from value deterioration of our own real estates – share of land and buildings in total assets and commercial and offices real estate prices.

2) Strategic risk, further divided into:

    i. Operating environment - this is a risk related to not proper assessment of the operating environment or extraordinary events which could change the general framework and respectively could impact negatively the results of the Bank. The risk is incorporated in the following three building blocks: (1) Recovery Indicators Monitoring; (2) Risk Appetite Framework and (3) Business rolling forecasts (sensitivity analyses on the officially approved business plan). The assessment of this risk is based on the expected effects from the sensitivity analyses performed.

    ii. Digital transformation - the risk is related to the strategy of the Bank to become a leader in digital banking. It depends on the successful implementation of the transformation programme which includes change of the operating model (develop in-house capabilities and more flexible approach of working based on agile and service design principles), renew of core technology and ensuring that all of that is performed in secured environment. The risk will result in inability to meet clients' expectations which respectively will lead to lower number of clients and lower market share of digital sales.

Although under the normative perspective there is no need for allocation of additional capital for business and strategic risk, according to the economic perspective the capital requirement stands at BGN 634 792 thousand.

Additional capital for reputational risk

For the purpose of reputation risk assessment in the normative perspective the Bank has developed a monitoring system which reflects different aspects related to the image of the Bank. In case the indicators breach a predefined threshold additional capital for reputation risk shall be allocated. In 2021 the indicators remained below the given thresholds but because of the inherent risk of events which are not under the direct control of the Bank and which could not be foreseen, allocated is additional capital buffer of the amount of BGN 2 400 thousand for reputational risk coverage under the normative perspective.

DSK Bank has assessed reputation risk in the economic perspective due to possible negative impact on the bank's image from one-off events in the environment. The expected cost for an image campaign is allocated as capital for reputation risk in the economic perspective (as an add-on on the normative perspective) which means total internal assessment for economic perspective of BGN 3 200 thousand under the economic perspective.

4. ICAAP stress tests

For the purpose of ICAAP the Bank conducts stress tests covering all identified risks in order to enable assessment and analysis of its ability to meet a negative impact of significant adverse changes in the risk components, which are beyond expectations during the normal planning process. The results from the ICAAP stress test shall be used for assessment of the capital depletion in case of adverse development of the environment which in its essesence is comparable with the determined by the competent authority P2G.

In order to reflect the deteriorated operating environment as a result of the military conflict between Russia and Ukraine the ICAAP stress tests are based on the stress scenario for the impact analysis on business plan 2022-2024 due to the updated macroeconomic framework.

In order to enhance the stress-testing process and to ensure that all the material risks are properly integrated, the Bank applies three different approached for stressing risks:

- Bank-wide stress-testing (risks impacted by the macroeconomic framework) – credit risk and business & strategic risk;
- Risks stressed by idiosyncratic events – operational and reputational risks;
- Risks stressed by separate models – market risk and interest rate risk in banking book (IRRBB).

As a result of the conducted calculations and stress tests, a conclusion could be made that the Bank has sufficient capital to meet the regulatory requirements as well as a sufficient capital buffer to meet a more risk-sensitive environment.

Reverse stress test conduction

DSK Bank performs a reverse stress in order to estimate potential factors that could lead to insufficient capital coverage in a 3-year period. These should be major effects leading to breach of the following elements of the targeted capital level by the Bank:

- Management buffer
- Pillar 2 Guidance (P2G)
- Countercyclical capital buffer
- Capital conservation buffer

Considering the strategy of DSK Bank and its owners for preserving its activity as a credit institution and the size and systemic importance of the Bank the sum of the following capital targets should be considered a trigger for breaching capital adequacy within the reverse stress test:

- Minimum capital requirement of 8%;
- Pillar 2 Requirement of 1.8% determined for DSK Bank;
- Systemic risk buffer;
- Other-systemically important institution buffer (O-SII buffer).

In order to report a capital adequacy level below 13.8% (i.e. the above-mentioned trigger for breaching capital adequacy) in December 2024, DSK Bank has estimated the amount of total losses that have to be generated during a 3-year period.

There were 2 scenarios defined where the generated risk cost and expenses offset the revenues in the 3-year period and lead to a loss as annual financial result:

1) Credit risk impact - compared to the published forecast by the International Monetary Fund and the Bank of England for the expected GDP growth in Russia in 2022, this scenario assumes even a more aggravated shrinking of the economy than in a country with imposed severe international sanctions on multiple levels and the resulting international isolation of the economy

2) Credit risk combined with operational event with impact on reputational and liquidity risk - the macroeconomic indicators underlying the targeted loan exposure deterioration in this scenario are less severe and even slightly lower compared to the forecasted macroeconomic values for Russia. Such macroenvironment is more probable but the comparison with the expected 2022 economic standpoint of

Russia indicates that such scenario can be realised in extreme situation differing from a pure economic crisis.

The macroeconomic indicators underlying the targeted loan exposure deterioration in both scenarios are compared to the forecasted macroeconomic values for Russia. The comparison with the expected 2022 economic standpoint of Russia indicates that such scenarios can be realised in extreme situation differing from a pure economic crisis.

III. Asset Encumbrance Policy

In 2014 the Bank accepted policy aiming to regulate asset encumbrance. The policy corresponds with Recommendation B - Risk management of asset encumbrance by institutions of European Systemic Risk Board (ESRB).

With the policy the Bank defines groups of assets that could be encumbered: securities from the Bank's portfolios; cash on accounts of the Bank and other cash receivables from third parties.

As of 31 December 2021 consolidated asset encumbrance data to be disclosed is as follows:

1. Assets of DSK Bank Group

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the disclosing institution**	505 868	501 453			24 010 770	6 410 751		
030	Equity instruments	-	-	-	-	26 032	-	26 032	-
040	Debt securities	501 453	501 453	499 352	499 352	2 840 739	2 541 273	2 840 914	2 540 849
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: securitisations	-	-	-	-	-	-	-	-
070	of which: issued by general governments	501 453	501 453	499 352	499 352	2 840 739	2 541 273	2 840 914	2 540 849
080	of which: issued by financial corporations	-	-	-	-	-	-	-	-
090	of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
120	Other assets	4 415	-	-	-	21 143 999	3 869 478	-	-

2. Collateral received and on-debt securities issued

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the disclosing institution**	-	-	222 840	222 840
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	222 840	222 840
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	222 840	222 840
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**	-	-	-	-
241	**Own covered bonds and securitisations issued and not yet pledged**			-	-
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	505 868	501 453		

3. Sources of encumberance

DSK Bank Group encumbers assets mainly for collateralisation of liabilities to State Budget according to The Public Finance Act. Assets pledged are more than liabilities to State Budget because of the specific of prices used and the discount applied from regulator on each emission.

Received as collateral government debt securities are connected with repo deals with OTP Bank. The coverage of exposures is controlled on daily basis on current market prices.

		Matching liabilities, contingent liabilities or securities lent	**Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered**
		010	030
010	**Carrying amount of selected financial liabilities**	465 384	505 868

IV. Remuneration Policy and Practices

1. Remuneration Policy of the Bank

The decision-making process is in accordance with the Remuneration Policy keeping the OTP Banking group standards.

1.1. Information relating to the bodies that oversee remuneration.

In Bank DSK operates independent Remuneration Committee (the Committee) that oversee the remuneration. The Committee consists of three members, elected by the Supervisory Board from among its members for a period of 3 (three) years until 2023Y. The majority of the committee members are independent within the meaning of art. 10a, point 2 of the Credit Institutions Act. On 25.03.2021, two members of the committee have been changed.

The Committee is delegated to review, and make recommendations to the Supervisory Board on the Group's remuneration policy and practices. The RemCo ensures that all employees and identified staff are appropriately remunerated in accordance with the Group's strategy as well as its long-term and short-term performance. In 2021, the Committee has held 5 (five) meetings.

Scope of remuneration policy: a. Institutional scope – all subsidiaries of DSK Bank included in prudent consolidation; b. personal scope - Members of the Management Board, Supervisory Board, Executive Directors and Heads of Divisions of DSK Bank AD and Banking Group Subsidiaries are classed as identified staff members. According with the classification of art. 0, members of the management bodies of DSK Bank belong under the consolidated-level personal scope.

The personal scope of the Remuneration Policy has been determined on three levels:
- **consolidated-level** personal scope includes those (staff members identified at consolidated level) whose professional activity has a material impact on the risk profile of the entire OTP Group;
- **sub-consolidated-level** personal scope includes those staff members whose professional activity has a material impact on the risk profile of the DSK Bank and their subsidiaries;
- **local-level** personal scope includes those staff members whose professional activity has a material impact only on the risk profile of DSK Bank only.

Bank DSK applies the same rules as for the identified staff for all the other managers out of the scope of the Remuneration policy but directly reporting to executive directors.

Remuneration Committee directly oversees the remuneration of the senior officers in the independent control functions, including the risk management, internal audit and compliance functions, and make recommendations to the Supervisory Board on the design of the remuneration package and amounts of remuneration to be paid.

1.2. Information relating to Design and structure of the remuneration system for identified staff:

The most important principle of the Bank Group Remuneration Policy is that the rate of performance-based remuneration (variable element) – subject to the preliminary and subsequent evaluation of risks – is relevant to realisation level of the targets at bank group/bank and individual level.
The basic principle of the performance measurement and assessment system is to link the rate of performance-based remuneration – with ex-ante and ex-post assessment of risks – to the degree of the accomplishment of Bank strategic-level and objectives in the framework of a **two-level performance measurement system:** to the level of fulfilment of strategic goals, and individual objectives (numerical indicators, individual targets and competences)

By placing emphasis on institutional targets, the two-level system contributes to the clear definition and monitoring of priorities, and ensures the better tracking of individual performances, thereby improving the flexibility of the performance assessment system.

The criteria of institutional-level performance assessment are as follows:
- For **Bank DSK**, group-level RORAC+ (risk-adjusted ROE/COE), C/I (Total non-interest expense in % of total

income), Market Share indicators,
– For **leasing company**, the return on assets (ROA).

Individual targets are assigned among the number of specific indicators (qualitative KPI's) carefully précised every year and focused on the specific business targets and risks measurement.

The Remuneration Policy stipulates differentiated income levels conforming to the value of the jobs and based on classifications. The remuneration comprises fixed and performance-based remuneration. The fact that the amount of the fixed remuneration for the persons belonging to the scope of the Policy is high enough to provide compensation for the professional work and is in line with the level of education, ranking, the required level of experience and skills, and the relevant business sector ensures the enforcement of a flexible remuneration policy.

In 2021, OTP Bank initiated re-identification of the staff falling within the scope of the Remuneration policy related to the amended Commission Regulation No. 2021/923 with effect from 14 June 2021. For bank DSK AD all identified positions were reviewed and their risk profile has been aligned as per new requirements.

Performance measurement system applied in Bank DSK is very sensitive to the key risks and business strategy performance. Institutional goals are combined with individual targets depending on the business line and position of the manager in the hierarchy of the Bank in particular proportions, which form final evaluation of contribution of each manager.

In Bank DSK no award of guaranteed variable remuneration is applied. Mandatory severance payments are paid to identified staff, according to the provisions of Labor Code of Bulgaria.

1.3. Description of the ways in which current and future risks are taken into account in the remuneration processes.

The link between risk and remuneration is guaranteed by directly linking the variable remuneration ratio with the relevant risk profile.

The main criterion for performance measurement related to performance-based remuneration is return on risk adjusted capital (RORAC+ (ROE/COE)), which is included in the strategic goals for each assessed person. Set of indicators measuring different type of risks (credit risk, liquidity risk, ESG risk) are included in the KPI library.

KPI library is reviewed on an annual basis. Depending on the position and level of hierarchy mandatory indicators are stipulated. *Prudent operation* is a mandatory KPI for all the positions.

1.4. The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD:

In DSK Bank the variable elements of the remuneration do not exceed 100% of the fixed elements from the total remuneration for each person, in compliance with the applicable regulatory provisions.

The performance remuneration based on performance appraisal of the managers identified on consolidation level in the scope of the Remuneration Policy takes place uniformly in the form of cash bonus and shares in the proportion of 50-50%. As a general rule 60% of the performance-based remuneration specified for individual level shall be deferred for period of five years following the performance evaluation, during which period the deferred installments shall be paid at an equal rate (12%-12%-12%-12%-12%) in accordance with the procedure and deadline set forth in the applicable internal regulation.

The performance remuneration based on performance appraisal of the managers identified on sub-consolidation and local level in the scope of the Remuneration Policy takes place uniformly in the form of cash bonus and synthetic shares, in the proportion of 50-50%. 40% of the performance-based remuneration specified for individual level shall be deferred for period of four years following the performance evaluation, during which period the deferred installments shall be paid at an equal rate (12%-12%-12%-12%-12%) in accordance with the procedure and deadline set forth in the applicable internal regulation.

It is possible to omit the application of the deferral and share based payment rules in case of those consolidated, sub-consolidated or local level identified positions, where the established performance-based remuneration on a yearly basis 1) does not exceed EUR 50 000 provided that the ratio of performance-based remuneration to total remuneration; 2) does not exceed 33.33%.

The ratio of the fixed and performance-based remuneration connected to the various positions of additional persons belonging to the scope of the Remuneration Policy is established, based on the subject to the consideration of the aspects below:

- performance appraisal system and method of defining the risk levels;
- length of the deferred appraisal and payment period, and of the retention period;
- the structure of the organisational unit / Bank Group member affiliate, nature and complexity of its activity;
- position of the employees within the organisational hierarchy, and risk assumption/decision-making levels allocated to the various positions.

1.5. Ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration.

Individual bonus amounts are defined within the annual performance appraisal process, based on the principles of transparency and clarity to ensure a direct link between variable remuneration and performance. The final evaluation reflects the individual performance and is directly applied in the calculation of the variable remuneration.

Performance-based remuneration based on performance evaluation is provided uniformly in the form of a cash bonus and share awards, in equal (50/50) proportions. The form of share awards differs among the identified people at consolidated or sub-consolidated and local level.

The share-based portion of variable remuneration for staff identified at consolidated level is settled, as a general rule, either in the form of remuneration converted into shares or as preferentially priced share award:

- **Remuneration converted into shares** means the conversion of the share-based portion of performance-based remuneration into OTP Bank's ordinary shares, at the share price determined by the Supervisory Board of OTP Bank Plc. The number of units of remuneration converted into shares, per individual, is determined by the ratio of the amount of performance-based remuneration given in shares and the price of the share.

- A **preferentially priced share award** is the right to purchase OTP Bank ordinary shares at a discounted price, under the parameters determined by the Supervisory Board of OTP Bank Plc. In the case of a preferentially priced share award, the number of shares per individual is determined by the ratio of the amount of the share-based variable remuneration and the value of the share award.

1.6. Description of the ways in which the institution seeks to adjust remuneration to take account of long-term performance.

Deferral and retention rules relating to performance-based remuneration

- The performance-based remuneration payable to identified persons under a deferred payment schedule is divided up into short-term (non-deferred) and deferred instalments.
- 50% of the share-based part (shares or virtual shares) of the short-term (non-deferred) instalment of the performance-based remuneration is retained for one year in the case of staff identified at consolidated level. Accordingly, for staff identified at consolidated level, half of the short-term (non-deferred) instalment of the share-based performance-based remuneration is the non-retained part, while the other half is the retained part. Bank DSK may specify a retention period which is longer or of higher proportion.
- With respect to the deferred instalments, the ex post risk adjustment is applied. With respect to the retained part, an ex post risk adjustment only needs to be applied insofar as the clawback rules are applicable in respect of the retained part.
- For staff identified at consolidated level, 60% of the performance-based remuneration awarded at the individual level is deferred.
- For staff identified at sub-consolidated and local level, 40% of the performance-based remuneration awarded at the individual level is deferred.

- For staff identified at sub-consolidated and local level, 60% of the performance-based remuneration is deferred if the total remuneration awarded to the identified person in the year preceding the assessed year exceeded EUR 240,000.
- The deferred part of the performance-based remuneration is paid out in equal instalments. It may be required that the deferred performance-based remuneration is only paid out in the last year of the deferral period.
- At the earliest, the short-term (non-deferred) instalment may be paid out in the year following the assessed year, the first deferred instalment and the retained part in the second year following the assessed year, and the remaining deferred instalments annually thereafter.
- In respect of those shares which make up the share-based part of the share-based performance-based remuneration, and which will be paid to the identified employee in the future (deferred and retained part, ESOP member's share), the employee does not have a right of disposal (so as an example for this part he/she is not entitled to conclude a preliminary or binding contract, and cannot offer it as a collateral), and moreover, concerning these shares he/she is not entitled for dividends until the time of acquiring such shares.

EU REM1 - Remuneration awarded for the financial year

			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	7	14	36	7
2		Total fixed remuneration	212	3 693	3 587	419
3		Of which: cash-based	212	3 693	3 587	419
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	-	-	-	-
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	7	14	36	7
10		Total variable remuneration	-	2 080	1 168	67
11		Of which: cash-based	-	1 084	1 156	67
12		Of which: deferred	-	612	89	-
EU-13a		Of which: shares or equivalent ownership interests	-	995	12	-
EU-14a		Of which: deferred	-	593	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		212	5 773	4 755	486

EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	1	-
7	Severance payments awarded during the financial year - Total amount	-	-	78	-
8	Of which paid during the financial year	-	-	78	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

Template EU REM3 - Deferred remuneration

In thousands of BGN

	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	3 203	744	2 459	-	-	-	744	-
8	Cash-based	2 009	744	1 265	-	-	-	744	-
9	Shares or equivalent ownership interests	1 194	-	1 194	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	975	317	658	-	-	-	317	-
14	Cash-based	646	317	329	-	-	-	317	-
15	Shares or equivalent ownership interests	168	-	168	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	161	-	161	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	128	27	102	-	-	-	27	-
20	Cash-based	78	27	51	-	-	-	27	-
21	Shares or equivalent ownership interests	51	-	51	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	4 306	1 088	3 219	-	-	-	1 088	-

EU REM4: Remuneration of 1 million EUR or more per year

	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	-
2	1 500 000 to below 2 000 000	-
3	2 000 000 to below 2 500 000	-
4	2 500 000 to below 3 000 000	-
5	3 000 000 to below 3 500 000	-
6	3 500 000 to below 4 000 000	-
7	4 000 000 to below 4 500 000	-
8	4 500 000 to below 5 000 000	-
9	5 000 000 to below 6 000 000	-
10	6 000 000 to below 7 000 000	-
11	7 000 000 to below 8 000 000	-
x	To be extended as appropriate, if further payment bands are needed.	-

EU REM5: Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

In thousands of BGN

	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	3 203	744	2 459	-	-	-	744	-
8	Cash-based	2 009	744	1 265	-	-	-	744	-
9	Shares or equivalent ownership interests	1 194	-	1 194	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	975	317	658	-	-	-	317	-
14	Cash-based	646	317	329	-	-	-	317	-
15	Shares or equivalent ownership interests	168	-	168	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	161	-	161	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	128	27	102	-	-	-	27	-
20	Cash-based	78	27	51	-	-	-	27	-
21	Shares or equivalent ownership interests	51	-	51	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	4 306	1 088	3 219	-	-	-	1 088	-

The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR.

The incentive system provides a balanced structure of “upfront” and “deferred” payments, in cash and/or in shares, to be paid over a multi-year period for all Identified Staff.

Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR.

With reference to the remuneration paid in 2021, no derogation was applied pertaining to art. 94 paragraph 3 of the CRD.

7.10.2022 г.

X Slaveyko Slaveykov

Slaveyko Slaveykov
Executive Director
Signed by: Slaveyko Lyubomirov Slaveykov

7.10.2022 г.

X Arnaud LECLAIR

Arnaud Leclair
Executive Director
Signed by: Arnaud Rene Julien Leclair

Appendix 1: Areas / Countries

1.1 Areas and countries included as Other areas and Other countries in the Geographical Breakdown of Exposures

Geographical area	**Other countries**
Asia	Azerbaijan
Asia	Armenia
Asia	Afghanistan
Asia	India
Asia	Indonesia
Asia	Islamic Republic of Iran
Asia	Yemen
Asia	Jordan
Asia	Kazakhstan
Asia	China
Asia	Lebanon
Asia	United Arab Emirates
Asia	Pakistan
Asia	The Republic Of Korea
Asia	Saudi Arabia
Asia	Syrian Arab Republic
Asia	Turkmenistan
Asia	Hong Kong
Asia	Japan
Europe	Austria
Europe	Albania
Europe	Belarus
Europe	Bosnia And Herzegovina
Europe	Georgia
Europe	Greece
Europe	Denmark
Europe	Estonia
Europe	Ireland
Europe	Iceland
Europe	Cyprus
Europe	Latvia
Europe	Lithuania
Europe	Luxembourg
Europe	Norway
Europe	The Republic Of Moldova
Europe	Russian Federation
Europe	Slovakia
Europe	Turkey
Europe	Ukraine
Europe	Finland
Europe	Croatia
Europe	Montenegro
Europe	Czech Republic
Europe	Sweden
North America	Canada
North America	Mexico
North America	British Virgin Islands
North America	Panama
Europe	North Macedonia
Europe	Slovenia
Europe	The Netherlands
Europe	Portugal

Other geographical areas	**Countries**
Australia	Australia
Africa	Algeria
Africa	Angola
Africa	Egypt
Africa	Kongo
Africa	Libya
Africa	Mauritius
Africa	Madagascar
Africa	Morocco
Africa	Nigeria
Africa	Tunisia
Africa	South Africa
South America	Brazil
South America	Ecuador
South America	Colombia
Central America	Guatemala
Central America	Cuba
Central America	Nicaragua

1.2 List of Countries included as Other countries in the Template EU CQ4: Quality of non-performing exposures by geography

On-balance-sheet exposures-Other countries
Albania
Algeria
Armenia
Australia
Azerbaijan
Belarus
Bosnia And Herzegovina
Brazil
Cameroon
Canada
China
Colombia
Congo
Croatia
Cuba
Cyprus
Czech Republic
Denmark
Egypt
Estonia
Finland
France
Georgia
Greece
Guatemala
Guinea
Iceland
India
Iran, Islamic Republic Of
Iraq

Off-balance-sheet exposures-Other countries
Albania
Algeria
Armenia
Australia
Austria
Azerbaijan
Belarus
Belgium
Bosnia And Herzegovina
Brazil
Canada
Colombia
Croatia
Cuba
Czech Republic
Denmark
Egypt
Finland
Georgia
Greece
Guatemala
Guinea
Iceland
India
Iran, Islamic Republic Of
Ireland
Israel
Jamaica
Jordan
Kazakhstan

Ireland
Italy
Jamaica
Jordan
Kazakhstan
Korea, Republic Of
Latvia
Lebanon
Lithuania
Madagascar
Mauritius
Mexico
Moldova, Republic Of
Montenegro
Morocco
Netherlands
Nicaragua
Nigeria
North Macedonia
Norway
Other Countries
Pakistan
Panama
Philippines
Poland
Portugal
Saudi Arabia
Senegal
Slovakia
Slovenia
South Africa
Spain
Sweden
Switzerland
Syrian Arab Republic
Tunisia
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Venezuela, Bolivarian Republic Of
Virgin Islands, British
Yemen

Latvia
Lebanon
Lithuania
Madagascar
Mexico
Moldova, Republic Of
Morocco
Nigeria
North Macedonia
Pakistan
Panama
Philippines
Portugal
Serbia
Slovakia
Slovenia
South Africa
Spain
Sweden
Switzerland
Tunisia
Turkey
Ukraine
United States
Venezuela, Bolivarian Republic Of
Virgin Islands, British

Appendix 2: Index of templates