

Shaping the Future of Society

KBC Group in Bulgaria's Report to Society for 2021



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Welcome to our annual Report to Society



Dear reader,

Even as the year 2021 continued to deal with the ongoing effects of the Covid-19 pandemic, the urgency for our economies and communities to tackle environmental and social challenges continued to ask for our attention.

At KBC Group in Bulgaria, we have identified a number of key objectives and actions to lower carbon emissions and contribute positively to people's lives in a number of selected domains, thereby generally seeking to support the transition to a sustainable economy and society. This is an integral part of our business strategy. This report aims to share with you how we continue to progress along this path.

Climate change presents probably the most pressing challenge of all. Naturally, our prime objective is to run our operations on a net-zero emissions basis, in step with the Paris climate goals. In 2021, we increased our ambitions and committed to reduce our absolute emissions from our operations by 100% already by 2030, compared to 2015 levels; at the end of 2021, we have already achieved a reduction of -56%.

As a leading bank-insures our impact must, however, reach further. We have now started incorporating new ambitions in terms of improving the CO2 impact of our investment and lending activities and supporting our customers in their own transition to a carbon neutral world.

At KBC Group we also continue to support the UN Global Compact's corporate governance principles on human rights, environmental protection, anti-corruption and better labour practices. We, in particular, focus on three domains where we believe we can help make a significant difference in Bulgaria. Firstly, we seek to enhance the financial literacy of selected, more vulnerable parts of the population and to enhance the awareness of cyber security and data privacy amongst the general public. Secondly, we deploy initiatives that stimulate a more healthy lifestyle. Thirdly, we seek to stimulate the development of entrepreneurship as a long-term value creator in our economy.

The common denominator underpinning KBC's approach is that of behaving responsibly, something we see as core to our company culture. Any business today must be judged not just by its financial capital but equally by its moral capital.

I wish to thank our employees, customers, suppliers and other partners who actively engage with us in this common effort.

Peter Roebben,
Country Manager of KBC Group in Bulgaria



Our approach

KBC at a glance

Who we are



The Belgian KBC Group is the biggest banking and insurance group in Bulgaria. In Bulgaria it unites companies with years' long history and versatile experience. The companies part of KBC Group Bulgaria are United Bulgarian Bank, DZI, UBB Interlease, UBB Pension Insurance, UBB Asset Management, UBB Factoring, UBB Insurance Broker, KBC Bulgaria Branch. They offer the full spectrum of financial services, including lease, asset management and factoring ones.

UBB was established in 1992 through the consolidation of 22 regional Bulgarian commercial banks. After UBB's acquisition by the Belgian group, the bank was awarded the highest credit rating in Bulgaria according to the assessment of Fitch Credit Rating Agency - 'A' - higher than the sovereign one for Bulgaria. Thanks to its excellently developed distribution network, UBB has branches throughout this country's territory.

DZI is the company with the longest experience in the Bulgarian insurance market, founded in 1946. It has been named 5 times Insurer of the Society in the 7-years history of one of the most prestigious insurance competitions in Bulgaria.

KBC Group

40 000 employees

12 million clients

1159 branches



KBC Group in Bulgaria

4300 employees

1.5 million clients

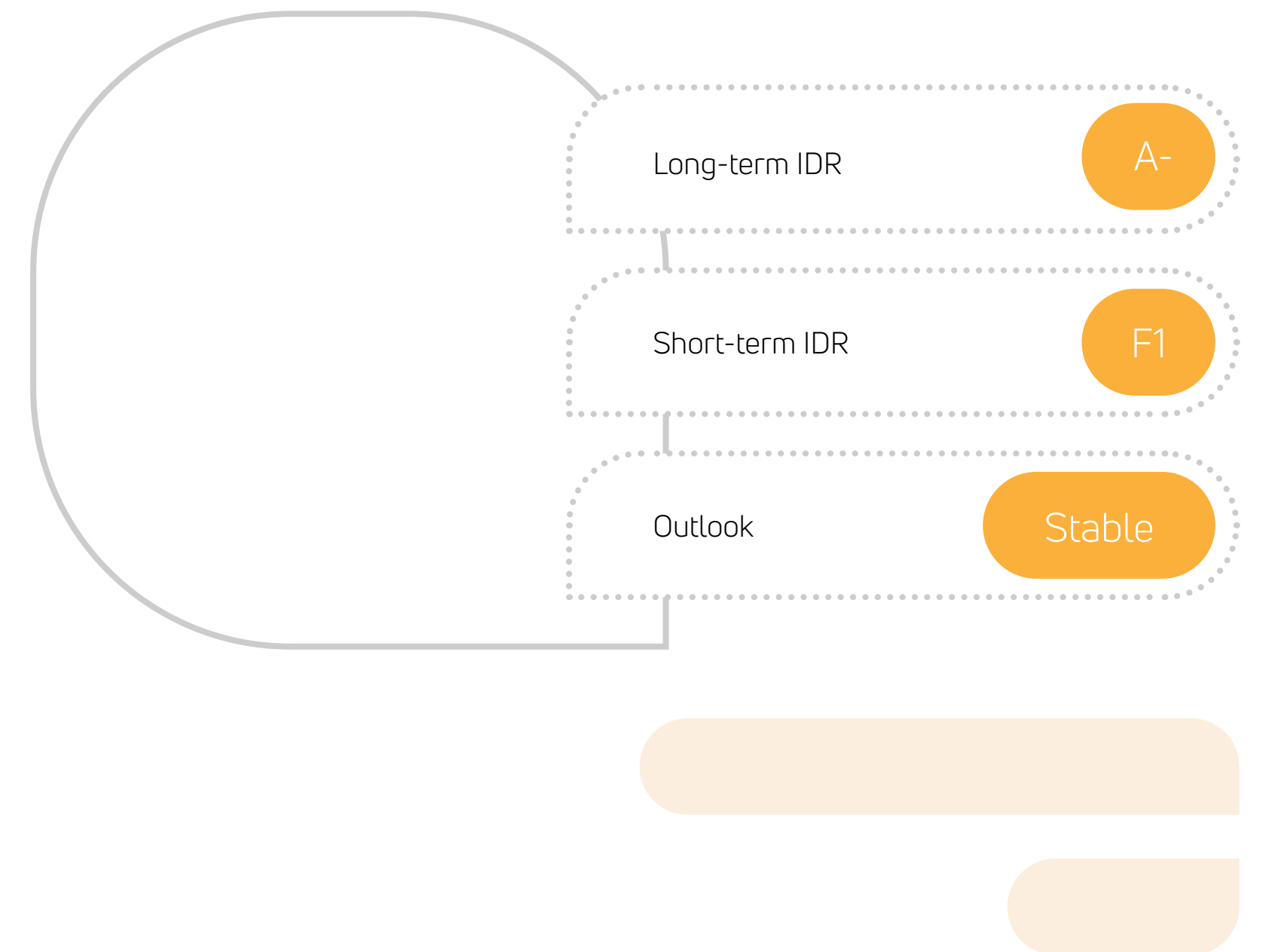
168 branches

Bank and insurer combined – why so?



We believe that our clients do not dream of a loan or insurance policy but of a home, a car of their own, or a journey. We believe that they want to feel safe and sure about themselves, their loved ones and their property. To make it happen, they need financing and insurance. KBC's bank-assurance model, which is being successfully developed on the Bulgarian market by UBB and DZI, provides clients with exactly that advantage - thorough financial solutions while saving time and sparing funds. This advantage of ours is one-of-a-kind.

According to Fitch Ratings



Value creation

We aim to build sustainable relations with individuals, small and medium-sized enterprises and large corporate clients in Bulgaria. Responsiveness is very important to us. This means that we know and understand our clients better, that we effectively identify their signals and react promptly and adequately, as well as offer products and services tailored to their specific needs. We focus our efforts on the sustainable development of the different communities in which we operate.

We encourage our employees to be responsive, responsible and result-oriented while keeping an eye on the process of how this culture is embedded in our employees and their everyday tasks. In addition to our culture and our values, we stand out from our competitors in several specific ways.

KBC Group's corporate strategy is based on four pillars:

1.

We place our clients at the core of everything we do

2.

We aim at offering unique banking and insurance services

3.

We focus on the long-term development of the group to achieve sustainable and profitable growth

4.

We take quite seriously our responsibility towards the society and the local economies

Model

- **Performance** - we aspire to top performance and we sign up to that.
- **Empowerment** - we give a chance to every employee to be creative and to develop his/her talent.
- **Accountability** - we preempt and readily respond to the questions, proposals, contributions and efforts of our clients, colleagues and managers.
- **Responsiveness** - we are personally responsible towards our clients, colleagues, stakeholders and the society.
- **Local embeddedness** - we treat the variety of our teams and our clients as power and we remain close to them.

Pearl+

We focus on jointly developing solutions, initiatives and ideas within the group.

Local embeddedness

We view diversity of our teams and of our clients in the different core markets as a strengths and we stay close to our clients.

Responsiveness

We anticipate and respond proactively to the questions, suggestions, contributions and efforts of our clients, colleagues and management.

Results-driven

We do what we promise, we meet our objectives, we deliver quality, and we do so on time and in a cost-effective manner.

Responsive

We anticipate and respond to suggestions and questions spontaneously and positively.

Respectful

We treat people as our equals, we are transparent, we trust them and appreciate them for what they do and who they are.

Performance

We strive for results and do what we promise to do.

Empowerment

We offer every employee the chance to develop their creativity and talent.

Accountability

We meet our personal responsibility towards our clients, colleagues, shareholders and society.

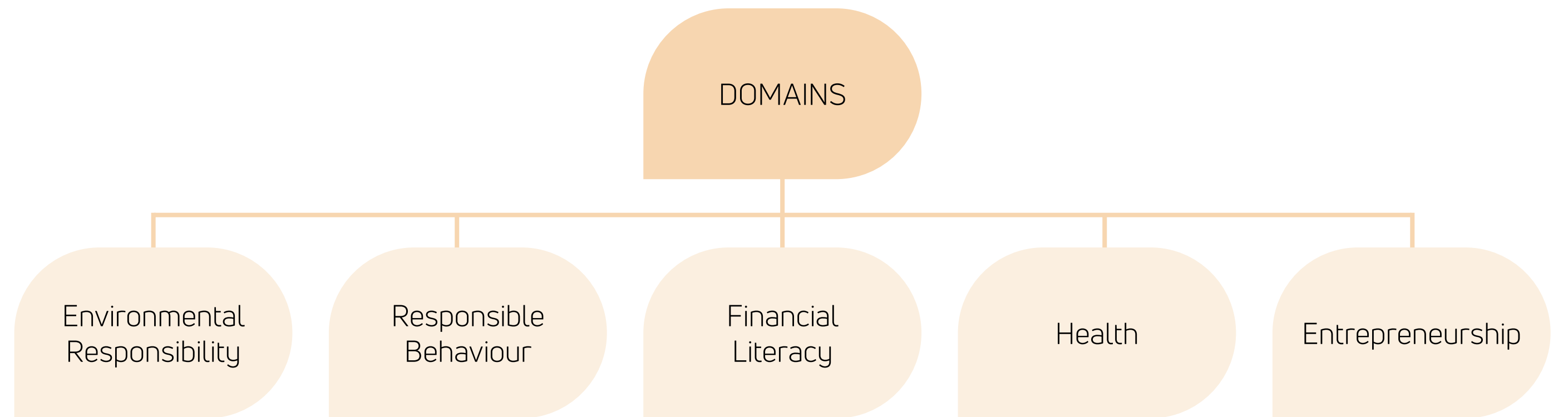
Our ambition is to be recognized as the reference in our focus domains

CSR – a core part of our strategy

The sustainability strategy is developed and monitored by the Corporate and Social Responsibility Committee ('CSRC'), a delegated committee of the Country Team. The CSRC works on a country level covering all KBC Group companies in Bulgaria.

Our sustainability strategy and governance structure reflects that of the KBC group, where the Internal Sustainability Board - chaired by the Group CEO, with BG Country Manager as a permanent member – develops the overall strategic guidance and approves key policies applicable for all Group entities.

We develop our role in society in 5 domains: Environmental Responsibility, Responsible Behaviour, Financial Literacy, Health and Entrepreneurship.



The CSRC meets bimonthly; each of the 5 domains is steered by a sponsor.

Each target group has a dedicated senior manager as a sponsor.

See more on our projects in each domain on pages 24-41.

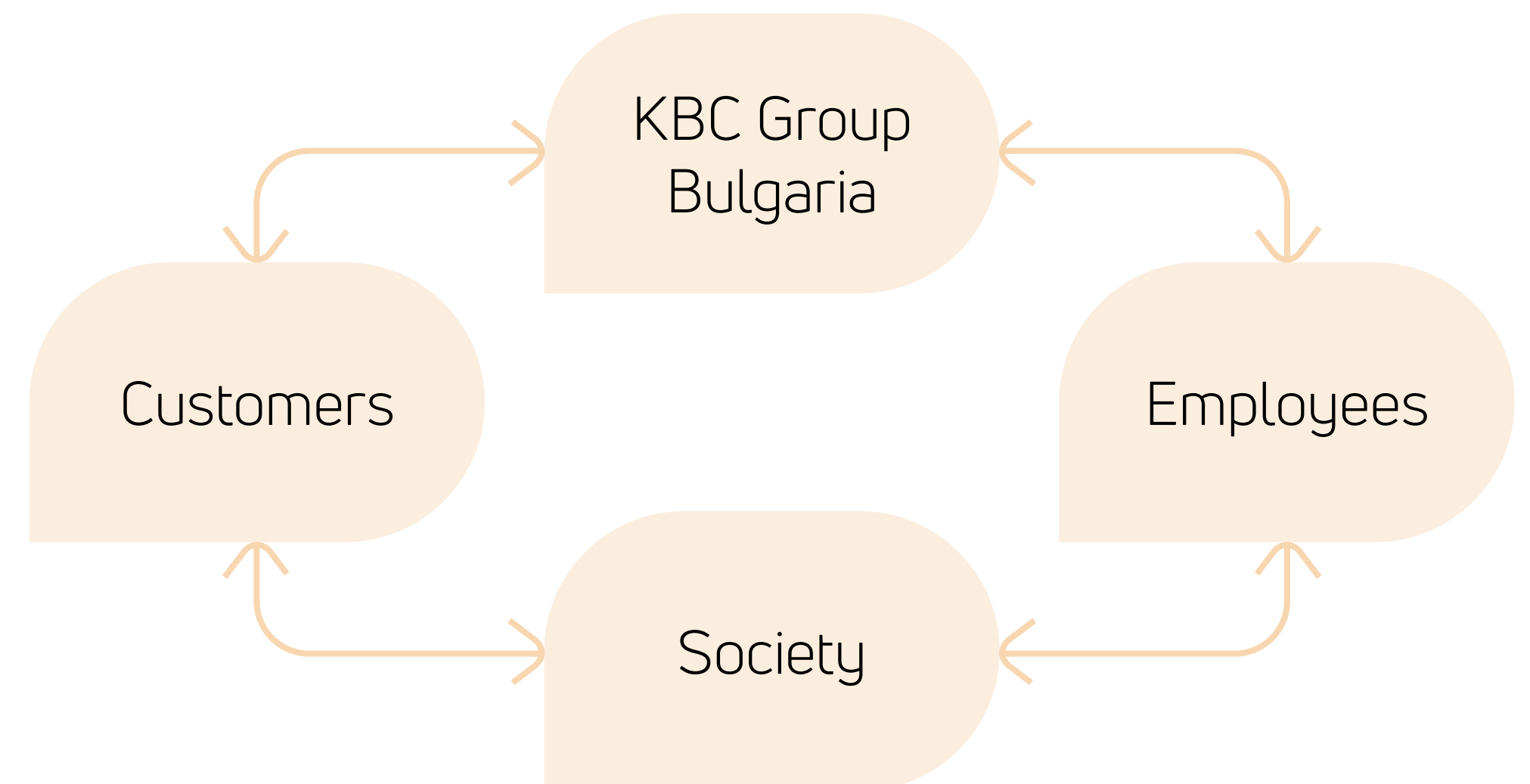


CSR is developed and monitored in a focused and systematic way

Target groups



For each domain we develop a holistic approach, setting ambitious targets supported by specific action plans, towards 4 target groups : the KBC Group companies in Bulgaria, our Customers, our Employees, specific other stakeholders in Society (regulators, NGO, public authorities,)



Our people

Focus on the employees

Empowering our people

The past 2021 has strengthened the key role of our employees as the most valuable resource for the organization and its prosperity. The main goal of the activities related to the management of all human capitals was to help control the strategic goals of the company while providing temporary and flexible solutions in response to external market factors. We build our HR policy on the corporate culture PEARL+.

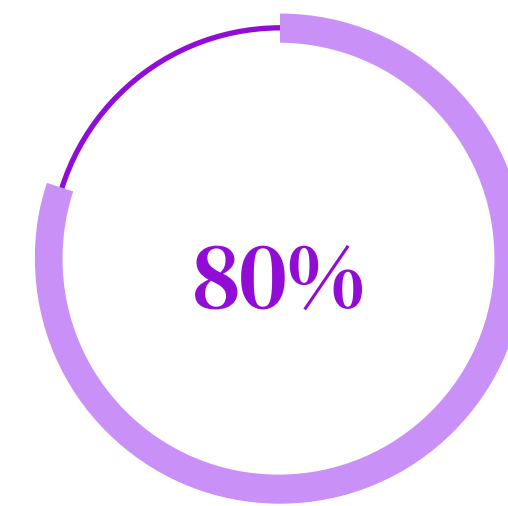
The efforts towards the employer brand this year were primarily focused on the employees internally through a number of initiatives aimed at increasing the engagement and promotion of UBB as a preferred employer for the external audience.

Employees engagement surveys

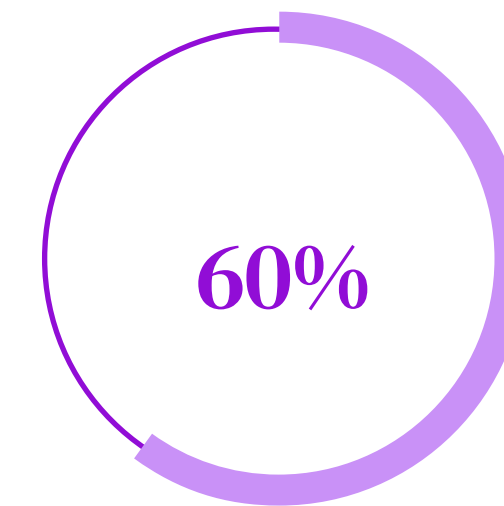
Employees engagement surveys are part of our corporate culture. They are conducted twice per year, measuring the overall employees' satisfaction and commitment to the company and its strategies. The received feedback is most valued and results in the implementation of concrete improving actions on work environment and other HR "hot" topics. Based on the feedback received, we strive to implement changes that will make us better and a preferred employer.

An observed trend in an systematic growth in the % of engagement with each edition.

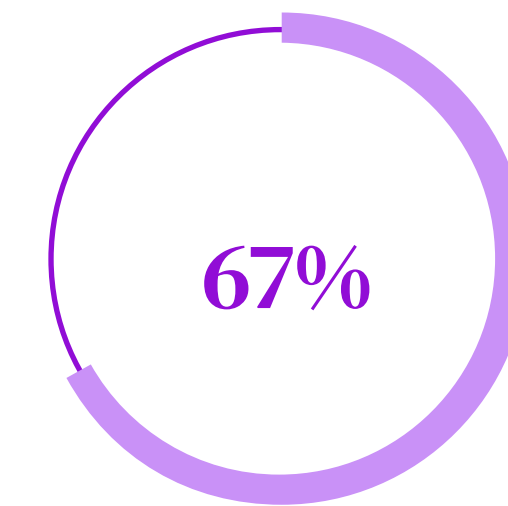
Employee Engagement Survey Nov 2021



Of employees proud to work for KBC in Bulgaria



Of employees motivated in their job in KBC Bulgaria



Of employees still seeing themselves work for KBC in three years' time

Investing in our People

The close contacts with the future of the workforce, students and post-graduates continues to give a better understanding of the new generation and strengthens our position as one of their career choices. With the cooperation with top schools and universities across the country, we accomplished many initiatives.

In 2021 more than **20 young professionals with various profiles successfully completed the internship program of UBB**, some continued their development in the company on permanent employment.

A detailed twelve-week onboarding program by position in a Branch network is taken into place in order to support them in their initial career days.

Ron Stoilov,
Junior Business Analyst, Strategic Program for Digital Lead Management

"The program is very practical and innovative, with lots of challenges but also very interesting ones. The internship gave me the opportunity to learn the ins and outs of the Digital Lead Management Program I was interested in, including the business practices of other departments, and gave me an overview of how everything contributes to the development of UBB in a strategic plan."

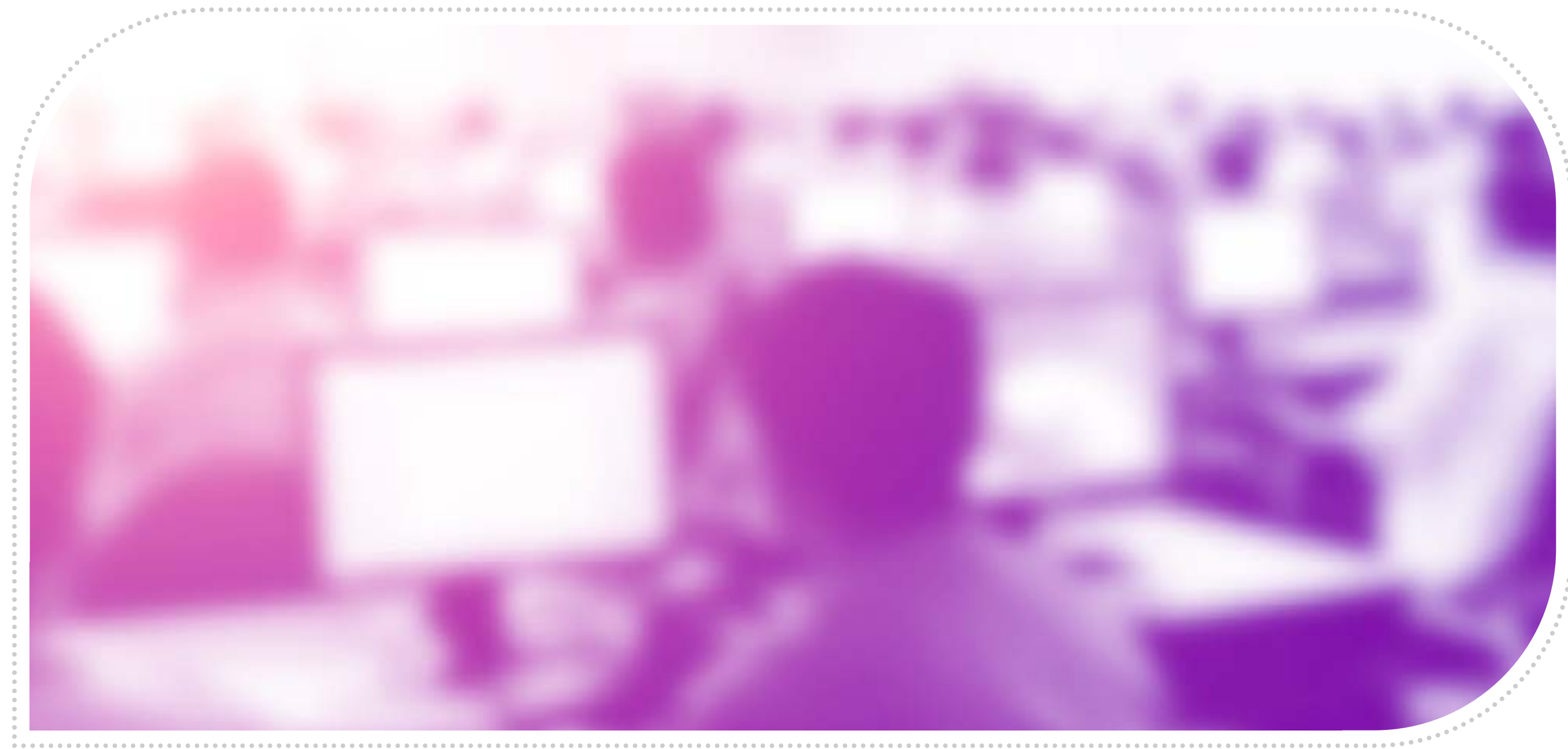
Talent program

With our country talent program, colleagues with high potential have the opportunity to prepare for top managerial positions, participation in strategic projects and internal rotations.

In 2021 18% of talents have took new positions and had the opportunity to reach their potential.

During 2021 our Top Talents have worked on their individual development plans, supported by various trainings related to our strategic goals.

In 2021 we continued to provide various learning opportunities for our employees and ensured that the employees were well prepared for their duties.



Lifelong learning

Employee growth and development

Understanding that good managers are one of the most important factors for employee engagement, performance and development, we focused our efforts in developing and upgrading the leadership and management skills and competencies.

For our experienced managers, we have launched several new training and development projects tailored to the specific audience, with focus on mentoring and management skills.

In 2021 we enriched our e-learning library with new modules on KBC's strategic hot topics.

KBC Bulgaria ESG Academy

In partnership with Sofia University "Sveti Kliment Ohridski", the first edition of KBC Bulgaria ESG Academy was established. The main focus of the Academy is to provide employees, customers and society with high quality knowledge, services and appropriate solutions that are adapted to change, aimed at sustainability and risk management.



82%
of staff participated in **KBC E-learning Modules** (KBC Next level modules, Responsible behaviour, Sustainability, etc.)



98%
of staff participated in **Mandatory trainings** (regulatory requirement, audit recommendation, internal rules, new product, etc.)

Marinela Koeva,
Head of Marketing and Credit Products Department, Marketing and Business Development for SMEs and Corporate Segment Directorate

The goals of measuring and achieving Sustainable Financing are extremely current topics in Europe and in particular for KBC Group. In my day-to-day work on ESG, I am responsible for the preparation of the strategic analyses for three of the sectors with the highest sensitivity in terms of generated greenhouse emissions - Agriculture, Construction and Food Industry, as well as the creation of products for sustainable financing and consulting for business in this sense. I am glad that in 2021 UBB gave me the opportunity to graduate from the Academy. The participation provided me with a new perspective, broadening and supplementing my knowledge in the ESG sphere. And the grouping of participants, among whom there were not only colleagues from UBB but also students and journalists, provided an opportunity for interesting questions and discussions during the lectures. I consider the time and effort spent an investment in my development not only professionally, but also personally."

Diversity policy

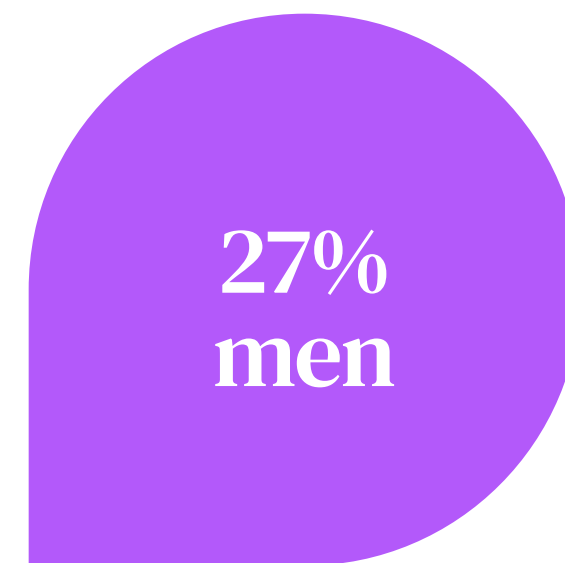
A revised Diversity policy, based on our corporate culture PEARL+, was approved, as well as e-learning on the topic, available to all staff. Based on the feedback of the training, employees could propose and engage in various initiatives related to diversity within the company.

Equal pay: In 2021, all companies from KBC Group in Bulgaria took part in a study of remuneration - Bloomberg Gender Equality Index, in order to investigate the role of gender, in comparison to other factors, in decisions related to pay. The results showed a difference in favor of women in awarding a raise or promotion, mainly due to the larger female population. The equal pay analysis is prepared on a regular basis corresponding to our strategic goals, made on gender, job category, hierarchical level, educational level, function, etc. Its main drive is the timely identification of the reasons and implementation of proper and focused activities to control and neutralize the possible pay gap.

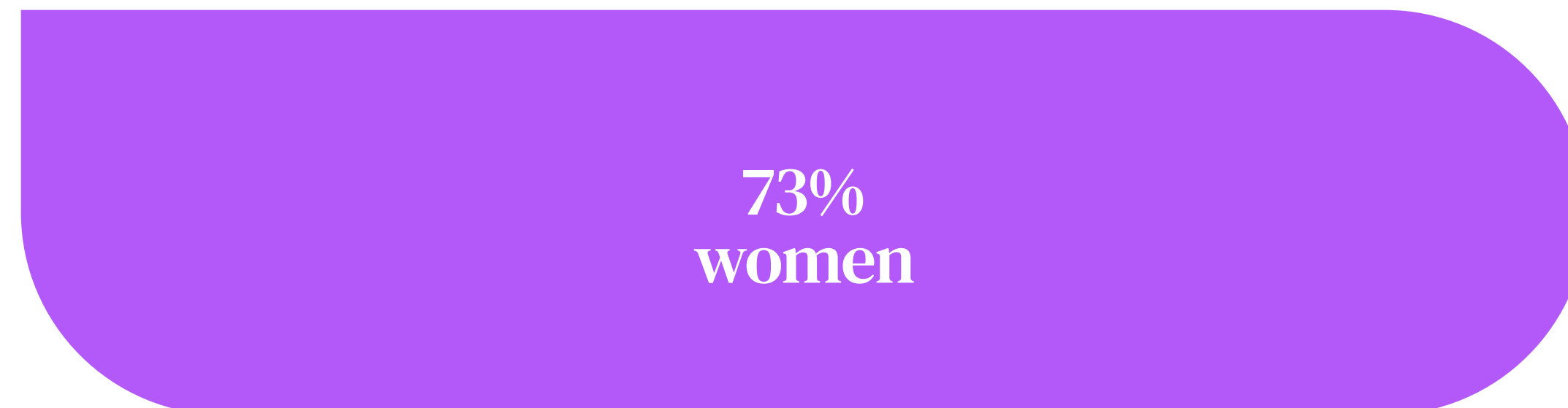
Gender diversity: 42% of the talents of KBC Bulgaria are women, which corresponds to the group's desire to provide equal opportunities for development to all its employees. In the managerial positions, the ratio is 55.2% women vs 44.8% men, including the managerial level up to junior management.

People with disabilities: All entities comply with Bulgarian legislation with respect to employing people with disabilities, e.g. 2% of average headcount. Charity fund, which proves support to employees and their children with disadvantages/disabilities or families with 3 or more kids.

Newly approved Code of conduct embeds the principles of equal treatment, diversity and respect. It explicitly introduces zero tolerance rule on flagrant disrespectful behavior. There is a process in place for submitting signals in cases of harassment and other flagrant disrespectful behavior.



KBC Bulgaria gender ratio



22%
male

Employees in promotion

78%
female

Social dialogue

Of all KBC companies in Bulgaria, only UBB employees have the opportunity to join the existing Trade Union of Banking Employees and Workers, registered in court as a non-profit organization established to regulate labor and social relations between employees and the bank as their employer. We maintain excellent relations with the Union and full cooperation, and in the pandemic situation in the country, we continued to maintain weekly communication with the Union for current news and ideas to improve the working environment. At the end of 2021, negotiations were held for the signing of a new Collective Labor Agreement for 2022.



How we dealt with Covid-19 in 2021

During the pandemic, we focused mainly on maintaining the health of our employees and organized the work process with a focus on working in a home office.

In order to assist its employees with adequate and accurate information on the most important topics related to the coronavirus, UBB organized a campaign "Get informed - get vaccinated."

We created a survey in which everyone could share questions, concerns and fears on the Covid-19 vaccination. We produced a video interview with prominent professional detailing all the questions. And in case of need for additional assistance - we created a platform for our employees to get in touch with her in case they wanted more information on vaccination.

In 2021 57% of our employees were covered by collective labour agreements.

Sustainable finance program

Customer engagement

UBB's aim is to approach customers proactively and express clearly its support in their transition to more sustainable business activity, as well as to provide them with useful information in this respect. In order to be able to be a trustful partner for our clients, all entities of KBC Bulgaria deliver training to its employees on climate change issues and sustainability. The relationship managers in Corporate Banking were additionally trained on the specific aspects of each industry sector. That helped our employees understand better the needs and opportunities in each sector to achieve decarbonization and more sustainable products or services.

UBB has voted mandatory ESG assessment of Corporate and SME clients, acting in high-risk sectors and above certain thresholds to be carried out gradually in 2021 and 2022. In 2021 more than 90% of large corporate clients were contacted, while in Energy and Commercial Real Estates sectors all clients were contacted and the relevant ESG data was collected. The overall feedback collected is an appreciation of UBB's efforts and interest in the upcoming solutions. As one of the most prominent results from our dialogue, we could highlight that one of our large clients - a public company - published a new corporate sustainability strategy and pledged to investors replacement of energy generation based on coal.

Still, many of the mid-cap corporate and SME companies face challenges or lack enough information and rely on the bank's expertise and help in coping with these tasks. Farmers also expressed their interest in climate change adaptation solutions and measures for more sustainable agriculture technics. Our plan is for these customer dialogues to evolve further in 2022, to be available to smaller segments and based on their situation and expectations, individual solutions to be discussed proactively.

In 2019, KBC joined the Collective Commitment to Client Action and launched a structured approach to managing and addressing climate risks and opportunities through the Sustainable Finance Program in 2019. The program is designed to facilitate the commitment to the Collective Commitment for Climate Action and contribute to the objectives of the Paris Climate Agreement, as well as to prepare the group for forthcoming EU regulations by integrating the principles of sustainable financing into all relevant business units and business areas. In 2019, several methodological pilot projects were launched to analyze the impact of KBC's portfolio on climate change and vice versa. Climate change has also been more strongly embedded in KBC's policy and risk management.

In 2021, adopting the initiative of KBC, UBB launched its own Sustainable Financing Program. Some of the main initiatives we started working on were:

- Development of sectoral analyzes and plans for the sectors most affected by climate change and related actions
- Preparation for dialogue with customers on climate change issues
- Preparation for data collection needed to analyze the effect of climate change on the bank's portfolio



Green finance, products, solutions

Investment loan for the business for the construction of photovoltaic power plants by UBB

Sustainable development is one of the current topics for modern society and a challenge for most businesses in the country. In order to facilitate the transition to a green economy and help businesses optimize electricity costs and reduce the carbon footprint of companies in the long run, UBB has launched an investment loan for the construction of photovoltaic plants with a capacity of up to 2 MW for the production of electricity for own needs. The loan can benefit corporate clients and small and medium-sized enterprises, as well as farmers, and in case of surplus energy produced, companies will be able to sell it to electricity distribution companies (EDCs).



Sustainable Cities

UBB is utilizing the Sustainable Cities Fund financial instrument with a budget of a million BNG. The program enables the active financing of public and private entities whose projects aim to further the sustainable development in cities across Sofia and South Bulgaria. UBB has already financed over 56 projects totaling almost 216 million BGN in different areas of sustainable development, including energy efficiency, urban development, cultural heritage and others. The program also includes a specific retail product aimed at financing energy efficiency for private households.

COSME Digitalization Pilot

UBB has also partnered with the EIF and the EC in offering its pilot program COSME Digitalization Pilot. In addition to being the only bank on the Bulgarian market offering the pilot program of the EIF and EC, UBB has made active advancements in furthering and promoting the digitalization of businesses which proved to be an essential step for the preservation and development of the economy, especially at a time where physical interaction has been very limited.

E-line for financing electric cars

2021 was a year of recovery of the car leasing market after the decline of 2020, following the pandemic. UBB Interlease not only managed to increase its portfolio of financed cars - over 3700, which gives the company a 16% market share, but also launched a new product for financing electric cars - E-line. This product offers an extended financing period of up to 72 months, the possibility of financing without a down payment, preferential interest rates and a flexible repayment plan. From the launch of the product in the middle of 2021 until the end of the same, there are 67 electric cars provided by UBB Interlease.



By 2021, the financed value of the company's electric cars compared to the total financed value of cars is 3.68%. For comparison, in 2020 the share was 1.86%.

COSME Green

UBB Interlease is also utilizing a specialized product under its COSME guarantee agreement aimed at providing preferential parameters to customers who seek funding for the purchase of electric or hybrid vehicles and/or equipment.

Digital signing of lease agreements

UBB Interlease was the first leasing company on the Bulgarian market to announce that it was launching a service for concluding digital leasing contracts with a qualified electronic signature (QES).

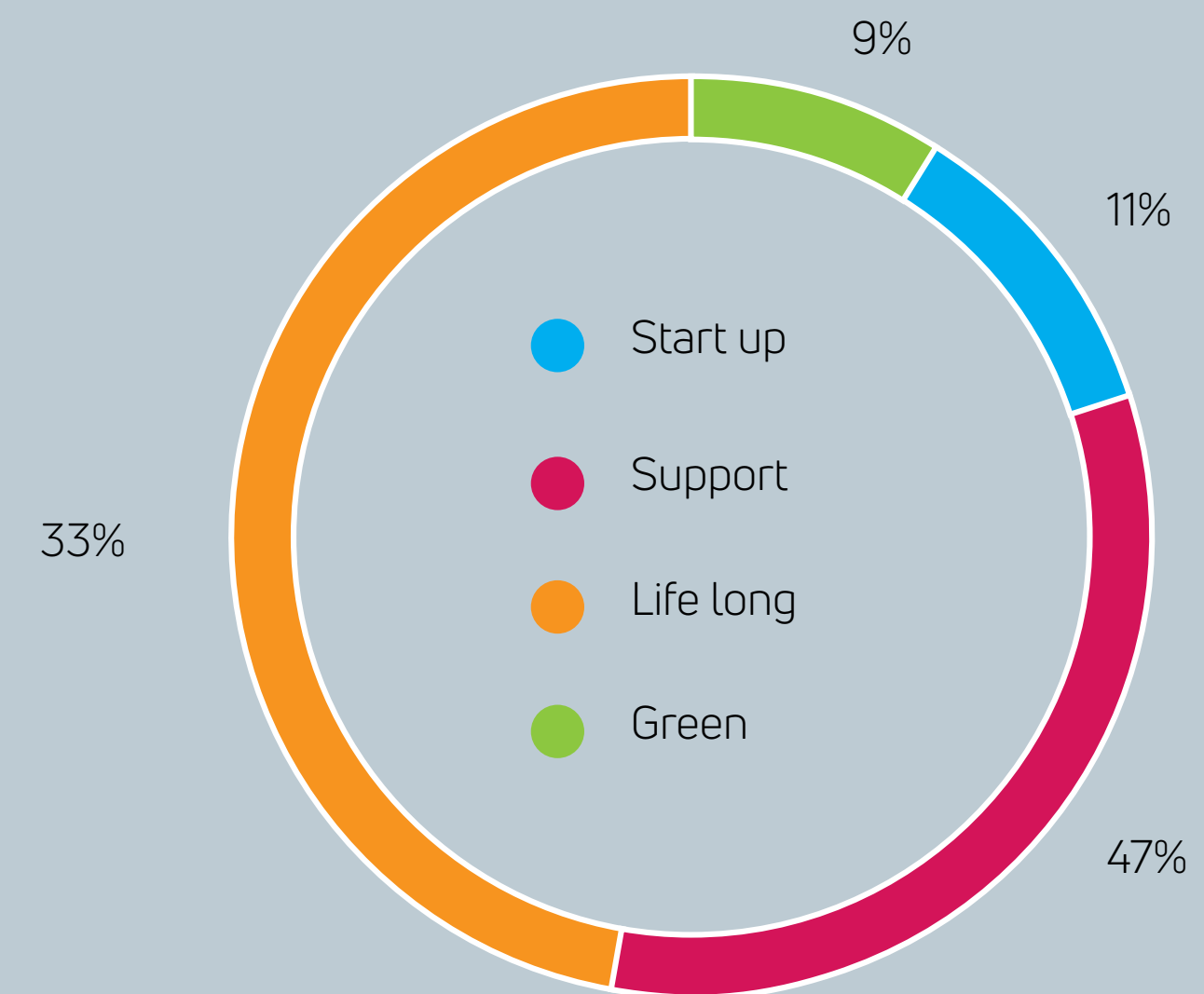
In addition to convenience and speed, the digital signing of a leasing contract through a mobile application provides the client with a copy of the document immediately after its signing and guarantees the identity of the parties provided by their QES.

The signing, in addition, is completely free for the client.

In 2021, digital signing became the preferred way to enter into a lease agreement with many customers, not only in Retail distribution but also as a convenient and secure way for the company's corporate customers.

In 2021, UBB Interlease achieved the remarkable average value of 30% of digitally signed leasing contracts compared to the total number of concluded contracts. The company's ambitions are to continue this trend in the coming years, reaching over 40% in 2022 and over 50% in 2023.

COSME deals 2021



Our sustainable business solutions

Our corporate resilience and responsibility strategy

Corporate resilience and responsibility over recent years is not a goal per se, nor just a fancy trend - it is a way of doing business. It is only by embedding resilience as an integral constituent of our common corporate strategy that we could trigger positive difference. The world is ever-changing, hence in order to truly position ourselves as a factor in social life and respond to new needs, expectations and desires of all our stakeholders, we should act in a purpose-driven manner while caring for and attending to society.

Resilience for us is not just part of a standalone strategy, but it is interwoven in our corporate vision, hence it is embedded in its four pillars and in our daily commercial activities. To us it means that we are capable of meeting the expectations of all stakeholders, not only today but with an outlook to the future.

Environmental Responsibility

Resilience for us is not just part of a standalone strategy, but it is interwoven in our corporate vision, hence it is embedded in its four pillars and our daily commercial activities. To us it means that we are capable of meeting the expectations of all stakeholders, not only today, but with an outlook to the future.

Health

Part of the corporate social responsibility policy of KBC Group Bulgaria is to promote healthy lifestyle initiatives

The promotion of entrepreneurship

The KBC Group companies deem promoting of entrepreneurship their mission, as we believe it is the true driver of growth and economies' forward motion.

Financial and Digital Literacy

For our group it is a topic of paramount importance. Being experts in the financial and insurance fields we attempt to raise public awareness of financial education issues by realizing various initiatives targeted at different social groups.

Responsible Behaviour

The foundation of responsible behaviour is integrity, which entails honesty, correctness, transparency and confidentiality, combined with sound risk awareness. Special attention is being paid to training and awareness.



Environmental responsibility

Own carbon footprint of the companies, part of KBC Group Bulgaria

In 2021 we continued to reduce the total carbon footprint of KBC Group Bulgaria - it reached 5092 tons of CO2 compared to 16 880 tons of CO2 in the base year 2015. We even managed to achieve a greater reduction in carbon emissions than originally set for 2021 - 5661 tons of CO2. In addition, all KBC Group countries will offset their carbon emissions from the volume of electricity used from non-renewable sources. For Bulgaria this means that the carbon footprint of the companies will decrease by another 1564 tons and will reach its lowest total value of 3528 tons.

Green energy

In 2021 a project for a second photovoltaic plant for KBC Group Bulgaria was approved for implementation. At the end of the year, its construction began in DZI Business Center Varna, and the completion of the plant and its commissioning is planned for April 2022. The photovoltaic plant will contribute to reduce annual carbon emissions, which KBC Group Bulgaria produces by 19 tons. The new plant will cover 5% of the building's electricity consumption or 39 MWh per year.

Photovoltaic plant in Varna

The share of green energy for the companies part of KBC Group Bulgaria increased by 10% - from 65% in 2020 to 75% in 2021. These good results will allow us to meet the target of 80% share of electricity from green energy by 2025 and 100% by 2030.

70% reduction in carbon emissions in 2021 compared to the base year 2015



Environmental management system

Environmental responsibility is one of the priority areas in which UBB and DZI have been actively working over the last 6 years. The basis of the initiative begins with the successful certification for compliance with the requirements of the international standard for environmental management ISO 14001: 2015 in 2016. Based on the set basic requirements, there is a steady growth in terms of goal setting and improvement of results. UBB and DZI have successfully demonstrated and proven over the years during their audits their responsibility and proper management of environmental and climate change processes is one of the biggest global challenges of the 21st century. The key to success and continuous improvement is the established and implemented corporate responsibility policy and a highly qualified team of employees in DZI and UBB.”

Raina Zlatarova,
Auditor, Bureau Veritas Bulgaria



For yet another year UBB and DZI successfully passed the external audit, which aimed to confirm that the environmental management system meets all the requirements of the ISO auditing standard 14001:2015.



Health

International Cycling Tour of Bulgaria

DZI traditionally supports cycling in Bulgaria, believing that the bicycle is not only the ecological, economical and healthy way to move the modern man but also a pleasant way to relax.

For yet another year with the general support of DZI during 30.06-5.07 2021, the 68th International Cycling Tour of Bulgaria was held. It was attended by 150 cyclists from 25 teams respectively from Bulgaria, Poland, Greece, Ukraine, Hungary, Denmark, Germany, USA, Italy, Slovakia, Czech Republic, Austria, France, Romania.

Within the 5 stages, the cyclists passed through 7 stage cities in Bulgaria and covered over 800 km.

DZI is the partner with whose help we managed to revive the Cycling Tour of Bulgaria.

The largest and most prestigious international cycling competition in Bulgaria and one of the oldest cycling tours in the world. But what we are even happier about is that in addition to the Tour of Bulgaria, with DZI we have another great common cause - the development of cycling in our country as a sport and as a way of life.

The cooperation with DZI helps us direct efforts in the basics of the development of Bulgarian cycling - holding competitions for children and adolescents, support for our national athletes in their participation in the international sports scene, the development of administrative, judicial and coaching capacity. Without all this, it would not be possible for our sport to move forward. The Bulgarian Cycling Federation is grateful for our long-term partnership with DZI and we are confident that together we will achieve even more ambitious goals to be even more proud of the success of cycling in Bulgaria.

President of the Bulgarian Cycling Federation



Easter and Christmas charity bazaars

The COVID-19 pandemic completely changed the form in which we accomplish cause-related projects for KBC Group. Driven by the desire to take care of the lives and health of our employees in the past 2021, we conducted entirely online - Easter and Christmas charity bazaars. The funds raised after the sale of children's drawings and calendars were donated to the „United for Charity“ association.



Bulgarian Christmas

In 2021 UBB once again supported the "Bulgarian Christmas" - an initiative that aims to help and solve important public problems related to children's health and to support their treatment. The theme of this year's "Bulgarian Christmas" was "Give hope to a child in need." Supporting children in need of emergency care and intensive care. Every child, even completely healthy, in different circumstances may find themselves in a situation leading to a critical health condition requiring resuscitation and intensive care. The complex approach and the use of high-tech modern equipment in the treatment of these children significantly improves their condition and reduces the incidence of severe disability or loss of precious children's lives.

9920 BGN
collected from the
two bazaars and
donated to different
causes



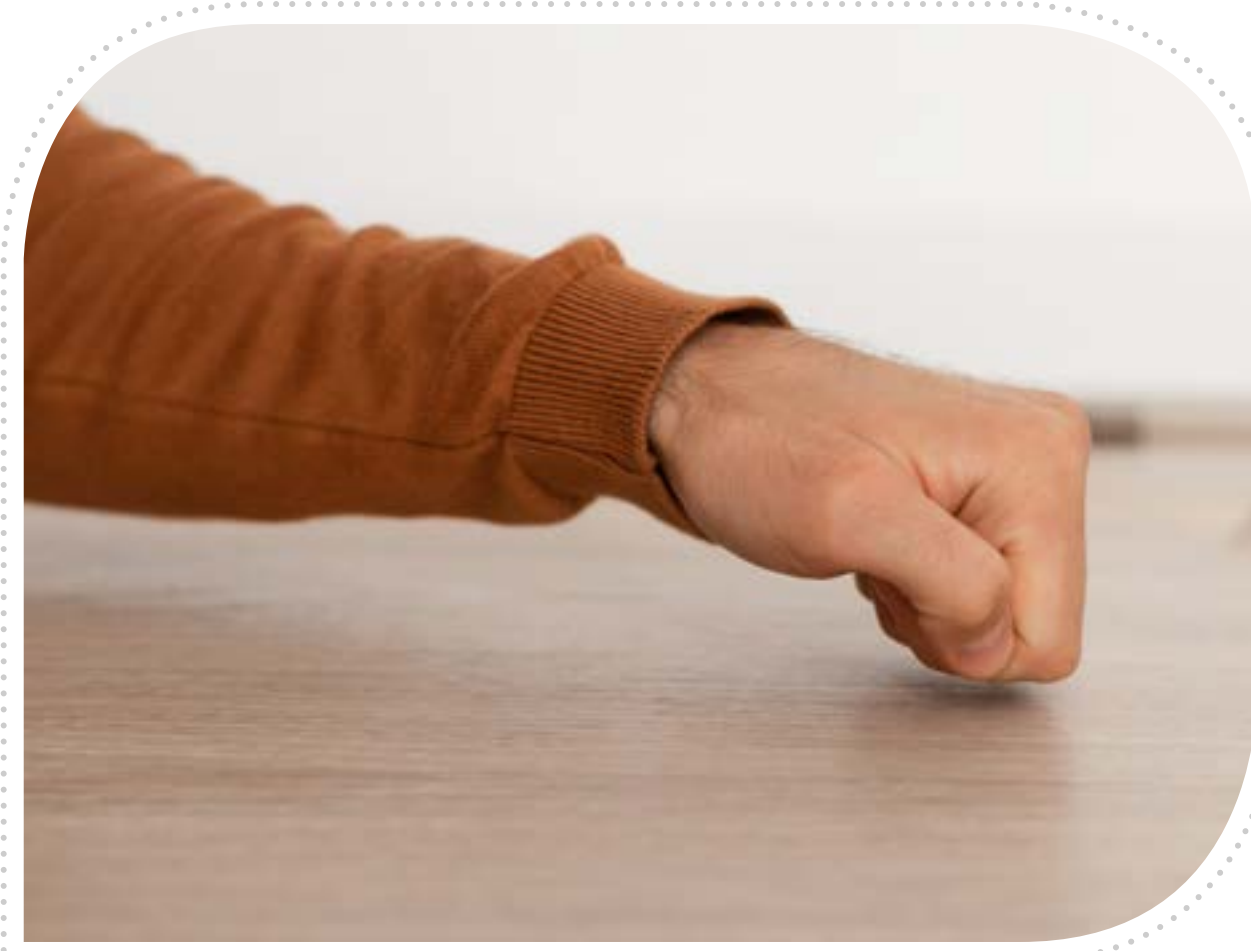
Best Young Driver of Bulgaria

For the 4th year in a row, DZI has partnered with the Union of the Bulgarian Automobilitis in organizing the “Best Young Driver of Bulgaria” campaign. The event aims to promote responsible behavior on the road of all road users. In 2021, the final stage of the event was held in Varna, where DZI was traditionally present with its Chill DZI area, where anyone could test themselves in a quiz with questions from the leaflets for acquiring a driving license and winning a prize.

Black Friday 13th – a Guinness World Record

In 2021 DZI once again organized its traditional Black Friday 13th campaign. The difference this time was that a new GUINNESS WORLD RECORDS was set, as the company’s employees and the general audience of a specially organized event broke the new world record for most people knocking on wood at the same time.

On August 13th, Friday in front of the National Palace of Culture in Sofia, Bulgaria over 300 people supported DZI and gathered to set the new record. The event was thematic and aimed to convince people that the best reaction against bad luck is insurance as opposed to “knocking on wood”.



My DZI – drawing contest

My DZI children’s drawing contest was launched in 2008 as an internal initiative for the children of DZI employees. Over the years, it has gained popularity, and in 2014 its scope expanded, with participation open to all interested children aged 6 to 14, on national coverage. Each year a different theme related to road safety encourages the young artists. In 2019 the contest’s categories were updated in order to address the hobbies of the adolescents. Apart from entering the contest with a drawing on paper, they could now send a video, a digital drawing or a presentation.

A prestigious jury evaluates their works according to the following criteria - expressiveness, originality of the idea, creativity, message, and relevance to the set theme. The competition aims to raise the insurance awareness of adolescents and their knowledge of road safety.



812
participants
in 7 editions

Caps for future

UBB traditionally supports the cause - "Caps for future" - a charity collection of particularly plastic caps. We participate in it since we believe our country can become a more pleasant place to live when each of us begins to make daily efforts to do so. The amount from the recycled caps is used for different social initiatives such as the purchase of children's incubators and ambulances. The slogan of the campaign is "Together we can do more" and we at KBC Group in Bulgaria believe that this is so. The employees of the group collected the impressive 160 kg caps and in gratitude for our contribution, received a special certificate.

Donation of blood

In January 2021 an event for gratuitous and voluntary blood donation was held at the National Center for Transfusion Hematology. Since the outburst of the Covid-19 pandemic, the levels of people donating blood had dropped tremendously, as fear of visiting a health center was still high. Colleagues from all companies joined the campaign with impressive desire. Over the challenging 2021 we have been able to prove that we can unselfishly help those in greater need. We believe that in the coming years, we will be able to upgrade and do even more good, because every drop of it makes sense.



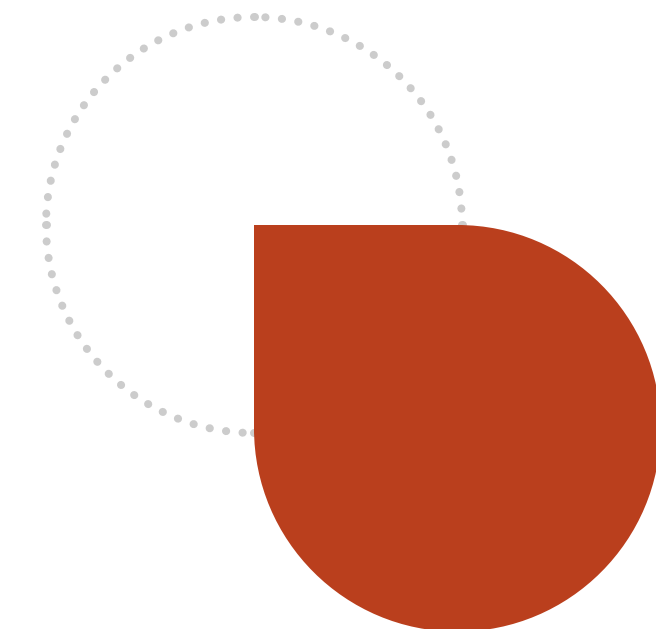
The promotion of entrepreneurship

UBB continued to support the development of entrepreneurship in Bulgaria, thanks to successful partnerships with the European Investment Bank, European Investment Fund, Bulgarian Development Bank, National Guarantee Fund, Fund Manager of Financial Instruments in Bulgaria, and Bulgarian Export Insurance Agency.

Credits under programs like **COSME, InnovFin, EGF, FMFIB - RECOVERY, BDB - RECOVERY, NGF** and others were successfully offered.

In 2021, UBB also offered a specially developed product for freelancers. Package services for freelancers include a working capital loan with guarantee instruments, investment loans and an overdraft. The working capital loan from UBB is granted under relaxed collateral conditions when using guarantee instruments. Business clients have the opportunity to receive a high amount of financing without material security up to BGN 150,000. Other advantages offered by the product are a fast approval procedure, competitive price conditions, long repayment period, daily banking business packages, video banking and Special POS offers.

We continued to develop our partnership with Bulgarian municipalities in the following areas: finding new investment opportunities in the region; support for local business development; participation in initiatives relevant and important to the local community.



Pan-European Guarantee Fund (EGF)

In 2021 UBB launched, in cooperation with the EIF, an EUR 160 million portfolio under EGF as an instrument aimed at supporting the SME segment in Bulgaria. As such, the program provides 70% guarantee coverage, allows for full refinancing of transactions, and the guarantee administration fee is borne entirely by UBB and not the client. This whole package enabled UBB to offer attractive pricing and/or less collateral and despite the launch being in late 2021, UBB has been very successful in utilizing the product to stimulate local businesses.

COSME

COSME is the largest financial instrument utilized by UBB for the financing of SMEs in Bulgaria. It is a free of charge guarantee providing from 50% (standard COSME) coverage for transactions of up to EUR 3 million and 80% (COSME COVID-19) coverage for working capital transactions of up to EUR 150k. UBB concluded 1503 deals under the programme for a total of EUR 189 million in 2021 alone.

InnovFin

In 2021 UBB concluded 36 new transactions and thus filled out its portfolio under InnovFin, amounting to EUR 119 million. InnovFin is aimed at supporting innovative companies as well as projects aimed at innovation and/or digitalization. Its terms were enhanced by the COVID-19 annex signed by UBB with the EIF in the beginning of the pandemic. The instrument offers 50%-80% guarantee coverage for deals of up to EUR 7.5 million. It is also suitable not only for SMEs, but for small mid-cap companies as well.

FMFIB - Recovery

In 2021 UBB negotiated a contract for EUR 32 million with FMFIB for its anti-COVID-19 financial instrument. FMFIB - Recovery offered 80% guarantee coverage for transactions of up to EUR 1.5 million and all deals under the programme were offered without requesting any collateral from the clients. These very attractive parameters for the business resulted in a rapid rollout and the entire portfolio of EUR 32 million was filled up within months with 79 concluded deals.

**For 2021 alone, UBB has concluded
1 870 new deals with financial instruments amounting
to approx. EUR 364 million.**

BDB - Recovery

The amendments to the BDB Portfolio Guarantee Program in 2021 were focused on providing opportunities for financing a wider range of activities, greater relief in collateral requirements, shortened deadlines for approval and disbursement of loans, as well as maximum relief of the administrative requirements for the borrowers. This resulted in heightened business interest in the instrument and by the end of 2021, EUR 4.5 million from the EUR 37.5 million loan portfolio limit was utilized.

NGF-5 and NGF-6

Two of the programs of the National Guarantee Fund, whose main goal is to improve access to finance through commercial banks for small and medium-sized enterprises, were extended in 2021. By the end of 2021 the UBB had included loans for a total of 265 MEUR (180 MEUR - NGF-5 & 85 MEUR - NGF-6).

Sustainable Cities Fund

Sustainable Cities Fund is one of the most unique financial instruments on the Bulgarian market. It is operated via a consortium with UBB being one of the leading partners and administrator of the transactions. The programme is aimed at stimulating investment in urban development, sustainable infrastructure and environmental protection. The maximum tickets under the programme can reach up to EUR 20 million with tenors extending up to 15 years. For 2021, the consortium along with FMFIB have financed 36 transactions for a total amount of EUR 68 million.

JEREMIE TF

JEREMIETF is a guaranteed product of the European Investment Fund in cooperation with the Bulgarian government aimed at supporting trade finance transactions for SMEs and small midcaps. The program provides 80% coverage for bank guarantees, letters of credit, working capital loans (including overdrafts) of up to EUR 1.5 million provided by UBB. It was one of UBB's most utilized financial instruments in 2021 with 82 signed deals amounting to EUR 60 million, which resulted in a complete fill-up of the EUR 85 million portfolio signed with the EIF.



Emil Burulyanov

Burgas Chief Architect – project “Reconstruction of an existing building into a cultural and educational center (museum) for contemporary art and a library”

„Before it served as a school, then it was shortly used as a hospital. But in the last 20 years, it was abandoned. Through the European Urban Development Fund, we managed to do a whole reconstruction of the building. The building is energy efficient. In terms of digitalizing, the archives of the library search through QR codes and some books which are very, very old and have to be preserved and scanned. Most of the other things which are connected to innovative design are 3D printers that are used here for teaching kids, and also

we have interactive boards that they can play with.

The needs, which are met, are mostly social because the contemporary museum and library, for example, were spread into four different locations. The support of Sustainable Cities Fund was very important in the beginning so that we could set up a stable financial program that can be supported and also in the execution of the project so that we can meet expectations from the Municipality on one side and from the people on the other.”

Svetlomidmitrov,
Manager Varna Food

The competitive conditions for credit and payment products by UBB have helped to implement several projects with the State Fund “Agriculture” for the purchase of modern and efficient equipment and increase the area of hazelnuts. Thanks to the financial support received, Varna Food Ltd. is now a leader in the production of high-quality hazelnuts, meeting all environmental requirements in the Bulgarian and international market.

With UBB we have found a reliable partner, professional attitude and quick response, corresponding to the dynamic business environment. I hope we will continue to achieve excellent results together!”

Slavka Markovska,

Chief accountant of “AST Popcorn” LTD

“We would like to thank the team of UBB AD for the support it provides to “AST POPCORN” LTD during the years of our joint cooperation. The conditions provided by UBB AD to the company on current accounts and credit products and especially the applied guarantee instruments in respect of our investment and working capital loans, supported the construction of the new and modern enterprise of the company under a project with State Fund “Agriculture” and modernization of the machine park of “AST POPCORN” LTD. We are grateful for the opportunity provided to the company to

use guarantee instruments to secure the company’s loans, through which it built new production and administrative buildings, purchased machinery and equipment, which increased competitiveness and productivity in “AST POPCORN” LTD.”



Financial and Digital literacy

Promoting Financial literacy

“All The Money” game is a unique of its kind project of UBB that allows youngsters from 8 to 18 years of age to acquire new financial knowledge and skills to make informed decisions about their personal finances. Analytical thinking is encouraged in the game, where real situations show good practices in investing, insurance, banking, saving, resource optimization and relationships at work.

The game was created as a board game and was originally introduced to children accommodated in residential care centers.

In 2021 our efforts were focused on the digitalization of the “All The Money” game. In phase 1 we created an online platform with an interesting and fun interface.

Currently, the game can be played by two to four people online on one device. In 2022 we plan to finish phase 2 of the digitalization of the game and as a result to have a fully online game with players’ personal profiles, playing in real-time and from a distance, if they are not in the same room.

In addition to the main goal we pursue - financial literacy, we aim to connect “All The Money” game with its main target audience - young people and teenagers, for whom financial language is often incomprehensible. They often describe finance as a “boring” topic.

I Am Proud Of My Parents’ Work

As a member of the UN Global Compact for Bulgaria for yet another year, KBC Group in Bulgaria joined the initiative “I am Proud of My Parents’ Job” - a project that introduces children to a variety of professions. The last edition of the initiative was held entirely online. The participation of KBC Group in Bulgaria in the project is a way to express gratitude to our employees, giving them the opportunity to show and tell about their skills and their daily business lives in front of the most important audience - their children. This year the colleagues from UBB Pension Insurance also joined the initiative, sharing with the audience for the first time the main topics, tasks and responsibilities in the field of pension insurance.

Veselina Yordanova & Lyudmila Atanasova,
BCause Foundation team

„Children and young people, who live in social institutions, have poor levels of financial literacy. They often become the victims of financial fraud schemes and eagerly resort to fast loans they can’t pay back afterwards. Our partnership project with UBB on “All The Money” games is a way for children of all ages to increase their financial literacy through play. The children who took part in the pilot edition of the game were enthusiastic, acquired new knowledge, some of them even considered starting their own business.

Together with the mentors and hosts, they discussed how and when it’s possible to get a loan; what a monthly budget is; how important it is to have your own savings, etc. The tutors and employees from the relevant institutions confirm that the game can be enjoyed by the children for a long playing time, as it uses fun activities for learning new skills. We thank UBB for the long-term efforts to help children from institutions and vulnerable groups to increase their financial literacy.”

Milena Stoycheva,
CEO of JA Bulgaria

“The support of UBB Pension Insurance for the Practical Finances project, including the involvement of volunteers from the company, are key to its success. The involvement of business organizations enriches the practical knowledge of students and after completing the course, they have an understanding of how their financial choices will help them get what they want and what they need in life.”

UBB Pension Insurance’s Practical Finances Project

In 2020/2021 school year, UBB Pension Insurance continued its support for the Practical Finances project, coordinated by Junior Achievement Bulgaria, which provides high school students with knowledge and practical skills in personal finance management. The curriculum consists of 12 topics, including lessons for presenting new knowledge, practical activities, assessment through tests and additional exercises to each topic. The practical lessons include case studies developed by UBB Pension Insurance and the other project partners. Among them are: Money circulation in the economy; Education, career, income; Major life events; The role of government; Budgeting; Savings; Debt; Payment services; Investing; Retirement; Risk Management; Intelligent user. The schools that participated in the project were selected through a selection procedure, assessing their readiness to introduce the full course “Practical Finance” as a separate subject in the extended or additional training.

During 2020/2021 Practical Finances projects managed to reach:
36 schools
50 classes
1100 students
39 teachers
28 cities



Responsible Behaviour

Awareness trainings

Responsible behavior is promoted as part of KBC Bulgaria entities culture since 2017 in order to ensure employees have a sense of accountability regarding it. Different initiatives such as staff risk culture and awareness trainings, responsible behavior topics included in the internal KBC Bulgaria newsletters, posters promoting our values were distributed in the Branch/Sales network, internal communication campaigns, etc.

Dilemma trainings

From 2021 all managers are expected to share and discuss dilemmas with their staff.

When they examine such "dilemmas" together, they notice that often there is no "right" or "wrong" answer and that the challenge is to test one's own decision against the views of one's colleagues.



**In 2021 89% of employees
from all entities across
KBC Group in Bulgaria
are aware of and
recognize this behavior
in their environment.**

**Being responsible
with each action we make**

DZI

In DZI the responsible behavior topic has been included in the Operational Risk awareness trainings in 2021.

Risk awareness trainings

1.

All internal trainings according to Local Operational Risk training plan 2021 have been duly performed, as follows:

- Regular annual Risk Culture training for every employee
- Specialized training modules for Local Operational Risk Managers, Business Community Plan Coordinator and Outsourcing coordinators

2.

All Local Operational Risk Managers have attended the Risk training sessions and workshops.

3.

Cybersecurity awareness topic was included in the Operational Risk training and various communications have been launched during the year via emails by the ICT department.

Risk workshops for DZI employees in head office

Business Community Management for BC Coordinators

Q1

Operational risk management for DZI employees (e-learning)

Q3

Operational risk management for new employees (e-learning)

Q1, Q2, Q3, Q4

Operational loss events training and workshops for Local Operational Risk Managers

Q2, Q4



UBB Interlease

The majority of UBB Interlease staff participated in the on-line training module on "Responsible behavior", organized by KBC Group in 2021. "My Responsible Behaviour Compass" has been made available for the whole company staff.

In line with the senior management development plan of KBC Group, UBB Interlease ExCo members have prepared a "Dilemma training" with local examples. The local dilemmas have already been shared and discussed with the relevant managers in UBB Interlease.

Risk Awareness trainings

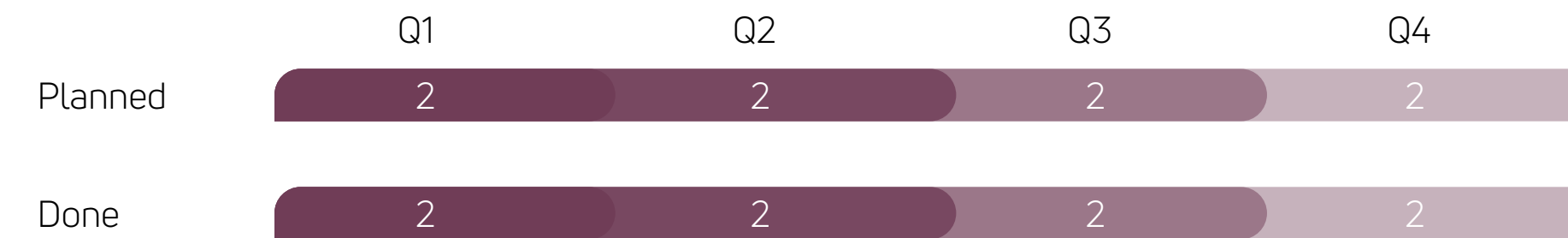
1. All internal trainings according to the Local Operational Risk training plan 2021 have been duly performed, as follows:

- Regular annual Risk Culture training for every employee (2 modules for both HQ and Branch network staff)
- Specialized training modules for Local Operational Risk Managers, Business Community Plan Coordinators and Outsourcing coordinators

2. All Local Operational Risk Managers have attended the G-Risk Bootcamp training sessions;

3. Cyber security training sessions have been provided to the whole staff in small groups.

Risk culture & awareness for the whole staff + Local Operational Risk Managers trainings in 2021



Risk workshops for DZI employees in head office

Local Operational Risk Managers (G-OpR)

Q1

Whole staff

Q4

Business Community Management coordinators (Local Operational Risk)

Q2

Local Operational Risk Managers (Local Operational Risk)

Q3



Cyber Study

In 2021 UBB launched its own cybersecurity awareness platform, called CyberStudy. The website aims to provide useful, detailed and practical information with internet safety tips to a wide audience. The specialized content is presented in accessible language in the form of videos and articles, tailored to the current potential risks of cyberfraud and provides an opportunity for users to acquire a higher digital culture. The platform starts with topics such as the security of our passwords; the bank in our phone - security settings; online banking through public networks;

security when shopping online; suspicious messages in online communication; identity theft in the online space.

The percentage of individual users banking through UBB's digital channels has increased by 30% compared to the same period in 2020, and those through mobile channels - by 38%. Digital transformation is gaining momentum at all levels - from individual users to legal entities in all fields of work. Inevitably, the number of cyberattacks is growing, and online fraud is becoming increas-

ingly misleading and professionally prepared. That is why UBB wants to support its customers by drawing their attention to the topic of their on-line security.



"Everyone can become a victim of cyber fraud both in the work environment and in their personal life, so everyone should be aware of the risks and the practical ways in which we can protect ourselves and the company in which we work. The digital transformation of businesses and institutions is increasingly gaining momentum. Inevitably, this increases the number of cyberattacks. Our bank plays a key role in society and we are constantly taking action to address the challenges of cybersecurity"

Peter Roebben,
CEO of UBB.

Our recognitions throughout 2021

World's Best Trade Finance and Supply Chain Finance Providers 2021

- Best Trade Finance Provider, UBB

B2B Employer Branding Awards

- I Prize, Employer Branding Event (in pandemic times), KBC Group in Bulgaria, Advent Calendar
- II Prize, Employer Branding Innovation (in pandemic times), KBC Group in Bulgaria, Internal Strategy&Communication

IAB MIXX Awards

- I Prize, Digital Sales Campaign, DZI, Friday the 13th
- I Prize, Best Lead Generation Campaign, DZI, Friday the 13th
- I Prize, Creative Effectiveness, DZI, Friday the 13th
- III Prize, Best Brand Awareness Campaign, DZI, Friday the 13th

Insurers of the year 2020

- I prize, DZI, General insurance

PR Priz 2021

- I prize, Communication of changes, UBB, Internal Communications
- II prize, Internal Communications Project, UBB, Advent Calendar

Safest Bank Award 2021

- I prize, UBB, Safest Bank in Bulgaria

B2B Media Awards 2021

- I prize, Innovative Product or Service, UBB, Systematic Investment Plan
- I prize, Innovative Business Strategy, UBB, Systematic Investment Plan

Insurers for the society 2021

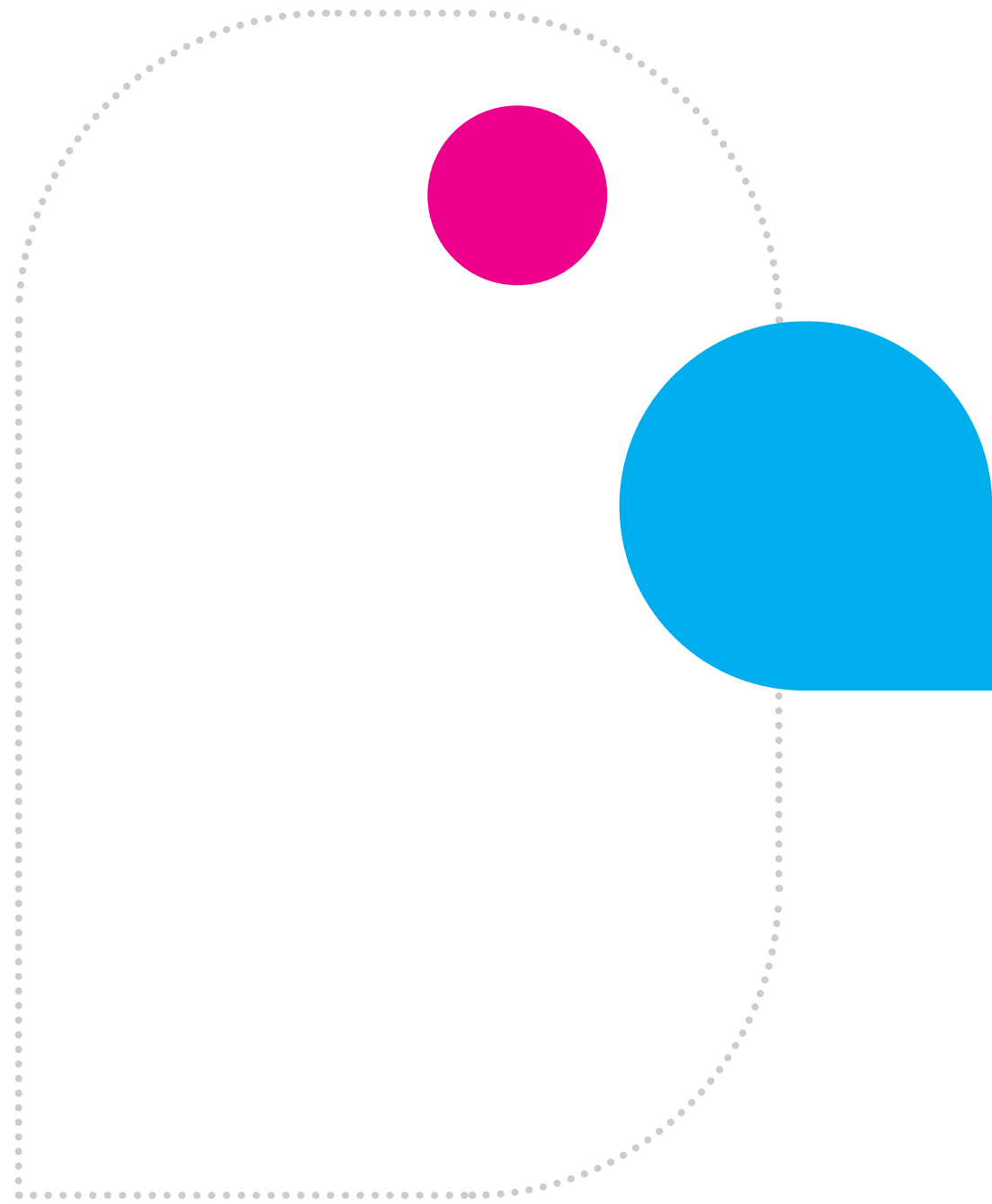
- I prize, DZI, Commitment and support to cycling sport in Bulgaria

Site of the Year Awards

- I prize, Corporate site, DZI.BG

Banker Awards

Peter Andronov, Banker of the Year



We thank all of our stakeholders for their continued support and we look forward to the year ahead

If you have any feedback or comments on this report, please contact info@ubb.bg.

