EUROBANK BULGARIA AD
SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2024

CONTENTS

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

SEPARATE ANNUAL ACTIVITY REPORT

The management presents the separate annual Activity report as of 31 December 2024

BUSINESS DESCRIPTION

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

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

BUSINESS OVERVIEW

Macroeconomic Environment

The global economy was performing well in 2024, despite faster than expected slowdown in some Asian and European economies. GDP growth is expected to be 3.2%, a notch lower than in 2023. The factors that influenced the growth in the last year vary across countries and regions, but amid the most important ones were lower consumption and weak manufacturing and export activity. Geopolitical tension, particularly in the Middle East and Europe, as well as global trade frictions were also key contributing factors. One of the few bright spots among the advanced economies were the United States where the strong domestic consumption kept the economy going at the same pace, although it is unlikely that it will be repeated in the short run.

GDP growth is expected to remain stable in the next two years at a level of 3.3% - slightly higher than in 2024, but below the historical pre-COVID average. It will be supported by an improvement in real income growth as inflation continues to moderate, aided by lower commodity prices, as well as by the easing of policy rates globally. The economies of Europe and Japan will be on the path to recovery, which will offset the slowdown in the US and China, while the emerging markets' economies are expected to match their performance from last year.

The main downside risks are the potential for substantial adverse trade policy shifts, escalating geopolitical tension and higher than expected inflation. Foreign trade may be affected by new trade restrictions if the new American president fulfills his promise of a sharp increase in the tariffs, especially in case of retaliatory actions by the affected countries. This will push the domestic and international prices and fuel the inflation which remains elevated, especially in the service sectors. The latter is attributed to the real wage growth in recent years which in turn might create new inflationary pressures and force the central banks to slow the pace of easing the monetary policy. Last, but not least the conflicts in the Middle East and Ukraine could worsen, directly disrupting trade routes as well as affecting food and energy prices.

The monetary policy remained largely accommodative. Receding inflation allowed the central banks to start easing the monetary policy, although slower than expected. Nevertheless, monetary policy rates of major central banks will continue to decline, though at different paces, reflecting variations in growth and inflation outlooks. The Federal Reserve reduced its policy rate three times in the second half of 2024 from 5.25-5.5% to 4.25-4.5% but will be more careful in the current year. In contrast to its usually more cautious approach, ECB began lowering the rates earlier than the Federal Reserve and by its end took 4 rating actions, bringing the rate on the deposits facility to 3% at the end of 2024, compared with 4% a year earlier. At the same time, ECB no longer reinvests the principal payments from maturing securities

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

BUSINESS OVERVIEW (continued)

Macroeconomic Environment (continued)

under the Asset purchase program (APP), while the same decision was taken for the Pandemic emergency purchase program (PEPP) at the end of the year.

After the sharp deceleration in the preceding two years, in 2024 Bulgaria's economy is slowly reversing direction according to the express data by NSI. In the fourth quarter, GDP growth was 3.1% YoY, rising steadily throughout the year (from 2.0%, 2.4% and 2.7% in the previous three). Consumption remains the driving force, increasing by 5.8% YoY in Q4. Investments continue to disappoint, rising by just 0.7% in real terms for the same period, reflecting the difficult political environment and lack of spending by the state. The contribution of the external sector was negative, with the exports and imports moving in opposite directions - imports rising by 1.2% YoY in Q3, while the exports fell by 3.2% YoY for the same period.

Bulgaria's foreign trade was still suffering from the trade restriction on Russia and the slowdown in the European economies. The value of the exports last year was 84 billion leva, or 3.3% lower than in 2023. The value of imports was 97.4 billion leva, a minimal increase of 0.3% vs. 2023. The exports to non-EU members were impacted by the lower prices and quantity of exported grain and natural oils, as well as energy resources and shrank by 5.1%. Also lower were both the exports and the imports to EU members down by -2.2% and -4% respectively. Only the imports from third countries were rising steadily in the past year – by 6.9%. The latter is due to the higher import of energy resources and ores, while fewer machinery and transportation vehicles were imported. The top 5 trading partners of the country remain unchanged, compared to a year ago – Germany, Romania, Italy, Turkey and Greece.

In 2024 Foreign direct investment (FDIs) were 1.5 billion euro, dropping almost twice on an annual basis. The reinvested profit continues to dominate the structure of the foreign investments, accounting for close to 99% of all investments (1.33 billion euro). Equity investments (211 million euro) were less than a third their level in 2023, while the outflow of debt instruments continued although on a much smaller scale (down 87% YoY to 41 million euro). The biggest net inflow of investments came from Austria (427 million euro), Greece (295 million euro) and Italy (246 million euro), while the biggest net outflows were to Luxembourg (437 million euro) and USA (379 million euro).

Inflation followed a downward trend for most of the year, but reversed direction in the last quarter. Measured through the consumer price index it was 2.2% at the end of December 2024, compared with 4.7% a year earlier. In most of the categories the prices were higher than last year, but only a few goods and services were rising with double digit rates (animal and vegetable oils, water supply and disposal, railway tickets and education). For a second consecutive year highest inflation was observed in the Hospitality sector where the prices went up 7.5% over the year. The prices of Education were rising with a similar rate – 7.1%. Lower were the prices of Communications (-3.2%), Furniture (-1.5%), Clothing (-1.2%) and Transportation (-0.6%). The 12-month average HICP fell to 2.6%, while the average inflation of the 3 countries with the lowest inflation in the eurozone was 1.0% meaning that Bulgaria is formally not fulfilling the last Maastricht criteria as of the end of last year.

The economic recovery was felt in the labor market. The unemployment rate fell by 0.4 pp to 3.9%, according to the data by the National Statistical Institute. The number of unemployed was 115 thousand – some 12 thousand fewer than a year ago. The employment ratio in the age group 15-64 years improved slightly by 0.2 pp to 70.7%. The workforce remained almost unchanged compared with a year ago at a level of little more than 3 million. The number of long-term unemployed (unemployed for more than 2 years) decreased by close to 7 thousand people to 32.7 thousand. Another positive sign is that the young unemployment (age 15-24) is showing a significant drop – from 14.1% in 2023 to 9.8% in 2024. The Northwestern region has the highest unemployment rate (8.2%), same as in the previous year, followed by the Northcentral (4.8%). The lowest unemployment rate was recorded in the Southwestern region –

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

BUSINESS OVERVIEW (continued)

Macroeconomic Environment (continued)

2.3% (which includes Sofia), followed by the South Central region (around Plovdiv) with 3.2%. The latter was the only region where the unemployment rate is rising.

The wage inflation continues to be above the price inflation, resulting in rise of the real income for yet another year in a row. The average salary in the country rose by 14% YoY to 2,468 leva at the end of December or more than 6 times the CPI. In only two of the sectors were the increases in the single digits – Mining (2%) and Electricity, gas, steam and air conditioning supply (6%). On the other extreme are the salaries in Other service activities which rose by 30% YoY. ITC continues to be the best paying sector with an average salary of 5,553 leva (10% YoY), well above the second (Financial and insurance activities), where the average salary is 3,872 leva (16% increase YoY).
The public sector was paying an average salary of 2,624 leva (12% YoY). Although the salaries in the private sector rose faster – by 14% YoY to 2,414 leva, the public sector is still paying around 10% more than the private one.

The lack of a stable parliamentary majority and elected government complicated the fiscal policy. For the better part of the year, Bulgaria was governed by a caretaker government which was careful to preserve the fiscal stability and keep the budget deficit withing the 3% limit as per the Maastricht criteria. At the same time, the budget was under strain due to the increase in the salaries of some state employees, pensions and transfers to the municipalities which were approved by the previous parliament. As there were few viable options for cost optimization, the decision of the government was to cut the capital expenditures which at the end of the year were less than half of the planned level. On a cash basis the budget finished with a deficit of 3.1%.

Budget revenues were just short of 72 billion leva, increasing by 7.4% compared to December 2023 and being 95.6% of the projected level. The shortfall is explained by unreceived amounts from the second and third tranche of the Recovery and Resilience Facility. The tax revenues were 58.7 billion leva which is 12% higher than in 2023, slightly exceeding the projections, while the non-tax revenues were some 11% lower than projected. The expenditure rose by 8% (5.7 billion leva) to 76.5 billion leva. The biggest share of the increase came from the personnel expenses which rose by more than 3 billion leva (17% YoY) to 20.3 billion leva. The interest expense jumped by 21% YoY to a little over 1 billion leva and are bound to rise in the next years due to the persistent budget deficits. The capital expenditures was probably the only item which was lower than the previous year – a 26% decrease to 6.8 billion leva which undermines the potential for future growth. The revenues of the social security funds (mainly pension and health insurance) were 18.3 billion leva (representing an increase of 15% YoY), while the expenditures were close to 32.9 billion leva, also 15% more than a year ago. This further widened the gap to 14.6 billion leva which is covered by transfers from the state budget and will further strain its balancing in the next years.

The state debt expanded by 6.4 billion leva in 2024 to 47.8 billion leva (23.7% of GDP). The Ministry of Finance delayed issuing new external debt until August, when it managed to place a record €4.35bn in euro and USD denominated bonds in three tranches. The first tranche consisted of 8-year euro denominated bonds for €1.75bn with a yield of 3.823%. The second tranche consisted of 20-year euro denominated bonds for €1.25 billion with a yield of 4.413%, while the third one was of 12.5-year USD-denominated bonds for $1.5 billion and a yield of 5.192%. The placement was enough to cover the maturing debt of €1.49bn in the beginning of September and the projected deficit for year-end. In addition, some 1.7 billion leva in BGN denominated bonds were issued earlier in the year.

In 2024 the rating agency FITCH did two reviews of Bulgaria’s credit rating and in each of them confirmed the rating of the country at BBB with a positive outlook. S&P did one review confirming the rating at BBB also with a positive outlook. The third big rating agency, Moody’s, did not make any reviews within 2024, thus the rating remained unchanged at Baa1 with stable outlook.

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

BUSINESS OVERVIEW (continued)

Banking system

The results of the Bulgarian banks continued to set new records. The demand for new lending remained strong, especially in the retail segment, outpacing the growth of the deposits. The change of direction of the monetary policy by ECB did have some effect on the income of the banks, mostly on the placements with other banks and to a much lower extent on the income from corporate loans, but it was more than compensated by the rising volumes. The net profit of the banks increased by 8.1% to a new high of 3.7 billion leva. The return on equity was 17.1%, somewhat lower than last year's 18.3%, while the return on assets was 2.03% (2023: 2.1%).

In 2024 lending was growing with slightly higher rate than in the previous year – 13.6% vs. 13.2% in 2023. In nominal terms, total loans increased by 13.2 billion leva to 110.6 billion leva. In contrast to the previous two years, in 2024 most of the lending was to households, which increased by 8.5 billion leva (21.6% YoY) to 48 billion leva, while loans to companies were up by 4.7 billion leva (8.1% YoY) to 62.6 billion leva, the lowest level for the last three years. A closer look shows that the long-term loans were just half their level a year ago, which suggests that the political instability and the weak external demand are having an impact on the expansion plans of the business. In contrast, the utilization of overdrafts surged more than three times and they comprise more than two-thirds of the new loans. The demand for consumer loans accelerated and they rose by 3.05 billion leva (16.9% YoY) to 21.1 billion leva. Even this was dwarfed by the unprecedented activity in the mortgage segment – it was growing by more than 25% YoY, adding 5.55 billion leva new mortgage loans to a total of 27.6 billion leva. The latter was the reason for the central bank to introduce measures to cool down the market or at least prevent excesses, although their effect is yet to be felt.

The interest rates on new loans to nonfinancial companies in local currency remained more or less stable throughout the year and were 4.47% at the end of the year – 8 bps lower than a year ago. Throughout the year EURIBOR fell by more than 100 bps in line with ECBs loosening of the monetary policy, but this was not reflected in the pricing of the new loans, suggesting that the banks are focusing on profitability and competing on service rather than price. There was some increase in the pricing of the new consumer loans, however, which finished the year at a level of 10%, some 40 bps higher than a year ago. In contrast, the rates on new mortgage loans were slowly eroding and fell to 2.5% by the end of the year.

For a second year in a row, growth of deposits could not keep up with the demand for new loans. In nominal terms they increased by 12.2 billion leva (8.9% YoY), or about 1 billion below the net increase of the lending portfolio, leaving the banks to cover the gap by much more expensive external funding. On average the Bulgarian banks were paying around 4% for funding from their counterparties, compared with just 25 bps on clients' deposits (2023: 17 bps). The total volume of deposits was 148.9 billion leva and the gross loans to deposits ratio 74% - 3 pps higher than a year ago. Out of those, 56.7 billion leva were deposits from companies, rising by 2.5 billion leva (4.7% YoY) over the last year, some 10% higher than in 2023, but far from the record 2022 when they increased by more than 10.6 billion leva. On their part, the households increased their savings by a record 9.6 billion (11.7% YoY) to 92.3 billion leva or 62% or all deposits. Banks were willing to pay more to companies (34 bps on average), while the deposits from households came much cheaper – 20 bps on average.

Interest income increased by 14.4% YoY (848 million leva) to 6.73 billion leva. Almost all of the additional income came from the lending portfolio (801 million leva) of which 371 million leva from loans to companies. Interest income on loans to companies rose by 16% YoY, twice the rate of increase of the respective loans, reflecting the fact that the new loans are priced higher than the existing stock. The decrease of the ECB rates did have an effect on the income from placements. Despite rising by 13% to 10 billion leva in volume, the income from them dropped by 283 million leva (28% YoY). The rising yields and volume on securities, especially the Bulgarian ones, more than compensated the latter and brought close to 300 million leva additional income for the banks. Interest expenses increased by 12.4%

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

BUSINESS OVERVIEW (continued)

Banking system (continued)

(128 million leva) to 1.16 billion leva with several distinctive effects. After a sharp increase (close to 200 million leva) in 2023, the interest expenses on liabilities held for trading fell by almost the same amount (206 million leva), but it was more than offset by the increase of the expenses for clients' deposits (143 million leva) and deposits from banks (138 million leva). Net fee and commission income rose by 10% (145 million leva) and total income by 14.1% (973 million leva) to 7.89 billion leva.

Expenses were largely kept under control, contained to a single digit (9%) increase. For the whole year they were 2.96 billion leva of which staff costs were just over half (1.4 billion leva) and growing by 13.5% YoY (171 million leva) in line with the rate of the wage increases in the financial segment.

Provisions for impairment increased by 60% (249 million leva) to 662 million leva in 2024, but it is more a return to the normal levels rather than a worrying sign. Cost of risk was 64 bps, compared with 45 bps in 2023 and 72 bps in 2022. The nonperforming ratio improved by 52 bps to 3.44%. The volume of nonperforming loans fell by 47 million leva, while the loans overdue by more than 180 days decreased by 66 million leva. At the end of the year the coverage ratio stood at 86% (2023: 81%).

Throughout the year the banks continued to build up their capital buffers, as well as their eligible liabilities. Total CAD ratio stood at 22.70% as of the end of December (December 2023: 21.65%), while the CET1 ratio was 21.03% as of the same date (December 2023: 20.07%).

Major Changes in The Regulatory Environment

At its meeting on 20 May 2024, the Governing Council of the Bulgarian National Bank (BNB) ordered banks and branches of foreign banks operating in the country to apply a new minimum set of indicators for monitoring lending standards when originating and renegotiating loans to households, secured by residential real estate (RRE). The indicators included various ratios related to the amount of funding relative to the value of RRE used as collateral (LTV-O, LTV-Om), the ratio of debt and loan installments to the income of the debtors(DSTI-O,DTI-O) the contractual maturity of the loans and others that were used to create a heatmap of the systematic risk in the RRE market of Bulgaria. At its meeting on 11 September 2024, the Governing Council of the BNB, pursuant to Article 79, paragraph 2 and 3, (1) and (4) and Article 80, paragraph 1 of the Law on Credit Institutions, has adopted requirements with respect to 3 of the indicators mentioned above on lending standards when originating and renegotiating loans to households, secured by residential real estate (RRE). The new framework requires that the banks report all new loans from the previously described category which have a LTV-O≥85%, DSTI_O≥50% or Maturity≥30 years and to ensure that in no quarter those loans exceeding any of the mandated indicators could be more than 5% of the total new loans originated in the preceding quarter. Similar rules apply for the renegotiated loans that contracted a new disbursement after 30 September 2024.

On 11 September 2024, the Governing Council of the BNB has adopted a new Ordinance No. 30 on Calculation of the Amount of Premium Contributions Due by Banks under the Law on Bank Deposit Guarantee (LBDG). The Ordinance is issued pursuant to Article 14, paragraph 4 and Article 16, paragraph 6 of LBDG. The new Ordinance introduces the European Banking Authority (EBA) Guidelines (revised) on methods for calculating contributions to deposit guarantee schemes under Directive 2014/49/EU repealing and replacing Guidelines EBA/GL/2015/10 (EBA/GL/2023/02 "Guidelines on calculating contributions") in Bulgaria. It also facilitates the implementation of the EBA Guidelines on the delineation and reporting of available financial means of deposit guarantee schemes (EBA/GL/2021 /17) in Bulgaria.

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

BUSINESS OVERVIEW (continued)

Major Changes in The Regulatory Environment (continued)

The final texts of the Capital Requirements Regulation 3 (CRR3) and the Capital Requirements Delegation 6 (CRD6) were published on 19 June 2024. With the new banking package, the final Basel 3 reforms were implemented in the European Union. CRR3 entered into force on 9 July 2024 and is meant to apply directly in all EU Member States from 1 January 2025, with the exception of specific amendments, which are in force from 9 July 2024. These exceptions mainly concern the update of definitions or the establishment of mandates for the European Banking Authority to develop Level 2 and 3 legislation. Institutions must comply with the new legal requirements as of the application date. The CRD6 will also enter into force on 9 July 2024, but as a Directive the changes will need to be transposed into national law in each Member State before they become applicable. The provisions of CRD6 must largely be applied from 11 January 2026.

On 31 October 2024, the Governing Council of the BNB has adopted an Ordinance amending and supplementing BNB Ordinance No. 20 of 2019 on the Requirements to the Members of the Management and Control Bodies of a Credit Institution and on the Assessment of the Suitability of their Members and Key Function Holders. The adopted amendments add to the existing requirement for banks to assess the collective suitability of the management board/board of directors and the supervisory board, taking into account the possession of sufficient knowledge, skills and experience to ensure the management of the risks in the business for the sound management of the bank, that this includes an understanding of the money laundering and terrorist financing - ML/TF - risks associated with the bank's activities and business model and knowledge of the applicable legal and regulatory requirements.

On 31 October 2024, the Governing Council of the BNB has adopted an Ordinance supplementing BNB Ordinance No. 10 of 2019 on the Organisation, Governance and Internal Control of Banks. The changes create a new specialised service within the internal control framework of the Banks - the "regulatory compliance department related to the prevention of ML/TF". The functions of the new service are related to ensuring adequate identification, measurement and management of AML/CFT compliance risk. The Department must operate continuously and be independent of the business lines and business units covered by the activities it monitors and controls.

In 2024 the EU AML Reform plan / AML package was adopted. The package comprises four pieces of legislation and aims to harmonise anti-money laundering rules, extends the anti-money laundering rules to new obliged entities, improve the organisation of national anti-money laundering systems and sets up a new European Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) that will have direct and indirect supervisory powers over high-risk obliged entities in the financial sector. The AML regulation will apply three years after its entry into force. Member states will have two years to transpose some parts of the AML directive and three years for others (Single access point to real estate information). AMLA will be based in Frankfurt and start operations in mid-2025.

In 2024 a new framework for a European digital identity (eID) was adopted (eIDAS 2.0) - Regulation (EU) 2024/1183 of the European Parliament and of the Council of 11 April 2024 amending Regulation (EU) No 910/2014 as regards establishing the European Digital Identity Framework. The revised regulation aims to ensure universal access for people and businesses to secure and trustworthy electronic identification and authentication. Under the new law, member states will offer citizens and businesses digital wallets that will be able to link their national digital identities with proof of other personal attributes (e.g. driving license, diplomas, bank account). The new European digital identity wallets will enable all Europeans to access online services with their national digital identification, which will be recognized throughout Europe, without having to use private identification methods or unnecessarily sharing personal data.

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

BUSINESS OVERVIEW (continued)

Eurobank Bulgaria performance and key indicators

The year 2024 was another record one for Eurobank Bulgaria. Leveraging on the strong market demand for loans, especially in the retail segment, Eurobank Bulgaria managed to expand its lending portfolio with the market, improving its income and profitability. Net profit for the year increased by a third to 412.2 million leva. The return on equity was 16.5%, almost two percentage points higher than last year's, while the return on assets was 2.0% (2023: 1.74%).

Gross loans increased by close to 2.22 billion leva (17% YoY) to 15.12 billion leva. This was just above the market growth and allowed for a small market share gain of 42 bps to 13.7%. Around two-thirds (1.45 billion leva) of the new lending was to households which now comprise 55% of the lending portfolio. The booming real estate market and the stable interest rates propelled the mortgage portfolio by a quarter (921 million leva) to 4.6 billion leva. The market rose slightly faster (25.2% YoY) which resulted in a marginal market share loss of 4 bps to 16.5%. Consumer loans were also in great demand and rose by more than 525 million leva (16.2% YoY) to 3.77 billion leva. Growth in the Small Business Banking segment was more modest – loans to small businesses rose by 117 million leva (11.5% YoY) to 1.14 billion leva. Corporate lending was picking up. While in 2023 the nominal growth of the corporate loans was close to 420 in 2024 it was 50% higher (653 million leva) and total corporate loans reached 5.6 billion leva. Market share of all loans to companies (including SBBs) improved by 43 bps to 10.7%.

Total deposits rose by close to 1.6 billion leva (10.1% YoY) to 17.24 billion leva. Market growth was a whole percentage point lower (9%) leading to a market share gain of 13 bps to 10.6%. More than 90% of the new deposits came from retail customers (mainly households) whose deposits closed the year with a volume of 12.68 billion leva. At the same time the corporate sector continued to feel the liquidity squeeze. Market delta was just 2.3 billion leva, some 600 million leva below the level in 2023 and lower than in any of the preceding four. Eurobank Bulgaria's corporate deposits thus rose by some 111 million leva to 4.56 billion. Eurobank Bulgaria did not need any new Tier II or MREL eligible liabilities, but at the end of the year signed an agreement with IFC for a €140 million line which will be used for financing of green projects and SME companies managed by women entrepreneurs.

Total operating income was up by 19% YoY (155 million leva) to 952 million leva. Net interest income increased by 21% (136 million leva) to 772.5 million leva. Interest income from loans and advances to customers was rising faster (28% or 172 million leva), but this was not enough to compensate the higher interest costs, especially on the more expensive external funding (banks and other borrowed funds) which accounted for more than half of the interest costs (86.6 million leva out of a total 163.6 million leva). Net fee and commission income was up by 9% (13.3 million leva to 161.9 million leva) with the main contributors being the money transfers, accounts subscription fees and the loan related fees and commissions, reflecting the increase of the lending portfolio and the rise of transactional clients.

Total operating expenses increased modestly (4.5% YoY, 14.6 million leva) to 341.4 million leva. YoY increase is mainly due to fully loaded BNP PF cost base after acquisition in Jun'23 and the annual inflation on HR, utilities and services cost. With the income growth outpacing the increase of the costs, the Bank was able to improve its cost-income ratio considerably –5.1 pps to 35.8%.

The constantly improving quality of the lending portfolio allowed the Bank to reduce its provisions for impairment by 4% (3.7 million leva) to 97.1 million leva. Cost of risk fell by 17 bps to 0.76%. The

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

BUSINESS OVERVIEW (continued)

Eurobank Bulgaria performance and key indicators (continued)

nonperforming exposures ratio improved slightly – by 4 bps to 2.48%. The stage 3 coverage ratio was 61%, close to previous year level, while the total coverage ratio was 103% (2023: 113%).

In 2024 Eurobank Bulgaria capitalized the profit from the last quarter of 2023 as well as for the first half of 2024. The profit for the second half of the year is yet to be included in the capital base, thus the total capital adequacy ratio at the end of the year was 19.72% (CET 1: 18.04%). On a pro-forma basis, including the profit for the second half of the year the capital adequacy ratio would reach 21.07% or 19 bps higher than in the previous year. CET 1 ratio would be 19.43% vs. 19.01% in 2023.

Events after the balance sheet date

There are no significant post balance sheet events with effect on the financial statements as of 31 December 2024.

RISK MANAGEMENT

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

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

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

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

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

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

The Risk Management Unit has an active participation in the development and pricing of new products, the design of new procedures, in issues relating to business decision-making and to adopting the proper risk management and control mechanisms. The Bank ensures that proper identification of risks inherent

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

RISK MANAGEMENT (continued)

in new products and activities is undertaken and that these are subject to adequate procedures and controls before being introduced or undertaken.

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

Credit Risk

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

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

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

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

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

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

Market risk

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

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

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

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

RISK MANAGEMENT (continued)

Market risk (continued)

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

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

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

a) Interest Rate Risk

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

b) Foreign exchange risk

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

c) Equity price risk

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

d) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.
The Bank has a limited appetite for liquidity risk and accepts the potentially increased costs of maintaining sufficient liquidity buffers to ensure a sound liquidity position.

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

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

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

RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

The Management Board (MB) of the Bank assigns the Assets and Liabilities Committee (ALCO) as the primary responsible body to advise on the strategic management of assets and liabilities with aim to manage the interest rate and liquidity risks of the Bank. On a strategic level ALCO manages the Bank's assets and liabilities to ensure regular and timely meeting of current and future obligations.
Within its authority is to take all the necessary decisions regarding the interest rate policy, the liquidity and assets and liabilities management and to set the target parameters of potential external funding. The operational management of the Bank's liquidity and the execution of ALCO decisions regarding liquidity are assigned to the Head of Capital Markets Division.

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

IMPORTANT EVENTS DURING THE FINANCIAL YEAR

Postbank, is the fourth biggest bank in Bulgaria in terms of assets, operating with a wide branch network throughout the country and having a significant customer base of individuals, companies and institutions. It has been a leading player in innovations and a trend setter in the Bulgarian banking sector for more than three decades, with multiple awards for its innovations. The Bank holds a strategic place in both retail and corporate banking in Bulgaria. Postbank is among the leaders in the market for credit and debit cards, mortgages and consumer loans, savings products, as well as for products targeted at corporate clients from small businesses to large corporate international companies with an established presence in the country. The financial institution has one of the best developed branch networks and modern alternative banking channels, paying special attention to providing high-quality services to its clients.

2024 has been another important year for Postbank marked with numerous achievements and prestigious local and international recognitions that reflect the Bank's commitment to innovation and quality, to work with care for people, society and nature, combining the best of traditional and digital banking.

In April 2024, Postbank became the first bank in the country to launch an initiative to abolish the fee for depositing amounts in BGN in the citizens' accounts supporting the efforts toward the country's accession to the Eurozone and the adoption of the euro as the national currency.

Throughout the year, Mrs. Petia Dimitrova, CEO and Chairperson of the Management Board of Postbank and Chairperson of the Executive Board of the Association of Banks in Bulgaria (ABB), took part in several key business events and nationally significant conferences related to Bulgaria's accession to the Eurozone such as the business conference "Together Towards Success: A Stable Financial Ecosystem and Bulgaria's Path to the Eurozone", organized by the ABB; conference "Bulgaria in the Eurozone, When?" organized by the ABB, the Association of Honorary Consuls in Bulgaria, and the Bulgarian CFA Association; participation in the opening of Euro Week at the University of National and World Economy (UNWE) and the Tenth Annual Monetary and Economic Scientific Conference on Digital Transformation and Economic Recovery in the Post-Crisis Period.

Petia Dimitrova emphasized that Bulgaria's accession to the Eurozone and introduction of the euro as local currency is the most significant upcoming event and that it would positively impact the economy, accelerate reforms, and benefit citizens and companies through lower transaction costs, improved investment climate, and increased employment, while banks are fully prepared for the transition and have launched an informational campaign to highlight the benefits of Eurozone membership.

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

IMPORTANT EVENTS DURING THE FINANCIAL YEAR (continued)

Postbank once again received key recognition for the effectiveness of its business operations when, in June 2024, the international rating agency Moody's Ratings raised the institution's long-term and short-term deposit ratings to Baa2/P-2, respectively. The outlook for the long-term deposit rating remains positive. At the same time, the rating agency raised the long-term Counterparty Risk Rating (CRR) to Baa1. This updated rating from one of the world's three largest rating agencies confirms Postbank's ability to maintain strong financial performance and successfully adapt to dynamic market conditions. Moody's report emphasizes Postbank's stable capitalization, strong recurring profitability, and a growing deposit base.

In September 2024, Moody's Ratings raised Postbank's long-term deposit rating for the second time—from Baa2 to Baa1. At the same time, the agency assigned Postbank a long-term and short-term issuer investment rating for both foreign and local currencies of Baa3/P-3. The outlook for the long-term ratings, both for deposits and for the issuer, is stable and is based on Moody's expectations that Postbank's solvency and liquidity profile will remain solid.

On May 16, 2024, the annual General Assembly of the Association of Banks in Bulgaria was held, attended by all members of the association. During the meeting, Petia Dimitrova—CEO and Chairperson of the Management Board of Postbank—was unanimously re-elected for a three-year term on the governing body of the Association.

During the annual "Bank of the Year" awards, organized by the "Bank of the Year" Association, Postbank was recognized in the "Secret Client" category. This category reflects overall customer satisfaction with the service and the performance of the front offices of the banks. The evaluation was based on a specialized, large-scale survey conducted by a marketing agency. The award was presented to Mrs. Petia Dimitrova, CEO and Chairperson of the Management Board of Postbank and Chairperson of the Executive Board of ABB.

In the "Mr. and Mrs. Economy" contest, organized by the Confederation of Employers and Industrialists in Bulgaria (KRIB) and the *Economy* magazine, the prize in the "Investments and Growth" category was awarded to Mrs. Petia Dimitrova, CEO and Chairperson of the Management Board of Postbank and Chairperson of the Executive Board of ABB.

On the eve of the bankers' professional holiday, BANKERЪ presented its traditional "Banker of the Year" awards for the 31st time to managers of financial institutions who achieved remarkable success during the year. For the record growth in assets, Mrs. Petia Dimitrova, CEO and Chairperson of the Management Board of Postbank, was honored with the "Banker of the Year" award. In her acceptance speech, she mentioned that with the acquisition of BNP Paribas Personal Finance finalized in mid-2023—Postbank has entered new key segments that are developing exceptionally well, demonstrating that the bank's strategy is both sound and effective.

In 2024, Postbank was recognized as a "Top Employer" in Bulgaria for a second consecutive year by the international, independent Top Employers Institute. The financial institution, for which success goes hand in hand with employee development, received high marks based on a detailed assessment of its internal processes. This recognition reinforces the bank's position among the leading companies on both a global and national scale, and demonstrates its commitment to providing better working conditions and care for its employees through exemplary human resources practices and policies.

Postbank was also honored with two first-place awards at the prestigious Forbes HR & Employer Branding Awards, establishing itself as a leader not only in the banking market but also in talent management. The company emerged as winner in the categories "Employee Onboarding" and "Technological HR Innovation," further highlighting its innovative approach toward its workforce and

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

IMPORTANT EVENTS DURING THE FINANCIAL YEAR (continued)

its commitment to creating a dream workplace. Key concepts such as gamification, personalization, digitization, and automation are an integral part of the bank's strategy for establishing an innovative and preferred employer brand.

Once again, Postbank received significant international recognition from the prestigious Employer Brand Stars Awards 2024 by winning four gold awards in the following categories: "Diversity, Equity, and Inclusion," "Use of Digital," "Internship Program," and "Candidate Experience."

Kosher 2024, one of the most anticipated events of the year took place at the Inter Expo Center. With its large-scale format, innovative program, and more than 14 interactive zones, the event promised something for everyone—from tech enthusiasts and creative professionals to those seeking new career opportunities. Over 50 inspiring speakers shared their stories and experiences. Postbank participated in the festival's rich program with its own special booth, where it welcomed attendees with a variety of activities, inspiring them with its special youth program, Project YOUth.

Postbank's revolutionary strategy, "Strength in One: Unifying the Customer Experience Across All Channels," received recognition from the prestigious global organization Qorus, a leader in fostering innovation in the financial sector. It is featured in the 15th edition of the Qorus – Infosys Finacle Innovation in Retail Banking report for 2024, which highlights the latest trends and the best projects for innovation and transformation worldwide. Postbank's strategy is entirely focused on enhancing customer engagement, adopting a multi-channel approach, and managing relationships. It is built on the Salesforce platform, the most modern and effective solution for customer relationship management (CRM). By combining a 360-degree view with multi-channel interactions, Postbank's adaptive cloud platform empowers its employees to excel in a dynamic environment.

Postbank was once again named the Best Retail Bank in Bulgaria at the prestigious international World Finance Banking Awards for 2024. The Bank receives this award for the seventh consecutive year, positioning itself among the best banks in the world, demonstrating remarkable consistency and reaffirming its leadership in the segment.

Postbank was also recognized for the twelfth consecutive year as the Best Custodian Bank in Bulgaria. The prestigious international publication Global Custodian (www.globalcustodian.com), which covers capital markets, asset management, and investment activities, awarded the institution—once again highlighting the high quality of its custody services.

The company also won the Deal of the Year award in the 10th-anniversary edition of the annual Company of the Year awards. This is yet another recognition that the financial institution received for the successful acquisition of the Bulgarian branch of BNP Paribas Personal Finance in 2023. The deal is part of the strategic vision for sustainable business growth that the bank has been developing for over 30 years. Following the acquisition, Postbank executed an extremely successful campaign to transform and introduce the new brand, PB Personal Finance, to the market—a campaign that had a flying start thanks to its remarkable ambassador, the most successful Bulgarian tennis player, Grigor Dimitrov. Dimitrov's unique presence and qualities positioned him as the perfect symbol of success in harmony with the campaign's key message, "Finance for Champions."

The institution triumphed with five awards at the PR Awards 2024—a competition for the best achievements in public relations in Bulgaria—making it the most decorated bank at the ceremony. One of the standout projects of the evening was the Retail RELOAD – powered by AI conference, which won the gold prize in the B2B Communication Project category, as well as third place in the Special Event category. The conference marked the official launch of PB Personal Finance—the new brand that Postbank created following the acquisition of the Bulgarian branch of BNP Paribas Personal Finance in 2023.

The company was one of the major winners at the inaugural contest entirely dedicated to financial innovations, NEXT DiFi 2024. Organized by b2b Media and a continuation of the internationally

IMPORTANT EVENTS DURING THE FINANCIAL YEAR (continued)

popular financial forum NEXT DiFi, the contest evaluated the most innovative organizations in the financial and fintech sphere. It tracked the progress of companies across various areas related to digital financial tools, new technologies, and contemporary challenges in the financial sector. Postbank was honored with three awards during the official prize-giving ceremony.

Once again, Postbank was among the major winners at the Annual Awards of b2b Media, which this year marked their 10th anniversary edition. Amongst extremely strong competition, Postbank triumphed with two gold and one silver award, making it one of the most decorated companies during the ceremony. The bank was the undisputed winner in the “Investment for Sustainable Development” category. This award was granted for the project renovating the area near the Dragalevski Monastery on Vitosha, which the bank executed jointly with Mastercard. Postbank also won the gold award in the “Business Deal of the Year” category for the campaign related to the acquisition and transformation of the Bulgarian branch of BNP Paribas Personal Finance. In the “Green Transformation” category, the bank won the prestigious silver award and received recognition for its targeted efforts to improve the environment and reduce its carbon footprint.

For yet another year, Postbank was among the major winners in the “Greenest Companies in Bulgaria” contest, organized by b2b Media. Postbank was the most awarded bank at this year’s ceremony, triumphing with a total of four awards—three gold awards and one silver prize—which placed it at the top of the rankings and earned it the recognition of the “greenest bank.” Two gold awards were granted to the financial institution in the categories “Green Event” and “Green CSR Campaign” for the project renovating the area near the Dragalevski Monastery on Vitosha, executed jointly with Mastercard. Once again, with a first-place prize, Postbank was honored by the contest jury in the “Internal Green Communication Company” category. This recognition acknowledged its internal initiatives and strong green messaging as part of the campaign uniting with the team of PB Personal Finance, which joined the bank’s family in the summer of 2023. In the “Green Investment” category, the bank won the prestigious silver award and was recognized for its targeted efforts to improve the environment and reduce its carbon footprint.

Throughout the year, the bank’s employees participated in various business forums and conferences, including the 10th Annual Monetary and Economic Conference “Digital Transformation and Economic Recovery in the Post-Crisis Period,” the business forum “Finance: Equations and Solutions,” organized by Bulgaria on Air TV, the conference “Bulgaria in the Eurozone, When?,” the “Financial Forum Innovations” conference organized by the Bank of the Year Association, the prestigious financial forum “The Noise of Money 2024,” organized by the financial portal profit.bg, the Banking Today conference organized by the financial portal *Investor.bg*, the prestigious international technology forum Digital Trends 2024, the forum “Money.bg – Personal Finance,” the conference “Banks for Development – A Tool for Better Utilization of Public Funds” held on the occasion of the 25th anniversary of the establishment of BDB, the 11th edition of the Salesforce conference “AI & CRM: Surfing the Wave of Innovation,” organized by Next Consult, the Ecommerce and Retail Summit, the Tech of Tomorrow event organized by Investor.bg, the 5th edition of the annual conference on the automation and digitalization of business processes themed “Automation and Artificial Intelligence: The Path to a Business with Prospects,” the forum “Business and Civil Society: Partners for a Better Environment,” co-organized by Bulgarian and international employers’ and business associations as well as non-governmental organizations, the 15th Annual Risk Management Conference organized by ICAP CRIF, “PR Festival 2024: PR and Technology: The Balance of Forces,” the educational program of Finance Academy, and others.

Postbank continued to innovate and enhance its position as a leader in financial services during 2024. Among the achievements were numerous strategic partnerships, including a collaboration with Vivacom to promote the "Smart POS by Postbank" mobile app aimed at enabling contactless payments for small businesses. The partnership was part of the bank's broader initiative to support digital payments and

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

IMPORTANT EVENTS DURING THE FINANCIAL YEAR (continued)

modernize financial services. Additionally, the bank's youth program, Project YOUth, gained popularity at the Aniventure Comic Con, engaging young audiences with interactive, fun-filled experiences such as quizzes and games designed to promote financial literacy. Postbank also introduced new products such as innovative educational loans for students in collaboration with the "America for Bulgaria" Foundation, offering 6% fixed interest rates and flexible repayment terms. Furthermore, Postbank utilized artificial intelligence tools to redefine the job application process with features like "Story Builder" and "CV Assistant," pioneering AI-driven recruitment technologies in Bulgaria. These initiatives emphasize the bank's ongoing commitment to technological advancements, customer satisfaction, and its leadership role in the financial sector. In 2024, Postbank secured several prestigious awards for its business and social responsibility efforts, including recognition at the BAPRA Bright Awards, Leaders of Influence Awards, and NEXT DiFi Awards. The bank's focus on green transformation and sustainable initiatives was highlighted with several awards in the "Green Transformation" and "Sustainable Development Investment" categories. Its success was also recognized through its strategic partnership with Mastercard, which aimed at promoting sustainable development initiatives in Bulgaria. Finally, Postbank's robust portfolio of financial products expanded, including new structured deposit options like the INDEX EURO STOXX SD 30 deposit, aimed at providing investment opportunities tied to performance indices, further solidifying Postbank's prominent role in the financial landscape of Bulgaria.

NEW PRODUCTS

In 2024, Postbank launched new, innovative products and services aimed at enhancing customer convenience and offering more benefits. As the financial sector increasingly shifts towards digitalization, companies had to swiftly adopt new solutions to ensure customer experience and maintain success. In response, the bank continues to support its clients by developing and implementing advanced, tech-driven financial solutions that can be accessed remotely and through their preferred sales channels, delivering added value.

In 2024, Postbank and Vivacom joined forces in a special partnership aimed at presenting and promoting Postbank’s mobile application “Smart POS by Postbank,” designed to facilitate digital payments for small businesses in Bulgaria. This partnership is intended to enable small and medium-sized enterprises in the retail sector that accept payments to transition to contactless transactions. The “Smart POS by Postbank” service is a mobile application that transforms a mobile phone into a POS terminal. The software enables the easy and convenient acceptance of payments with Mastercard and Visa cards—including digital cards—directly on a smartphone, thereby eliminating the need to purchase, install, and maintain an additional POS device. Smart POS offers a user-friendly interface and features that make digital payments accessible to everyone. To ensure a high level of security and speed with every transaction, the technology used in EMV chip cards is applied, allowing customers to manage their business easily, conveniently, and reliably—anywhere and at any time.

Postbank became a partner in the newest program “Your Future in Bulgaria” by the America for Bulgaria Foundation. The program is aimed at students at the American University in Bulgaria (AUB) pursuing a regular bachelor’s degree, Fulbright scholarship recipients studying at higher education institutions in the USA, and medical graduates undertaking postgraduate medical specialization at a Bulgarian institution. The consumer loan for education offers a fixed interest rate of 6% for the entire term of the loan, a grace period during studies or specialization, and a maximum repayment period of up to 120 months after the grace period ends. The loan will be granted without fees, commissions, or the need for a guarantor. In partnership with Postbank, the America for Bulgaria Foundation provides young people the opportunity to remain in and develop within Bulgaria by offering them financial support.

Postbank developed innovative tools based on Artificial Intelligence (AI) on its career website modernizing and streamlining the application process for jobs and internships. The new AI technologies — “Story Builder,” “CV Assistant,” and “Interview Trainer”—enhance the institution’s overall strategy for attracting and developing talent, demonstrating its care for candidates and its innovative approach to

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

NEW PRODUCTS (continued)

improving the overall work environment.. The financial institution is the first on the Bulgarian market with an "AI Story Builder," which assesses their strengths and allows them to apply using an alternative way, in line with current global trends, rather than using a traditional CV. The Bank is also amongst the first in the country to use AI to assist candidates through the functionalities "CV Assistant" and "Interview Trainer" on its career website (www.careers.postbank.bg).

Postbank's youth program Project YOUth was a success among young people at Aniventure Comic Con 2024. The Aniventure Comic Con 2024 festival was held for the seventh time in Sofia, with over 25,000 people sharing the excitement of the country's biggest pop culture event. Postbank and Visa created a dedicated zone for the youth program Project YOUth by Postbank. Young people had the unique opportunity to enjoy an exclusive experience with a camera robot, interactive Tetris game, and test their knowledge through an entertaining financial quiz. During Aniventure Comic Con 2024, fans also had the chance to meet their favorite actors in person, who shared stories about themselves and interesting moments from their lives and careers.

The financial institution offers a variety of tailored solutions designed to meet and exceed the highest expectations of its consumers, providing the convenience, speed, and security they expect in managing their personal finances.

The Premium segment of Postbank is part of the institution's long-term strategy for a comprehensive overhaul of its branch network, with exceptional attention given to premium clients.

Postbank continually enriches its portfolio of savings products. In recent years alone, it has offered more than seven varieties of structured deposits linked to the performance of various indices. A primary goal of the financial institution is to be as useful as possible to its customers by offering a wide range of products and services that meet all their requirements.

To meet its customers' expectations, Postbank has developed its latest innovative savings product – the structured deposit "Index Solactive Big Data." This is the newest addition to the institution's rich portfolio of deposit products, which provides a fixed interest rate for each year of its term, as well as the opportunity to receive additional interest at the end of the period. "Index Solactive Big Data" is a 5-year deposit in euros that consists of two components – a base fixed annual interest rate and the possibility of earning extra interest at maturity, which is linked to the performance of a stock index.. The product guarantees the principal at maturity and offers a base fixed annual interest rate of 2.00% on the deposited sum, which is due at maturity but paid in advance annually – for each completed (elapsed) year of the deposit's term – and can be withdrawn at any time. Alternative new issuance of a structured deposit called INDEX EURO STOXX SD 30 also took place during the year.

In 2024, there was an even more accelerated growth in card and online payments, according to Postbank's data on consumer shopping habits.. There was also an increase in the overall turnover with debit cards, with a sustained trend toward a higher share of purchases relative to cash withdrawals. Cards are increasingly used for paying for goods and services at retail outlets for smaller amounts, and less frequently for ATM cash withdrawals, with the average purchase amount via card being 50 levs.

The use of credit cards is also becoming increasingly popular among consumers—not only because of the convenience, speed, and security they offer but also due to the many additional benefits they provide to their holders. With Postbank's credit cards, customers enjoy a long interest-free grace period, free travel insurance when abroad, discounts at international merchants provided by the payment operators Visa and Mastercard, various travel privileges for certain types of cards, as well as rewards through the "MyRewards" loyalty program.

During the year, Postbank organized a series of promotional campaigns featuring some of the institution's most sought-after products.

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

NEW PRODUCTS (continued)

The BRIT Awards are the most popular music awards in the UK recording industry, first presented in 1977 and established as an annual event in 1982. Initially awarded for pop music—in the album and single categories—and later also for classical music. The 'Win a Double Ticket to the BRIT Awards 2024 with Mastercard and Postbank' promotional campaign gives winners the opportunity to attend the event.

In the campaign “Pay with your Postbank Visa card and you could win one of two packages to attend the Olympic Games in France, Paris, in 2024, or one of one hundred gift cards for shopping at Decathlon!” debit and credit Visa cards issued by Postbank before 06.02.2024 to individuals over 18 participated, provided that at least 10 transactions in the form of purchases of goods and/or services were made during the promotional period. These transactions could be made in physical or online stores, including via the mobile wallet ONE Wallet by Postbank, the digital wallet on iOS devices (Apple Pay), or through payments for utility bills, local taxes, and fees via one of Postbank’s digital channels: Internet Banking (e-postbank), Universal Payer (u-postbank), or Mobile Banking (m-postbank).

Postbank launched a campaign for its comprehensive program that enables customers to save for a new home and benefit from housing loans on preferential terms. “Towards Home” is a value-added financial solution created to help customers on the path to realizing their dream home by combining two banking products. Under this program, customers can open a “Towards Home” deposit account with preferential conditions to save their own contribution toward purchasing a property, as well as apply for a new housing loan on promotional terms.

Postbank offered special conditions with its housing loan proposal at the onset of spring 2024. With a maximum amount of up to 700,000 levs, a repayment term of up to 35 years, an option to finance up to 85% of the property’s market value, and a promotional offer that allows customers to save on the initial costs associated with financing their new home by benefiting from a reimbursement of mortgage setup expenses of up to 500 levs. In addition, during the campaign, customers could also enjoy further discounts – with no fees for creditworthiness assessment, document analysis of the collateral, or appraisal of the collateral, provided that other existing obligations were covered.

In October, Postbank also offered its customers the opportunity to acquire home with a housing loan on promotional terms. When applying for a housing loan, customers can benefit from attractive conditions and save on their initial costs by receiving a reimbursement of mortgage setup expenses of up to 1,000 levs. The loan, which may be used for purchasing a property or refinancing existing obligations, is available for amounts up to 350,000 euros (or 700,000 levs) with a term of up to 30 years. Financing is available for up to 85% of the collateral’s value, and the repayment of the loan can be made in equal or decreasing monthly installments according to the borrower’s personal preferences.

Postbank’s customers can also take advantage of the convenience of the Online Housing Loan Center, which introduces a new model for fast and efficient customer service. The new digital solution in the housing financing process is an extension of the services provided by the Bank’s specialized Housing Loan Centers. In this way, the Bank is enhancing its online housing loan application service to fully meet customer expectations for remote consulting and communication with the Bank during the loan approval process, transitioning the process into a digital environment.

SUSTAINABLE DEVELOPMENT AND ESG

In addition to its core business activities, Postbank continued to focus on the needs of the local community by supporting programs and initiatives in collaboration with established institutions and organizations. The bank strives to instill a responsible attitude among its employees, customers, and the public. Its goal is to create competitive advantages by incorporating ever-increasing added value into the products it offers, but in the same time to reduce its negative impact on the environment by taking every opportunity to contribute to the preservation of nature.

In 2024, the Bank implemented a number of socially significant projects and initiatives in the areas of entrepreneurship, education, and the enhancement of financial literacy in our country, as well as in environmental protection, sports, and corporate philanthropy. Postbank is an active member and

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

SUSTAINABLE DEVELOPMENT AND ESG (continued)

supports initiatives by KRIB, AmCham, NVSv, BBBA, ABB, Borika AD, the Endeavor Bulgaria Association, the Bulgarian Forum of Business Leaders, the Bulgarian Philanthropy Forum, the Atanas Burov Foundation, the Bulgarian Network of the UN Global Compact, the Bulgarian Association of Advertisers, and the Bulgarian Fintech Association.

In September 2024, Postbankand JA Bulgaria (Junior Achievement Bulgaria), a leading organization in delivering innovative and modern education, launched a large-scale strategic partnership aimed at improving financial literacy among young people in Bulgaria. The collaboration was implemented through JA Bulgaria's "Personal Finance" and "Practical Finance" programs, which aim to equip students with essential financial knowledge and skills to help them make informed decisions in both their personal and professional lives, and to manage their finances more effectively.

Postbank and Finance Academy continue their successful partnership to enhance financial and digital literacy in Bulgaria and to create a more sustainable future based on shared values. The strategic partnership between Postbank and Finance Academy began in 2021 with an educational project designed to provide valuable, practice-oriented knowledge to improve financial literacy in our country. Experienced and proven experts from the bank contribute to the development of educational materials and lectures in their areas of expertise, ensuring that the training is truly practice-oriented and based on real data and actual market conditions.

In October 2024, Postbank announced the start of a new strategic partnership with "School Telerik Academy." Through this collaboration, the Bank will support the organization of two free digital sciences schools in Sofia for students in grades 8 through 12. The Bank will also help provide free access during 2024–2025 academic year for schools across Bulgaria to the platform with ready-made educational programs, Вики.bg. This partnership is part of Postbank's commitment to investing in quality education and promoting the development of digital literacy among Bulgarian students вuкi.bg offers Bulgarian schools fully developed educational programs focusing on digital literacy, green technologies, programming, and key skills for students' success. The platform provides schools with all the necessary materials and methodological guidelines to meet the needs and interests of today's students. These programs can be integrated as a supplement to the general curriculum, whether as elective subjects or extracurricular activities based on students' interests.

Sharing a vision for the development of artificial intelligence and the promotion of digital skills in Bulgaria, Postbank is also an exclusive partner of SoftUni's newest educational brand – SoftUni AI. Created with a focus on the practical applications of artificial intelligence (AI), the program's mission is to help more people acquire new skills and improve their qualifications by taking advantage of the opportunities offered by AI tools. Through its collaboration with SoftUni AI, Postbank not only plans to support education in this field but also to strengthen the connection between business and education.

SoftUni AI was developed in response to the increasing impact of artificial intelligence in both the professional and personal lives of people, driven by the need for a modern, practice-oriented educational platform. The courses offered through SoftUni AI provide everyone with the opportunity to boost their productivity and efficiency, with the curriculum designed so that participants can acquire competitive skills and keep pace with rapid changes, regardless of their prior training or current field. Thanks to interactive lessons, practical tasks, and support from leading experts, the program is designed to help learners position themselves as key players in the technological transformation of society. Upon completing the SoftUni AI program, participants will have mastered the latest AI tools and received training from practitioner-lecturers with proven expertise. In addition to access to mentors and a community for sharing practices and ideas during the course, they will receive certificates upon graduation issued by SoftUni, as well as state-recognized "Certificates of Professional Training" and accreditations valid throughout the European Union.

Quality education and the direct connection between schools, universities, and business is a top priority in Postbank's corporate social responsibility. That is why the financial institution participates in

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

SUSTAINABLE DEVELOPMENT AND ESG (continued)

numerous initiatives focused on developing young people and invests in nurturing young talent in the labor market.

During the SoftUniada 2024 competition, in a fiercely contested race, 19-year-old student Miroslav Balev secured first place in the "Web Projects" category (senior age) and won Postbank's award during the contest. He demonstrated knowledge, skills, and talent that impressed the jury by convincingly presenting his project "Caps for the Future," earning him well-deserved recognition. SoftUniada, now organized for the ninth consecutive year, provides hundreds of young people like Miroslav with the opportunity to showcase their programming potential. This year, the competition gathered over 200 students who competed in the "Web Projects," "Software Projects," and "Competitive Programming" categories.

IT specialists from Postbank once again participated in the online career seminar "IT Journey," where they presented attractive job and career development opportunities at the company to young students from the Software University. The financial institution, which possesses strong international know-how, has over 3,500 employees and more than 200 offices nationwide, and offers innovative products and services to its clients thanks to the modern technological solutions it continuously implements. This is why the bank provides attractive internship and professional development opportunities for young IT specialists—a fact that was evident during the event. Postbank is a preferred top employer among young software specialists who are just beginning their professional careers.

In 2024, the financial institution—traditionally a leading partner for local businesses—supported, for the sixth consecutive year, the unique growth program Dare to Scale, the first of its kind in Bulgaria, which is aimed at businesses with the potential for large-scale expansion. During the final event of Dare2Scale – Demo Day, the main award of the evening—the "Jury Award"—was presented, along with two additional awards recognizing the overall performance of the participants in the program. The selected entrepreneurs underwent training and interactive sessions led by successful practitioners and leaders from the Endeavor network, with Postbank's experts also serving as mentors. By participating in Dare to Scale, Postbank actively contributes to the development of both promising scale-up companies and the broader business environment in our country.

For the tenth consecutive year, Postbank was a key partner in the "Big Smalls" contest for successful small business of the year, organized by "24 Hours." In this contest, every year small and innovative Bulgarian companies present their ideas, which they have successfully developed into a product or service in the market. Boyan Slavchev, Deputy Director of the Small Business Banking division at the financial institution, presented the award in the "Sustainable Development" category to the company "Deshka" EOOD. He congratulated the winner and noted that through its activities and products, the company celebrates not only the lifestyle and traditions of the Razlog region but also our country.

In Sofia, the 25th-anniversary fair of the educational companies of the National Trade and Banking High School was held. The educational bank Postbank Next, created by 11th-grade students at NTBG under the mentorship of Postbank, won the annual educational companies fair at the school, competing against 20 educational banks and a total of 64 educational companies. The team of the educational commercial bank Postbank NEXT presented a wide range of banking products and services, including retail banking, corporate banking, and various card products with innovative design. Combined with their own website, these achievements rightfully earned them the trophy as the big winners of this year's contest. The support for Postbank Next is part of Postbank's sustainable strategy to build a close connection between business and education and forms an integral component of the institution's corporate social responsibility. For yet another year, highly qualified experts from Postbank have served as mentors to the students—part of the financial institution's large-scale initiative in support of the education of students from the National Trade and Banking High School and the Private Vocational High School in Banking, Trade, and Finance.

Four second-grade classes from the 39th High School "Petar Dinekov" in Sofia, along with their teachers, attentively followed the open lesson delivered by Postbank's experts as part of the international initiative "European Money Week." This event is part of the financial institution's sustainable corporate

SUSTAINABLE DEVELOPMENT AND ESG (continued)

social responsibility policy with a focus on education and the development of young people, and its main goal is to introduce students to the basics of personal finance and help increase their financial literacy from an early age. Using attractive video materials, an interactive approach, interesting examples, and intriguing facts, the bank's experts managed to tell the story of money in an engaging way and sparked numerous questions among the second graders, who were eager to share their knowledge and learn more.

Postbank is also a partner in the Bulgaria ON AIR project "The Future: Education," which is dedicated to the Bulgarian educational system, career development opportunities, business strategies for attracting talent from universities, and addressing the needs of the labor market, held in June.

Postbank is the general partner of the Mentor the Young initiative for another season. Nineteen mentors from the financial institution participated in season 6 of the program and shared their experiences. Postbank believes in the power of mentorship and in the exchange of experience between experts and young people, as this is fundamental to the growth of every professional.

Postbank and Sofia University collaborate in training future financial experts in the master's program of the Faculty of Economics "Finance and Banking." The modern courses "Banking Management" and "Investment Banking" are part of the mandatory curriculum for 2024-2025, and instruction in these subjects is delivered by experts from the bank for the third consecutive academic year.

Postbank experts participated in key events at leading universities in our country – the graduation ceremony for master's students from the Faculty of Economics at Sofia University and the prestigious Youth Economic Forum at the University for National and World Economy (UNWE).

Postbank also visited NBU with an event focused on AI, financial, and digital literacy, during which students had the opportunity to learn more about innovative AI career development assistants—Story Builder, CV Assistant, and Interview Trainer. With their help, students can develop their skills, improve their performance before employers, and increase their chances of finding the job they desire.

In November and December 2024, Postbank participated for the ninth consecutive year in the socially responsible initiative "I Am Proud of My Parents' Work," organized by the Bulgarian Network of the UN Global Compact. Students from various grades visited the bank's central building to learn more about their parents' professions and work through specially designed educational programs.

For the ninth consecutive year, Postbank, as a member of the Association of Banks in Bulgaria (ABB), actively took part in the European campaign aimed at combating money laundering schemes and the use of "financial mules."

In June 2024, once again, Postbank was a key partner in the charitable relay race, Postbank Business Run, organized annually by the sports club "Begach." A total of 350 teams from 120 companies across various business sectors participated in the eleventh edition of this inter-company competition. This year's sporting event was held on an entirely new venue, as the area in front of the "Vasil Levski" National Stadium was transformed into a running arena for business. A record 1,400 participants and excellent timings set the stage for successful team building in the heart of Sofia. For the ninth consecutive year, over 100 children aged 4 to 16 also joined the runners in the Kids Run Business competition, conducted by certified coaches under the IAAF Kid's Athletics program. In the well-established CEO Dash race among executive directors, six managers from different companies participated. The financial institution participated with a total of 20 teams and nearly 40 children of employees. The Postbank Business Run aims to draw people's attention to a healthy lifestyle and to spark their desire to win through teamwork and cooperation for a noble cause.

In 2024, Postbank participated in the large-scale initiative "New Forest of Sofia – 2." Over 1,300 new broadleaf seedlings of the "tser" tree (a representative of the oak family) were planted by more than 100 bank volunteers on Lazarovden. The financial institution's team once again expressed its support, commitment, and responsibility toward this noble initiative, which aims to raise environmental awareness among the public and to support the development of the new green area.

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

SUSTAINABLE DEVELOPMENT AND ESG (continued)

For the third consecutive year, Postbank has participated in the project as part of its overall internal environmental protection program "Green Together with Postbank," in line with the company's long-standing sustainable policy, with a total of over 3,000 trees planted by the institution's volunteers during this period.

Postbank employees are also regular donors to the National Center for Transfusion Hematology and participate in blood donation drives organized and held at the Central Office.

The financial institution was the leading partner at the sixth edition of the "Neotapkana Pateka" festival, held in August in Gotse Delchev. The event was once again hosted in the Rhodope village of Kovachevitsa, which welcomed hundreds of guests from both within the country and abroad. As one of the leaders in the financial sector, setting trends and the direction of development, Postbank is a full participant in the processes shaping Bulgarian society and supports projects in key areas of public life such as education, culture, sports, and environmental care.

Throughout the year, the Bank continued its long-standing support and work with groups in disadvantaged social positions, encouraging their active role in society. Support was provided to underprivileged children in Kazanlak, elderly people in Ruse, and through the national campaign "Easter for Everyone" – "Give a Holiday to Grandma and Grandpa," as well as many other smaller initiatives.

AWARDS:

- For the fourth consecutive year, Postbank won two prestigious international awards at the World Finance Digital Banking Awards, organized by the authoritative magazine World Finance. The awards were in the categories "Best Consumer Digital Banks, Bulgaria" and "Best Mobile Banking Apps, Bulgaria" for consumers in Bulgaria.
- Postbank was honored with the prestigious "Top Employer" distinction for 2024. The financial institution received the certificate from the international independent Top Employers Institute for the second consecutive year.
- Postbank won the gold award in the Excellence in Teamwork category at the b2b Media Employer Branding Award 2024.
- First place in the HR Excellence category at the b2b Media Employer Branding Award 2024 was awarded to Postbank in recognition of its innovative approach, which is based on various pioneering techniques and tools for attracting and managing talent.
- Gold award received in the Creative Thinking category at the b2b Media Employer Branding Award 2024, recognizing its internal campaign and multiple initiatives related to the unification of the teams of Postbank and PB Personal Finance.
- Postbank won first prize at the prestigious BAPRA Bright Awards 2024, organized by the Bulgarian Association of PR Agencies. The well-deserved distinction for the financial institution's communications team was achieved in one of the most competitive categories, "Internal Communications." An international jury awarded a prize for the innovative campaign titled "The Golden Team of Postbank," which the bank's team executed in successful cooperation with the agency Proximity Sofia, part of BBDO Group.
- Postbank was recognized for the overall interior design of its branch offices. The award was presented to the financial institution during the official ceremony of the annual "Designer of the Year" competition, which honors the best projects in the fields of products, fashion, and architecture as evaluated by a professional jury of prominent Bulgarian companies and design figures.
- Postbank won the "Golden Heart" award for its comprehensive corporate social responsibility policy and the extensive CSR strategy it implements through numerous projects benefiting society.
- Postbank triumphed with three gold awards at the "Greenest Companies in Bulgaria" competition in the categories "Green Event," "Green CSR Campaign," and "Internal Green Communication Campaign." In addition, for its sustainable green policy, the bank won an award in the "Green Investment" category, receiving the silver prize.

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

AWARDS (continued)

- Postbank was named the best custodian bank in Bulgaria by the prestigious international publication Global Custodian, which focuses on capital markets, asset management, and investment activities.
- Postbank won five awards at PR Prize 2024 – the oldest and most established competition for PR achievements in our country. The bank secured gold in the "B2B Communication Project" category, two silver awards in the "Corporate Communication Campaign" and "Internal Communications Project" categories, and bronze in the "Special Event" category. Additionally, the special KRIB award was presented to Postbank, cementing its undisputed victory in the competition.
- Postbank was honored with the "Deal of the Year" award at the annual "Company of the Year" awards, in recognition of its successful campaign for acquiring the Bulgarian branch of BNP Paribas Personal Finance.
- Postbank won 4 gold awards at the prestigious international Employer Brand Stars Awards 2024 in the categories "Diversity, Equity and Inclusion," "Use of Digital Technologies," "Internship Program," and "Candidate Experience."
- Postbank won the "Secret Client" award from the awards organized by the Association "Bank of the Year."
- Postbank won the award for "Best Retail Bank in Bulgaria" (Best Retail Banks, Bulgaria) for the seventh consecutive year at the World Finance Banking Awards 2024. These prestigious awards are organized by the authoritative international publication World Finance, which monitors and analyzes the global financial industry, business, and economy.
- Two gold awards were presented to Postbank at the Annual b2b Media Awards in the categories "Business Deal of the Year" and "Investment for Sustainable Development." The bank also won the silver prize in the "Green Transformation" category.
- Postbank achieved two first places at the prestigious Forbes HR & Employer Branding Awards, establishing itself as a leader not only in the banking market but also in talent management. The bank was the major winner in the categories "Employee Onboarding" and "Technological HR Innovation," which further emphasize its innovative approach to its team and its commitment to creating the ideal workplace.
- Postbank received with three awards at the inaugural NEXT DiFi 2024 Financial Innovation Awards. The financial institution won the most coveted award in the "Most Innovative Bank" category. Its "Priority by Postbank" program was recognized with a gold award in the "Innovative Product/Service in the Financial Sector" category, while the "Innovative Partnership in Finance" category awarded silver for the partnership between Postbank and Grigor Dimitrov.
- Postbank was recognized with an award in the "Investments and Growth" category at the annual "Mr. and Mrs. Economy" awards 2024. The prize in this category was presented to Petia Dimitrova, CEO and Chairperson of the Management Board of the Bank, who is also the Chairperson of the Supervisory Board of the Association of Banks in Bulgaria.
- Postbank triumphed with three awards at the second edition of the Annual Leaders of Influence Awards 2024. The financial institution won two gold awards in the categories "Influencer in the Community" and "Leading by Innovation," and it won silver in the "Influential Organization of the Year" category.
- Petia Dimitrova was honored with the "Banker of the Year" award 2024 during the thirty-first ceremony of the "Banker of the Year" awards hosted by the newspaper Banker. She received the award for achieving record asset growth. The CEO and Chairperson of the Management Board of Postbank receives this prestigious distinction for the seventh time.

Eurobank Bulgaria AD as a subsidiary of Eurobank S.A a company established in Greece, which is part of the European Banking Group Eurobank takes advantage of the exemption in Article 50 of the Accounting Act and is exempted from the obligation to prepare a Sustainability

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

Report under Article 48. Eurobank Ergasias Services and Holdings S.A. (Eurobank Holdings) is the parent company of Eurobank S.A.The Bank and its subsidiary are included in the consolidated management report of Eurobank Ergasias Services and Holdings S.A. (Eurobank Holdings) which has been prepared in accordance with the requirements of Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting

Eurobank Ergasias Services and Holdings S.A. is the parent undertaking that discloses information at group level for sustainability with registered office address 8 Othonos Street, 10557 Athens, Greece.

The website on which the consolidated management report or consolidated sustainability report, of the (Eurobank Holdings) is published, together with the auditor's report expressing assurance on sustainability is: https://www.eurobankholdings.gr/.

SHARE CAPITAL STRUCTURE

As of 31 December 2024 the total authorized number of ordinary shares of Eurobank Bulgaria AD was 560,323,302 with a nominal value of BGN 1 per share. Eurobank S.A. owns 99.99% of Eurobank Bulgaria's AD shares, and 0.01% is hold by minority shareholders.

MANAGEMENT BOARD

As of 31 of December, 2024 the Management Board consist of the following members:

- Petia Dimitrova – Chief Executive Officer, Chairperson and Member of the Management Board;
- Dimitar Shoumarov - Deputy CEO, Chief Financial Officer and Member of the Management Board;
- Asen Yagodin – Deputy CEO and Member of the Management Board;
- Panagiotis Mavridis – Chief Operating Officer and Member of the Management Board.
- Angel Mateev – Executive Director Retail Banking and Member of the Management Board (as of 19.04.2024).

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

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

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

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

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

3.1. Partners with unlimited liability

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

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

MANAGEMENT BOARD (continued)

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

- **Asen Yagodin**

Dike - Imoti OOD – partner

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

- **Petia Dimitrova**

Association of Banks in Bulgaria (non-profit legal entity) – Chairperson of the Executive Board;
Foundation Atanas Bourov (non-profit legal entity) – Member of the Management Board;
Hellenic Business Council in Bulgaria (non-profit legal entity) –Member of the Management Board;
Association Endeavor Bulgaria – Member of the Management Board;
Association of the Canadian Commercial Chamber in Bulgaria – Vice President;
PB Personal Finance EAD – Chairperson of the Board of Directors;
Borika AD – Member of the Board of Directors (as of 30.09.2024) Association Endeavor Bulgaria

Asen Yagodin

Bulgarian Stock Exchange – Sofia AD, Bulgaria – Member of the Board of Directors;
Bulstrad Life Vienna Insurance Group JSC, Bulgaria – Independent Member of the Supervisory Board;
Green Finance and energy center (GFEC) (non-profit legal entity) – Member of the Management Board;

Dimitar Shoumarov

PB Personal Finance EAD – Member of the Board of Directors

SUPERVISORY BOARD

As at 31 of December, 2024 the members of the Supervisory Board are:

- Stavros Ioannou - Member of the Supervisory Board;
- John David Butts – Chairperson and Member of the Supervisory Board;
- Ivi Vigka - Member of the Supervisory Board;
- Raika Ontzova – Member of the Supervisory Board;
- Minko Guerdjikov – Member of the Supervisory Board;
- Nikolaos Pavlidis – Member of the Supervisory Board (appointed as of 01.07.2024).

Members released in the calendar year 2024:

- Georgios Provopoulos - Chairperson of the Supervisory Board (released as of 01.07.2024);
- Iasmi Ralli - Member of the Supervisory Board (released as of 04.09.2024);
- Michalakis Louis - Member of the Supervisory Board (released as of 04.09.2024);

Chairpersonship changes in 2024:
Mr. Butts was officially elected as Chairperson of the SB in place of Mr. Georgios Provopoulos on 11.07.2024.

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

SUPERVISORY BOARD (continued)

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

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

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

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

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

3.1. Partners with unlimited liability

- **Minko Guerdjikov**
  Hemus Investments OOD – Partner (33% share in the partnership) and Managing Director
- **Nikolaos Pavlidis**
  NIKOS LAND EOOD – Sole Owner

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

- **John David Butts**
  Lex RX Bulgaria EOOD, Bulgaria – Manager
  Ubad - Toro OOD, Bulgaria – Partner;
  Lexrx Capital OOD, Bulgaria – Partner and and Manager
- **Raika Ontzova**
  VPS Lilia & Ontzovi SD – Unlimited partner, Manager and Representative

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

- **Stavros Ioannou** (Greece)

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

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

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

Eurobank Cyprus Ltd, Cyprus – Vice Chairperson and Member of the Board of Directors;

Eurobank private Bank Luxembourg, Luxembourg – Member of the Board of Directors (as of 10.10.2024);

Grivalia Management Company S.A., Greece - Member of the Board of Directors.

- **Michalakis Louis (Greece)**

Eurobank S.A, Greece – Head of International Activities General Division & Group Private Banking (until 18.09.2024), Member of the Executive Board;

Hellenic Bank Public Company Limited, Cyprus – Chief Executive Officer (CEO) and member of the Board of Directors (as of 18.09.2024).

Eurobank Private Bank Luxembourg S.A., Luxembourg – Member of the Board of Directors (released as of 30.09.2024);

Eurobank Cyprus Ltd, Cyprus - Chief Executive Officer and member of the Board of Directors (released as of 17.09.2024).

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

SUPERVISORY BOARD (continued)

- **John David Butts**

  Lexrx Capital OOD, Bulgaria – Managing Director;

- **Raika Ontzova**

  VPS Lilia & Ontzovi SD – Managing Director;

- **Minko Guerdjikov**

  Hemus Investments OOD – Managing Director.

4. Contracts concluded during the year according to Art. 240 b of the Commercial Law

In 2024, the Bank did not conclude contracts within the meaning of Art. 240 b para. 1 of the Commercial Law.

In 2024 the members of the Management and Supervisory boards have received remuneration amounting to BGN 5,672 thousand (2023: BGN 3,513 thousand).

BANK STRUCTURE

Eurobank Bulgaria AD has one subsidiary as at 31 December 2024 - PB Personal Finance E.A.D. The Bank employees are 3,859 people (2023: 4,213).

OBJECTIVES FOR 2025

Eurobank Bulgaria's strategy is based on three pillars - organic growth, digitalization and customer service aiming at sustainable growth and value creation for the shareholders. In 2025 Eurobank Bulgaria will have two key objectives – improving the profitability and completing the key strategic projects.

Without a doubt the most important of those will be the adoption of the euro, the target date of which was postponed by another year to 1 January 2026. Positively, the delay allowed Eurobank Bulgaria to complete the necessary preparatory work and even implement some of the system changes in the production environment. The current year will be devoted to extensive testing and training in order to ensure a smooth conversion for all clients. The adoption of the euro is expected to bring benefits for the bank such as higher capital adequacy, reduced minimum reserve requirements and better access to funding, while any delay will add to the costs and create further complexities for the future strategic projects.

In 2025, the demand for loans is projected to start cooling and both the loans and the deposits to grow in parallel. Therefore, focus area for Eurobank Bulgaria is to ensure a stable growth of deposit volumes at reasonable prices in order to improve further its liquidity ratios and accumulate enough resources to keep its position in the lending market. The projections are that most of the new loans will be to households, where Eurobank Bulgaria is traditionally strong and is well placed to take its fair market share. At the same time, Eurobank Bulgaria will continue to gradually reduce its NPE ratio, while maintaining prudent coverage over the nonperforming exposure.

Profitability will be improved through smart pricing of the new lending production and cost control, including through implementation of cost reduction measures. In order to achieve the latter, investments in digital transformation projects will continue, increasing automation and improving the customer experience. The ultimate goal is to free the front office staff from mundane tasks and devote more time to client consultation and advisory.

The net profit of the bank will be retained in order to support the expansion of the risk-weighted assets and, if necessary, additional loans taken in order to cover the MREL requirements. Last, but not least, given the tight labor market, Eurobank Bulgaria will try to foster a positive, productive and rewarding work environment in order to retain talent and further improve its employee satisfaction.

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

MANAGEMENT RESPONSIBILITIES

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

The Directors confirm that suitable accounting policies have been used.

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

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

Petia Nikolova Dimitrova
Digitally signed by Petia Nikolova Dimitrova
Date: 2025.03.26 16:46:47 +02'00'

Petia Dimitrova
Chief Executive Officer and Chairperson of the Management Board.
12 March 2025
Sofia, Bulgaria

Dimitar Borisov Shoumarov
Digitally signed by Dimitar Borisov Shoumarov
Date: 2025.03.26 15:55:48 +02'00'

Dimitar Shoumarov
Deputy CEO, Chief Financial Officer and Member of the Management Board

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

CORPORATE GOVERNANCE STATEMENT 2024

1. Corporate Governance Code and Practices

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

2. Compliance with the National Corporate Governance Code

The Bank observes and complies in entirety with the Code. The Bank's Statute and all adopted internal rules and manuals are in full compliance with the Code and the applicable legislation. Presently there have not been any ascertained cases of non-compliance with the Code.

2.1. Internal Corporate Governance Code

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

2.2. Ethics Code

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

2.3. Conflict of interest

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

2.4. Remuneration

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

The 2024 Boards and key management remuneration disclosures are included in Annual Disclosures according to the requirements of Regulation (EU) 575/2013 (art. 431-455).

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

3.1. General Meeting of the Shareholders

The General Meeting of the Shareholders ("GMS") comprises all shareholders with voting rights. They participate in the GMS personally or by a proxy, authorized by a written power of attorney. The shareholders and their proxies shall have in the GMS as many votes as they have shares in the capital of the Bank. The members of the Supervisory Board and the Managing Board may attend the GMS without voting rights unless they are shareholders. The members of the Internal Audit Division and the Bank's

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

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

auditors elected to audit and certify the Bank's annual financial statements may attend the GMS but without the right to vote.

3.2. Supervisory Board and Supervisory Board Committees

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

The composition of the Supervisory Board as of 31.12.2024 is 6 (six) members, after the decision of the General Meeting of Shareholders effective as of the respective entry in the Commercial Register and Register of Non-Profit Legal Entities on July 1st, 2024, Mr.Nikolaos Pavlidis to be appointed as a new independent non-executive Supervisory Board member, with a term of office equal to the term of office of the other members of the Supervisory Board, i.e. till 10.05.2025. Respectively, Ms. Iasmi Rali and Mr. Michalakis Louis were released as SB members as of 04.09.2024 (entry from this date in the Commercial Register and Register of Non-Profit Legal Entities after respective resolution of the General Meeting of Shareholders).

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

As at 31 of December, 2024 the members of the Supervisory Board are:

- John David Butts – Chairperson and Member of the Supervisory Board;
- Stavros Ioannou - Member of the Supervisory Board;
- Ivi Vigka - Member of the Supervisory Board;
- Raika Ontzova – Member of the Supervisory Board;
- Minko Guerdjikov – Member of the Supervisory Board;
- Nikolaos Pavlidis – Member of the Supervisory Board (appointed as of 01.07.2024).

Members released in the calendar year 2024:

- Georgios Provopoulos - Chairperson of the Supervisory Board (released as of 01.07.2024);
- Iasmi Ralli - Member of the Supervisory Board (released as of 04.09.2024);
- Michalakis Louis - Member of the Supervisory Board (released as of 04.09.2024);

Chairpersonship changes in 2024:

Mr. Butts was officially elected as Chairperson of the SB in place of Mr. Georgios Provopoulos on 11.07.2024.

The Chairperson and four of the Members are independent members.

The following Committees have been established to assist the Supervisory Board (shortly referred to as "SB") in discharging its responsibilities:

3.2.1. Risk Committee

The SB has delegated to the Risk Committee ("RC") the role of approving all strategic risk management decisions (e.g. risk appetite, capital allocation, balance sheet profile and risk management structure).

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

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

3.2. Supervisory Board and Supervisory Board Committees (continued)

The RC is in charge of monitoring the quantitative and qualitative aspects of all market, credit, liquidity and operational risks.

The members of the RC are appointed by the SB. Currently, the Risk Committee consists of 3 (three) members.

The RC shall meet at least 10 (ten) times per year. The RC meeting is effective when there are present three members, but in any case, including a majority of independent non-executive Members, one of whom is the Chairperson.

In 2024 the RC held 4 (four) regular meetings and 6 (six) extraordinary meetings.

3.2.2. Audit Committee

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

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

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

The Audit Committee shall be comprised of at least three members. As of December 2024, the Audit Committee consisted of three members who are appointed for three years with the option to renew their appointment, but in any case, the service in the Committee should not be more than twelve (12) years in total. Additionally, as of 23.12.2024 Mr. Butts and Ms. Vigka were released as Audit Committee members, and Ms. Ontzova was appointed in the Audit Committee, through a resolution of the GMS held on 23.12.2024. The mandate of the Audit Committee members was renewed on 30.06.2024.

The Audit Committee members' term of office is until 30th of June 2027.

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

The AC meets at least 8 (eight) times per year or more frequently, as circumstances require, and reports on its activities and submits the minutes of its meetings to the Supervisory Board on a quarterly basis.

During 2024 the Audit Committee held 4 (four) regular and 7 (seven) extraordinary meetings.

3.2.3. Remuneration Committee

The Remuneration Committee ("RemCo") is a SB Committee which :

- provides specialized and independent advice for matters relating to remuneration policy and its implementation and for the incentives created while managing risks, capital and liquidity;
- safeguard the proper exercise of its duties and responsibilities, the efficient alignment of the personnel's remuneration with the risks the Bank undertakes and manages the required alignment between the Eurobank S.A. and the Bank;

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

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

3.2. Supervisory Board and Supervisory Board Committees (continued)

- approve or propose for approval all remunerations of the key management personnel and administrators and their close family members, as well as their controlled or jointly controlled entities or board members/directing managers of such entities which are exceeding the approved by SB limit according to the Bulgarian banking legislation.

The Committee consists of at least 3 (three) members. The members are appointed by the Supervisory Board as the tenure of the Committee members coincides with the tenure of the SB, with the option to renew their appointment, but in any case, the service in the Committee should not be more than nine (9) years in total. All of the members are non-executive directors and the majority of them are independent.

In 2024 the Remuneration Committee consisted of three members. During 2024 the Remuneration Committee held 6 (six) meetings.

3.2.4. Nomination and Corporate Governance Committee

The SB has delegated to the Nomination and Corporate Governance Committee the responsibility to lead the process for Management Board (shortly referred to as "MB") and SB Committee appointments. In this context, the Nomination and Corporate Governance Committee is responsible for, amongst other things, the identification, nomination and recommendation of candidates for appointment to the SB and MB. The Nomination and Corporate Governance Committee also considers matters related to the adequacy, efficiency and effectiveness of the MB and SB. Nomination and Corporate Governance Committee, in carrying out its duties, is accountable to the SB.

In 2024 the Nomination and Corporate Governance Committee consisted of three members. During 2024 the Nomination and Corporate Governance Committee held 13 (thirteen) meetings. By resolution of the Supervisory Board dated 13.06.2024 Mr. Provopoulos was released as Nomination and Corporate Governance Committee's member, respectively Ms. Raika Ontzova was appointed as committee member.

3.3. Management Board and Management Board Committees

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

The composition of the MB as of 31 December 2024 is consisted of 5 (five) members as four of the MB members are appointed as Executive Directors. The MB assigns, with the approval of the SB, the responsibilities for the management and the representation of the Bank to Executive Directors elected amongst Board's members. The authorization of the Executive Directors to represent the Bank can be withdrawn at any time by the MB, with the approval of the SB.

As of 31 December 2024, the members of the Management Board are:

- Petia Dimitrova - Chief Executive Officer, Chairperson and Member of the Management Board;
- Dimitar Shoumarov –Deputy CEO , Chief Financial Officer and Member of the Management Board;
- Asen Yagodin – Deputy CEO and Member of the Management Board;
- Panagiotis Mavridis – Chief Operating Officer and Member of the Management Board.
- Angel Mateev - Executive Director Retail Banking Sector and Member of the Management Board (appointed as of 19.04.2024).

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

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

3.3. Management Board and Management Board Committees

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

3.3.1. Assets and Liabilities Committee

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

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

ALCO has the following authority:

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

3.3.2. Regional Credit Committee

The MB has delegated to the Regional Credit Committee to assess and approve credit lines above € 10 m and/or term exceeding 10 years to borrowers with credit rating ICR and NCR 1 - 6 and respectively MRA 1 - 7.5, i.e., exceeding the limit of the CCC.

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

3.3.3. Country Credit Committee

The MB has delegated to the Country Credit Committee the approval of all credit exposures with amounts between €6m and €10m and/or term between 7 and 10 years.

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

3.3.4. Special Handling Committee I

The MB has delegated to the Special Handling Committee I the functions to assess and approve proposals related to corporate borrowers with credit rating equal and above MRA 7.6/ICR 7/NCR 7 and delinquent retail borrowers with exposures above € 3 m.

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

3.3.5. Special Handling Committee II

The MB has delegated to the Special Handling Committee II the functions to assess and approve proposals related to corporate borrowers with credit rating equal and above MRA 7.6/ICR 7/NCR 7 and delinquent retail borrowers with exposures between € 1m and € 3 m.

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

3.3.6. Troubled Assets Committee

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

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

3.3. Management Board and Management Board Committees (continued)

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

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

- To monitor the management of loans in arrears and NPLs;

To determine and implement the strategy regarding management of troubled assets and monitor the effective implementation of this strategy

3.3.7. Products and Services Committee (The Products and Services Committee replaces the existing Loans and Products Committee (LPC).

The purpose of the P&SC is to ensure the approval of all new products and services; as well as changes in existing products and services or their termination.

The Products and Services Committee consists of key management personnel, including the Chief Risk Officer, the Chief Operating Officer, and Directors/Managers in the areas of Legal, Finance, Wholesale and Retail Banking Sector.

3.3.8. Country Procurement Committee

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

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

3.3.9. Environmental, Social and Governance Management Committee (ESGMC)

The ESGMC is a management committee established upon the initiative of the CEO. Its purpose is to provide strategic direction on ESG initiatives, review the ESG Strategy prior to approval, oversee the progress of the ESG goals and performance targets and the proper implementation of ESG related policies and procedures.

3.3.10. Special Handling Monitoring Committee

The Special Handling Monitoring Committee (SHMC) is established as a committee that monitors problematic Corporate and NPL relationships.

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

3.4. CEO Management Committees

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

3.4.1. Executive Committee

The Executive Committee ("ExCo") has the responsibility for the day-to-day management of the Bank, considers all issues pertaining to the current activities of the Bank and adopt decisions on them as to manage the implementation of the Bank's strategy, plan, direct and control the Bank's activities to ensure high level of performance and customer satisfaction, establish adequate systems of internal

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

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

3.4. CEO Management Committees (continued)

control and ensure they are properly maintained, consider the monthly financial reports before their submission to the MB.

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

3.4.2. Ethics Committee

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

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

3.4.3. Data Governance Committee

The Data Governance Committee ("DGC") of the Bank is a Management Committee. The DGC is a steering and operational decision-making body for the Bank regarding Data Governance and BCBS 239 compliance management. It oversees rules, regulations, processes and roles that are established in order to manage operational issues related to Data Governance and BCBS 239 principles.

Committee members are appointed by the Executive Committee and include the CEO and other key positions.

3.4.4. Operational Risk Committee

The Operational Risk Committee ("ORC") has the responsibility to provide oversight of actual operational risk exposure and management and the processes implemented to assess, monitor, and mitigate operational risk. The ORC's remit covers all business activities and subsidiaries of the Group in Bulgaria. The Operational Risk Committee consists of key management personnel in the areas of Risk, Operations, IT, Finance, TAG, Retail and Corporate. There is also a non-voting member from Internal Audit Division.

3.4.5. Related Employees Committee

The Related Employees Committee ("REC") is responsible for monitoring proper implementation of the Bank's Relatives Employment Policy and for deciding about cases which deviate from the Policy. The REC is subordinated and reports directly to the ExCo.

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

3.5. Main issues the SB dealt with during 2024 :

In discharging its responsibilities for 2024 the main issues the Board dealt with are related to:

a) Corporate governance:

- Approval of changes in the Bank's organizational structure;
- Approval of changes in the Supervisory Board Committees' compositions;
- Approval of changes in the Management Board composition;
- Approval of Corporate Governance Policies;
- Approval of acquisition of a company;
- Approval of acquiring the minority shares of BORICA;

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

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

3.5. Main issues the SB dealt with during 2024 (continued)

- Preparation, convocation and holding of regular and irregular GMS;
- Regular update on MB and SB Committees' meetings;
- Other decisions as per Bank's Statutes';
- Election of new SB Chairperson and two Deputy CEO's;
- Approval of Boards Committees' ToRs;
- Approval of the 2023 annual financial statement;

b) Capital Adequacy:

- review of the 2024 Internal Capital and Liquidity Adequacy Assessment Process (ICAAP and ILAAP) – Pillar 2 Report. Capital Adequacy report was reviewed every quarter.

c) Business monitoring:

- approval of the 2023 Annual Financial Statements;
- review of business developments and liquidity;
- approval of the financial budget

d) Risk Management and Internal Control:

- review of annual reports on evaluation of Internal Control Systems and Compliance Polices;
- review and approval of the 2023 Pillar 3 Report;
- review on the Risk and Capital Strategy and Risk Appetite Framework;
- review of Audit Committee meeting minutes and Key Audit Issues.

4. Board Diversity Policy

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

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

The Bank's Corporate Secretariat Section has the responsibility to review the Policy on an annual basis and ensure that there are no material changes, particularly in relation to changes in the regulatory framework, external developments and internal processes. In reviewing the Board composition, the committee considers the benefits of all aspects of diversity including, but not limited to, those described above, in order to maintain an appropriate range and balance of skills, experience and background.

5. Board Nomination Policy and Board Induction Policy

5.1. The Eurobank Bulgaria AD Board Nomination Policy sets out the guidelines and formal process for the identification, selection and nomination and assessment of candidates for members of Bank's Management Board and Supervisory Board, as well as Key Function Holders selection and

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

5. Board Nomination Policy and Board Induction Policy (continued)

appointment. The Boards, supported by the Nomination and Corporate Governance Committee nominate candidates who meet the fit and proper requirements. The fitness and propriety of nominees is assessed against the following criteria: reputation along with honesty, integrity and trust, knowledge, skills, experience and other general suitability requirements, conflicts of interest and independence of mind; time commitment and collective suitability.

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

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

6. System of Internal Controls and Risk Management Main Features

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

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

6.1. Principles of Internal Controls System:

The Bank has established a System of Internal Controls that is based on international best practice. In reflecting how this system operates, the Bank has borrowed terminology from the COSO framework.

The Bank's system of internal controls is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

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

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

- **Control Environment:** The control environment is the foundation for all other components of internal control, providing discipline and structure; and influencing the control consciousness of the Bank's employees. Integrity and high ethical values stem from management's philosophy and operating style; and appropriate recruitment and training policies ensure the competence of the

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

6. System of Internal Controls and Risk Management Main Features (continued)

6.1. Principles of Internal Controls System (continued)

- Bank's employees. The Bank's organisational structure is suitable for its size and complexity, with clearly defined responsibilities and reporting lines and clearly specified delegation of authority.
- **Risk Assessment:** The Bank acknowledges that taking risks is an integral part of its business. It therefore sets mechanisms to identify those risks and assess their potential impact on the achievement of the Bank's objectives. Because economic, industry, regulatory and operating conditions will continue to change, risk assessment and risk management mechanisms are in place to identify and deal with the special risks associated with change.
- **Control Activities:** Control activities are the policies and detailed procedures that help ensure that management directives are carried out. They occur throughout the organisation, at all levels and in all functions. One of the prime control means of the Bank is segregation of duties. Functions that are separated include those of dealing, authorisation, execution, custody, recording and performing reconciliation. Physical controls, authorisation and approval procedures; and arithmetical and accounting checks are also part of the control activities of the Bank.
- **Information and Communication:** Information must be identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities. The Bank has set effective communication channels to ensure that information is communicated down, across and up within the organisation. Mechanisms are also in place to obtain appropriate external information; as well as to communicate effectively with outside parties; including regulators, shareholders, and customers.
- **Monitoring:** The Bank has established mechanisms for the ongoing monitoring of activities as part of its normal course of operations. These include regular management and supervisory activities, and other actions personnel take in performing their duties that assess the performance of internal control systems. There are also separate evaluations, the scope and frequency of which depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies are reported upstream, with serious matters reported to top management, the Audit Committee, Management Board and Supervisory Board of the Bank.

6.2. Internal Audit

IAD is an independent, objective assurance and consulting function designed to add value and improve the Bank's operations. Its primary role is to help the Supervisory Board and the Executive Management to protect the Bank's assets, reputation and sustainability. This is achieved by providing assurance on the adequacy and operational effectiveness of internal control and risk mitigation systems established by management in order to address inherent risks associated with businesses carried out and operations.

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

To safeguard its independence IAD reports functionally to the Audit Committee and administratively to the Chief Executive Officer of the Bank. The Internal Audit is independent of the Bank units with operational responsibilities. The Supervisory Board has delegated the responsibility for monitoring the activity of the IAD to the Audit Committee.

IAD follows a risk-based approach in planning and conducting its work. IAD carries out continuous monitoring of the Bank's risk profile. This provides key input to the formal risk-assessment that forms the basis for the preparation of the Annual Audit Plan.

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

6. System of Internal Controls and Risk Management Main Features (continued)

6.2. Internal Audit (continued)

Financial and non-financial risks, traditional (e.g. credit, market, liquidity, compliance, operational) and emerging (e.g. climate) are being assessed and prioritised for review, together with the supervisory requirements and the specific requests of the Audit Committee.

IAD's work includes but is not restricted to the following:

- To assess the adequacy and effectiveness of internal controls in the following areas:
  - Compliance with the Bank's business, risk and ethical policies;
  - Safeguarding of the Bank's assets;
  - Reliability of financial reporting; and
  - Compliance with applicable laws and regulations.
- To assist the Management in prevention and detection of fraud and defalcation (unethical practices, code of conduct, insider dealing, etc.) and undertake such special projects as required.
- To carry out specific responsibilities required by Regulatory Authorities and/or participate in bank wide projects undertaken by the Bank.

IAD also provides certain consulting services as part of its activities as well as in response to requests by Management; these do not compromise its independence and objectivity.

6.3. Compliance

The mission of Compliance Division is to promote within the Bank an organizational culture that encourages ethical conduct and a commitment to compliance with laws and regulations as well as international governance standards.

The Compliance Division has been established under the approval of the Supervisory Board and the Audit Committee of the Bank. It is a permanent function, independent of the Bank's business activities, so that conflicts of interests are avoided. The Mandate of Compliance Division is reviewed at least annually.

In order to safeguard its independence, Compliance Division reports functionally to the Supervisory Board through the Audit Committee and for administrative purposes to the CEO. The Head of Compliance attends all Audit Committee meetings and submits quarterly and annual reports (per regulatory requirements) summarizing the Division's activity and highlighting the main compliance issues. These reports include all matters falling under the scope of the Compliance Division (including an assessment of the application and effectiveness of existing processes and procedures, material failures and weaknesses in addressing compliance risks and recommended actions), which the Head of Compliance believes should be reported to the Audit Committee or matters specifically requested by the latter.

The main objective of Compliance Division is to ensure that the Bank has established an adequate system of internal controls that allows it to operate in accordance with the ethical set of values contained in its "Code of Conduct and Ethics" and in compliance with applicable laws, regulations and internal policies as well as international best practices. In brief, for the regulatory topics within its scope of responsibilities, Compliance Division is mandated to:

- Raise compliance awareness throughout the Bank;
- Provide advice to the Management and Supervisory Boards and Senior Management on compliance with applicable laws, rules and standards and keep them informed of related developments;

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

6. System of Internal Controls and Risk Management Main Features (continued)

6.3. Compliance (continued)

- Issue policies, procedures and other documents such as compliance manuals, internal codes of conduct & ethics and practice guidelines, in order to provide guidance to staff on the appropriate implementation of applicable laws, rules and standards as well as to assist the business to develop and implement regulatory compliant policies and procedures;
- Review new activities and advise on potential compliance risks;
- Ensure that staff is adequately trained and frequently updated about compliance issues by designing training programs and co-operating with HR for their implementation;
- Ensure the development of a robust compliance risk identification and assessment framework, provide support and challenge, if required, the business line management regarding the effectiveness of the compliance risk management activities;
- Coordinate compliance risk management actions performed by other business units;
- Monitor and test whether staff effectively apply the internal processes and procedures aimed at achieving regulatory compliance and report to the relevant Business Units any potential breaches in order for the latter to proceed with the required improvements;
- Monitor staff adherence to internal policies and the Code of Conduct and Ethics and identify potential breaches or fraudulent activity;
- Monitor the timely submission of reports to competent authorities and report any delays and fines for any alleged breaches of regulations to the Audit Committee;
- Fulfil any statutory responsibilities and liaise with regulators and external bodies on compliance issues;
- Ensure coordination and cooperation with Group Compliance in line with 'Subsidiaries Compliance Supervision and Cooperation Governance' Group Guideline.

The scope of activities of Compliance Division covers the following core regulatory topics:
a. Financial Crime including laws and regulations on Anti Money Laundering (AML) and Countering the Financing of Terrorism (CFT), and legislation aimed at combatting tax evasion such as FATCA & CRS (tax compliance). The scope includes the provision of timely and accurate responses to requests arising from regulatory and judicial authorities for the lifting of banking secrecy or freezing of assets and co-operation with them. Financial Crime also includes anti-bribery and anti-corruption legislation.

b. Conduct related regulations, including

Market Conduct related regulation regarding the provision of investment products and services to clients including laws and regulations on Market Manipulation, Insider Dealing, Unlawful disclosure of inside information and other financial crimes.

- Internal Conduct rules including Conflict of Interest regulatory provisions, internal codes of conduct, Insider Dealing.

- Consumer Conduct laws and regulations (including, inter alia, the Payment Services Directive and the Deposit Guarantee scheme).

Compliance Division has an overlay role over the regulatory framework concerning personal data protection, corporate governance, prudential regulation (credit market, liquidity and operational risk), information & IT security, cyber security risk, outsourcing and ESG. In this context CD performs a high-level monitoring through compliance risk assessments of the alignment of the Bank's activities with regulatory requirements.The scope of activities can be expanded with the approval of the Audit Committee.

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

6. System of Internal Controls and Risk Management Main Features (continued)

6.4. Risk management

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

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

The Risk Committee is empowered to:

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

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

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

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

Steps	Activity
Identify	• Establish the policies and processes for identifying and understanding business risks.
Assess	• Establish and implement measurement and reporting standards and methodologies.
Control	• Establish key control processes and practices, including limit structures, impairment allowance criteria and reporting requirements; • Monitor the operation of the controls and adherence to risk direction and limits; • Provide early warning of control or appetite breaches.
Report	• Interpret and report on risk exposures, concentrations and risk-taking outcomes. • Communicate with external parties.
Manage and Challenge	• Review and challenge all aspects of the Bank's risk profile; • Assess new risk-return opportunities; • Advise on optimising the Bank's risk profile; • Review and challenge risk management practices.

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

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

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

6. System of Internal Controls and Risk Management Main Features (continued)

6.4. Risk management (continued)

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

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

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

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

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

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

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

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

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

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

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

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

7.1. The Bank has not been involved in any significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Directive 2001/34 /EC of the European Parliament and of the Council of 28 May 2001 on the admission of securities to official stock exchange listing and on information to be published on those securities as amended by Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, namely Art. 9 – 13.

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

7.3. No restrictions have been implemented or exercised on the rights to vote, such as restrictions on the rights to vote of holders of a certain percentage or number of votes, deadlines for exercising the rights aloud or systems through which through the co-operation with the company the financial rights attached

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

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

to the securities are separated of the possession of the securities. All of the Bank’s capital shares[1] are ordinary with a nominal value of BGN 1.00 (one) each, giving voting right, dividend right and liquidation quota proportionate to the nominal value of shares.

7.4. The main Article of Association (AoA), namely Statute of the Bank, regulates the appointment and replacement of Boards members. It incorporates the main provisions and principals of the applicable commercial law. The document is publicly available on the account of the Bank in the Commercial Registry and the Registry of Non-profit Legal Entities to the Registry Agency at the Ministry of Justice. The responsibilities that rest with the Management Board and Supervisory Board members are given in Statute of the Bank and detailed in the Terms of reference (ToR) of the relevant Board. It also contains provisions governing the fundamental powers and manner of interaction between the Boards in the decision making process.

7.5. The provisions providing the competences of buy-back of shares are implemented in Art.11of the Bank’s Statute.

7.6. No information for takeover bids, other than stated in paragraph for subsequent events, has been received by the Bank as of the date of issuance of these Financial statements.

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

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

Separate income statement	**Notes**	**Year ended 31 December**	
		2024	**2023**
Interest income calculated using the effective interest method		929,929	725,052
Other interest income		6,166	13,751
Interest expense and similar charges		(163,629)	(102,046)
Net interest income	6	**772,466**	**636,757**
Fee and commission income		218,646	194,797
Fee and commission expense		(56,746)	(46,196)
Net fee and commission income	7	**161,900**	**148,601**
Net trading income	9	-	1,642
Gains less (losses) from trading securities	17	482	869
Gains less (losses) from investment securities	19b	7,292	4,624
Other operating income, net	8	9,790	4,695
Revenue		**951,930**	**797,188**
Dividend income		683	496
Revaluation of property, plant and equipment	21	(4,003)	(2,913)
Repossessed assets impairment		(1,637)	(3,519)
Other operating expenses	10	(341,405)	(326,850)
Deposit Insurance Fund expense		(24,935)	(20,753)
Impairment charge for credit losses	12	(97,091)	(100,780)
Profit before income tax		**483,542**	**342,869**
Income tax expense	13	(71,338)	(34,789)
Profit for the year		**412,204**	**308,080**

The separate financial statements were authorized by the management on 12 March 2025.

Petia Nikolova Dimitrova
Digitally signed by Petia Nikolova Dimitrova
Date: 2025.03.26 16:47:28 +02'00'

Petia Dimitrova
Chief Executive Officer and Chairperson of the Management Board

Dimitar Borisov Shoumarov
Digitally signed by Dimitar Borisov Shoumarov
Date: 2025.03.26 15:56:13 +02'00'

Dimitar Shoumarov
Deputy CEO, Chief Financial Officer and Member of the Management Board

Initialled for identification purposes in reference to the auditor’s report:

For KPMG Audit OOD, registered under No 045 in the Register of the registered auditors:

IVAN ANDONOV ANDONOV
Digitally signed by IVAN ANDONOV ANDONOV
Date: 2025.03.26 19:18:38 +02'00'

Ivan Andonov
Registered Auditor responsible for the audit
Authorized representative

For Baker Tilly Klitou and Partners EOOD, registered under No 129 in the Register of the registered auditors:

Tsvetana Slavova Stefanina
Digitally signed by Tsvetana Slavova Stefanina
Date: 2025.03.26 17:56:07 +02'00'

Tsvetana Stefanina
Registered Auditor responsible for the audit and Managing director

Nedyalko Bozhidarov Apostolov
Digitally signed by Nedyalko Bozhidarov Apostolov
Date: 2025.03.26 18:19:48 +02'00'

Nedyalko Apostolov
Managing director

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

Separate statement of comprehensive income	**Notes**	**Year ended 31 December**	
		2024	**2023**
Profit for the year		**412,204**	**308,080**
Items that are or may be reclassified subsequently to profit and loss:	**14**	***16,649***	***30,976***
Debt securities at FVOCI			
-net changes in Fair Value, net of tax		16,051	33,745
-reclassified to profit or loss, net of tax		598	(2,769)
Items that will not be reclassified to profit or loss:		***1,292***	***516***
Change in FV of property, plant and equipment, net of tax		1,047	(600)
Remeasurements of retirement benefit obligations, net of tax		245	1,116
Other comprehensive income for the year	**14**	**17,941**	**31,492**
Total comprehensive income for the year		**430,145**	**339,572**

The separate financial statements were authorized by the management on 12 March 2025.

Petia Nikolova Dimitrova Digitally signed by Petia Nikolova Dimitrova Date: 2025.03.26 16:47:49 +02'00'

Petia Dimitrova

Chief Executive Officer and Chairperson of the Management Board

Dimitar Borisov Shoumarov Digitally signed by Dimitar Borisov Shoumarov Date: 2025.03.26 15:56:34 +02'00'

Dimitar Shoumarov

Deputy CEO, Chief Financial Officer and Member of the Management Board

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

For KPMG Audit OOD, registered under No 045 in the Register of the registered auditors:

IVAN ANDONOV ANDONOV Digitally signed by IVAN ANDONOV ANDONOV Date: 2025.03.26 19:19:42 +02'00'

Ivan Andonov
Registered Auditor responsible for the audit
Authorized representative

For Baker Tilly Klitou and Partners EOOD, registered under No 129 in the Register of the registered auditors:

Tsvetana Slavova Stefanina Digitally signed by Tsvetana Slavova Stefanina Date: 2025.03.26 17:57:12 +02'00'

Tsvetana Stefanina
Registered Auditor responsible for the audit and Managing director

Nedyalko Bozhidarov Apostolov Digitally signed by Nedyalko Bozhidarov Apostolov Date: 2025.03.26 18:20:34 +02'00'

Nedyalko Apostolov
Managing director

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

Separate statement of financial position	**Notes**	**As at 31 December**	
		2024	**2023**
Assets			
Cash and balances with the Central Bank	15	2,380,546	2,365,538
Loans and advances to banks	16	1,180,837	783,234
Trading assets	17	74,656	37,272
of which pledged	*17*	*5,455*	*5,323*
Derivative financial instruments	25	33,505	18,655
Loans and advances to customers	18	14,739,644	12,540,242
Investment securities	19a	3,464,426	3,028,859
of which pledged	*19*	*1,061,300*	*344,982*
Shares in subsidiary undertakings	37	1,000	1,000
Deferred tax assets	28	3,558	4,734
Property, plant and equipment, including right of use assets	21	321,839	309,951
Investment property	20	445	441
Intangible assets and goodwill	22	194,275	164,641
Other assets	23	163,296	135,251
Total assets		**22,558,027**	**19,389,818**
Liabilities			
Deposits from banks	24	973,063	140,905
Derivative financial instruments	25	35,807	22,687
Due to customers	26	17,241,317	15,653,641
Other borrowed funds	27	1,305,591	1,036,249
Current income tax payable		25,763	6,596
Provisions for other liabilities and charges	29	26,972	32,418
Retirement benefit obligations	30	4,389	4,026
Other liabilities	31	239,359	217,675
Total liabilities		**19,852,261**	**17,114,197**
Shareholders' equity			
Share capital		560,323	560,323
Statutory reserves		282,521	282,521
Retained earnings and other reserves		1,862,922	1,432,777
Total shareholders' equity	32	**2,705,766**	**2,275,621**
Total shareholders' equity and liabilities		**22,558,027**	**19,389,818**

The separate financial statements were authorized by the management on 12 March 2025.

Petia Nikolova Dimitrova Digitally signed by Petia Nikolova Dimitrova Date: 2025.03.26 16:48:15 +02'00'

Petia Dimitrova
Chief Executive Officer and Chairperson of the Management Board

Dimitar Borisov Shoumarov Digitally signed by Dimitar Borisov Shoumarov Date: 2025.03.26 15:56:52 +02'00'

Dimitar Shoumarov
Deputy CEO, Chief Financial Officer and Member of the Management Board

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

For KPMG Audit OOD, registered under No 045 in the Register of the registered auditors:

IVAN ANDONOV ANDONOV Digitally signed by IVAN ANDONOV ANDONOV Date: 2025.03.26 19:20:52 +02'00'

Ivan Andonov
Registered Auditor responsible for the audit
Authorized representative

For Baker Tilly Klitou and Partners EOOD, registered under No 129 in the Register of the registered auditors:

Tsvetana Slavova Stefanina Digitally signed by Tsvetana Slavova Stefanina Date: 2025.03.26 17:58:04 +02'00'

Tsvetana Stefanina
Registered Auditor responsible for the audit and Managing director

Nedyalko Bozhidarov Apostolov Digitally signed by Nedyalko Bozhidarov Apostolov Date: 2025.03.26 18:21:11 +02'00'

Nedyalko Apostolov
Managing director

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

Separate statement of changes in shareholders' equity	Share capital	Property revaluation reserve	Fair value reserve	Statutory Reserves	Retained earnings and other reserves	Total
Balance at 01 January 2023	**560,323**	**9,371**	**(55,813)**	**282,521**	**1,139,648**	**1,936,050**
Profit for the year	-	-	-	-	308,080	308,080
Other comprehensive income						
Change in fair value reserve on financial assets at FVOCI	-	-	30,976	-	-	30,976
Revaluation of property, plant and equipment	-	(600)	-	-	-	(600)
Remeasurements of retirement benefit obligations, net of tax	-	-	-	-	1,115	1,115
Total comprehensive income for 2023	-	(600)	30,976	-	309,195	339,571
Balance at 31 December 2023	**560,323**	**8,771**	**(24,837)**	**282,521**	**1,448,843**	**2,275,621**
Balance at 01 January 2024	**560,323**	**8,771**	**(24,837)**	**282,521**	**1,448,843**	**2,275,621**
Profit for the year					412,204	412,204
Other comprehensive income						
Change in fair value reserve on financial assets at FVOCI	-	-	16,649	-	-	16,649
Revaluation of property, plant and equipment	-	1,047	-	-	-	1,047
Remeasurements of retirement benefit obligations, net of tax	-	-	-	-	245	245
Total comprehensive income for 2024	-	1,047	16,649	-	412,449	430,145
Balance at 31 December 2024	**560,323**	**9,818**	**(8,188)**	**282,521**	**1,861,292**	**2,705,766**

The separate financial statements were authorized by the management on 12 March 2025.

Petia Nikolova Dimitrova
Digitally signed by Petia Nikolova Dimitrova
Date: 2025.03.26 16:48:37 +02'00'

Petia Dimitrova
Chief Executive Officer and Chairperson of the Management Board

Dimitar Borisov Shoumarov
Digitally signed by Dimitar Borisov Shoumarov
Date: 2025.03.26 15:57:11 +02'00'

Dimitar Shoumarov
Deputy CEO, Chief Financial Officer and Member of the Management Board

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

For KPMG Audit OOD, registered under No 045 in the Register of the registered auditors:

IVAN ANDONOV ANDONOV
Digitally signed by IVAN ANDONOV ANDONOV
Date: 2025.03.26 19:21:58 +02'00'

Ivan Andonov
Registered Auditor responsible for the audit
Authorized representative

For Baker Tilly Klitou and Partners EOOD, registered under No 129 in the Register of the registered auditors:

Tsvetana Slavova Stefanina
Digitally signed by Tsvetana Slavova Stefanina
Date: 2025.03.26 17:58:36 +02'00'

Tsvetana Stefanina
Registered Auditor responsible for the audit and Managing director

Nedyalko Bozhidarov Apostolov
Digitally signed by Nedyalko Bozhidarov Apostolov
Date: 2025.03.26 18:21:47 +02'00'

Nedyalko Apostolov
Managing director

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

Separate statement of cash flows

	Year ended 31 December	
	2024	**2023**
Cash flows from operating activities		
Interest received	964,897	735,338
Interest paid	(126,701)	(59,984)
Dividends received	683	496
Fees and commission received	218,234	195,580
Fees and commission paid	(50,971)	(39,798)
Amounts paid to and on behalf of employees	(180,991)	(163,979)
Net trading and other income received	2,408	(86)
Other operating expenses paid	(184,295)	(138,684)
Tax paid	(52,988)	(29,816)
Cash from operating activities before changes in operating assets and liabilities	**590,276**	**499,067**
Changes in operating assets and liabilities		
Net (increase) in reserve with the Central Bank	(149,842)	(301,937)
Net decrease in loans and advances to banks	(2,566)	(17,094)
Net decrease in trading securities	(37,384)	(2,044)
Net (increase) in loans and advances to customers	(2,285,719)	(1,671,232)
Net (increase)/ decrease in other assets	(23,922)	(24,301)
Net (decrease)/increase in derivatives instruments	(1,181)	(13,117)
Net (decrease)/ increase in due to other banks	832,158	117,001
Net increase in amounts due to customers	1,553,438	1,737,912
Net increase/ (decrease) in other liabilities	37,542	10,878
Net cash flows from operating activities	**512,800**	**335,133**

(Continued on the next page)

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

Separate statement of cash flows (continued)

	Year ended 31 December	
	2024	**2023**
Cash flows from investing activities		
Payment for acquisition of BNP Pariba, net of cash acquired (Note 38)	-	(761,148)
Purchase of shares in subsidiaries	-	(1,000)
Purchase of property, plant and equipment and intangible assets (Notes 21,22)	(81,536)	(56,719)
Purchase of investment securities	(1,357,081)	(787,015)
Proceeds on disposal of property and equipment	170	7
Proceeds from sale of investment securities	969,899	535,009
Net cash flow/(used in) from investing activities	**(468,548)**	**(1,070,866)**
Cash flows from/ (used in) financing activities		
Long-term financing received	273,816	557,412
Long-term debt repaid	(5,654)	(5,654)
Payment of lease liability	(19,440)	(17,842)
Net cash used in financing activities	**248,722**	**533,916**
Effect of exchange rate changes on cash and cash equivalents	(308)	592
Net change in cash and cash equivalents	**292,666**	**(201,225)**
Cash and cash equivalents at beginning of year	**2,179,885**	**2,381,110**
Cash and cash equivalents at end of year (Note 33)	**2,472,551**	**2,179,885**

The separate financial statements were authorized by the management on 12 March 2025

Petia Nikolova Dimitrova
Digitally signed by Petia Nikolova Dimitrova
Date: 2025.03.26 16:48:59 +02'00'

Petia Dimitrova

Chief Executive Officer and Chairperson of the Management Board

Dimitar Borisov Shoumarov
Digitally signed by Dimitar Borisov Shoumarov
Date: 2025.03.26 15:57:31 +02'00'

Dimitar Shoumarov

Deputy CEO, Chief Financial Officer and Member of the Management Board

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

For KPMG Audit OOD, registered under No 045 in the Register of the registered auditors:

IVAN ANDONOV ANDONOV
Digitally signed by IVAN ANDONOV ANDONOV
Date: 2025.03.26 19:23:03 +02'00'

Ivan Andonov
Registered Auditor responsible for the audit
Authorized representative

For Baker Tilly Klitou and Partners EOOD, registered under No 129 in the Register of the registered auditors:

Tsvetana Slavova Stefanina
Digitally signed by Tsvetana Slavova Stefanina
Date: 2025.03.26 17:59:23 +02'00'

Tsvetana Stefanina
Registered Auditor responsible for the audit and Managing director

Nedyalko Bozhidarov Apostolov
Digitally signed by Nedyalko Bozhidarov Apostolov
Date: 2025.03.26 18:22:28 +02'00'

Nedyalko Apostolov
Managing director

The following notes set out on pages 49 to 170 form an integral part of these separate financial statements
Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail

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

Notes to the separate financial statements

1.General information

Eurobank Bulgaria AD (the Bank), UIC 000694749, was incorporated and is domiciled in Bulgaria. The Bank is a joint stock company limited by shares and was set up in accordance with Bulgarian regulations. The Bank operates under a full banking licence issued by the Bulgarian National Bank.

Eurobank Bulgaria AD provides retail, corporate banking and investment banking services in Bulgaria. Its Head Office is located in Sofia and it has 193 network locations and 11 business centers (2023: 229 network locations and 12 business centers). The registered office address is: 260 Okolovrasten pat, 1766 Sofia, Bulgaria. The Bank employees are 3,859 people (2023: 4,213).

Eurobank Bulgaria AD is a subsidiary of Eurobank Group, Greece (the Group). The parent company is incorporated and is domiciled in Greece.

Related party transactions - Eurobank S.A. shareholding structure

Eurobank Ergasias Services and Holdings S.A. (Eurobank Holdings) is the parent company of Eurobank S.A. Fairfax Group, which holds 33.29% of Eurobank Holdings' share capital as of 31 December 2024 (31 December 2023: 32.93%), is considered to have significant influence over Eurobank Holding .

2. Basis of preparation and material accounting policies

2.1 Basis of preparation

These separate financial statements have been prepared on unconsolidated basis as required by the Bulgarian Accountancy Act. The Bank has one subsidiary as at 31 December 2024 - PB Personal Finance E.A.D.

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by IASB, as endorsed by the European Union (EU), and with those IFRSs and IFRS Interpretation Committee's (IC) interpretations, issued and effective or issued and early adopted as at the time of preparing these financial statements.

The financial statements have been prepared under historical cost convention as modified by:

- the revaluation of financial assets measured at fair value through other comprehensive income (FVOCI) and of financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss;
- land and buildings for own use - measured at fair value through other comprehensive income;
- investment property - measured at fair-value-through-profit-or-loss;
- repossessed collaterals - measured at the lower of cost and net realizable value;
- retirement benefit obligations – measured at present value of the retirement benefit obligation;
- assets acquired and liabilities assumed at merger – measured at fair value at initial recognition.

Going concern assessment

The Management board of the Bank, assessing internal and external risks related with macroeconomic conditions and geopolitical environment, including the continued geopolitical tensions caused mainly by the open war fronts in Ukraine and the Middle East which could potentially escalate, and their impact on the economy and the banking system and taking into account factors related to Bank's pre-provision income generating capacity, the adequacy of its capital and liquidity position, the ongoing proactive management and improvement of balance sheet asset quality, has been satisfied that the financial statements of the Bank can be prepared on a going concern basis.

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

Notes to the separate financial statements (continued)

2. Basis of preparation and material accounting policies (continued)

2.1 Basis of preparation (continued)

Use of judgments and estimates

The preparation of the financial statements in conformity with IFRS requires the use of estimates and judgements, described in section 3. Use of judgements and estimates in applying accounting policies that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The significant estimates, judgments and assumptions made by Management are the same as those applied in the financial statements for the year ended 31 December 2024.

2.1.1 New and amended standards and interpretations

(a) New and amended standards adopted by the Bank as of 1 January 2024

The following new standards and amendments to existing standards as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), apply as of 1 January 2024:

a) New and amended standards adopted by the Bank as of 1 January 2024
IAS 1, Amendments, Classification of Liabilities as Current and Non-Current

The amendments, published in January 2020, introduce a definition of settlement of a liability, while they make clear that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. In addition, it is clarified that the assessment for liabilities classification made at the end of the reporting period is not affected by the expectations about events after the reporting period and whether an entity will exercise its right to defer settlement of a liability. The Board also clarified that when classifying liabilities as current or non-current, an entity can ignore only those conversion options that are classified as equity.

In October 2022, the IASB issued *Non-current Liabilities with Covenants (Amendments to IAS 1)* with respect to liabilities for which an entity's right to defer settlement for at least 12 months after the reporting date is subject to the entity complying with conditions after the reporting period ("future covenants"). The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements.

The adoption of the amendments is not expected to impact the separate financial statements of the Bank.

IFRS 16, Amendment, Lease Liability in a Sale and Leaseback

The amendment requires a seller-lessee to subsequently measure lease liabilities arising in a sale and leaseback transaction in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. Any gains and losses relating to the full or partial termination of a lease continue to be recognised when they occur. The amendment does not change the accounting for leases unrelated to sale and leaseback transactions.
The adoption of the amendment is not expected to impact the separate financial statements of the Bank.

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

Notes to the separate financial statements (continued)

2. Basis of preparation and material accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended standards and interpretations (continued)

(b) New and amended standards not yet adopted by the Bank

A number of new standards and amendments to existing standards are effective after 2024, as they have not yet been endorsed by the EU or have not been early applied by the Bank. Those that may be relevant to the Bank are set out below:

IFRS 18, Presentation and Disclosure in Financial Statements (effective 1 January 2027, not yet endorsed by EU)

In April 2024, the IASB published the new standard IFRS 18 “Presentation and Disclosure in Financial Statements” which will replace IAS 1 “Presentation of Financial Statements”. The new standard sets out the requirements for presentation and disclosures in financial statements with focus on the income statement and reporting of financial performance, in order to ensure that financial statements provide relevant information that faithfully represents an entity’s financial position, performance, and cash flows.

Specifically, the new standard contains new guidance regarding the structure of the income statement, on whether information is included in the primary financial statements or is further disaggregated in the notes, as well as disclosure requirements for Management-defined Performance Measures (MPMs). For each MPM presented, the standard requires the companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. In addition, it provides enhanced guidance on aggregation and disaggregation of information on the face of financial statements and in the notes, while sets out general requirements for the classification and presentation of assets, liabilities, equity, income, and expenses.

The new standard is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted and will also apply to comparative information.
The Bank is currently assessing the impact of IFRS 18 on its separate financial statements.

IAS 21, Amendments, Lack of Exchangeability (effective 1 January 2025)

The amendments to IAS 21” The Effects of Changes in Foreign Exchange Rates”, specify how an entity can determine whether a currency is exchangeable into another currency at the measurement date, and the spot exchange rate to use when it is not. In addition, when a currency is not exchangeable an entity should disclose information that would enable users of its financial statements to understand the related effects and risks as well as the estimated rates and techniques used.
The adoption of the amendment is not expected to impact the separate financial statements of the Bank

IFRS 9 & IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (effective 1 January 2026, not yet endorsed by EU)

In May 2024, the IASB issued “Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7”. The amendments clarify the requirements related to the derecognition of financial liabilities settled through electronic payment systems, provide additional guidance for SPPI assessment of financial instruments with contingent features, non-recourse features, as well as for transactions that are contractually linked instruments.

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

Notes to the separate financial statements (continued)

2. Basis of preparation and material accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended standards and interpretations (continued)
(b) New and amended standards not yet adopted by the Bank

Additionally, the amendments introduce disclosure requirements regarding financial instruments with contingent features, as well as for investment in equity instruments designated at FVOCI.
The amendments are effective for annual reporting periods beginning on or after 1 January 2026 with earlier application permitted.
The Bank is currently assessing the impact of the amendments on its separate financial statements.

Annual improvements to IFRSs - Volume 11 (effective 1 January 2026, not yet endorsed by EU)
In July 2024, the IASB issued amendments to several IFRS standards, which resulted from the IASB's annual improvements process. This volume includes minor amendments to several standards namely :
-IFRS 1 "First-time Adoption of International Financial Reporting Standards" on Clarifications on hedge accounting for first-time adopters,
-IFRS 7 "Financial Instruments: Disclosures" and its accompanying Guidance on implementing IFRS 7 in disclosures related to derecognition and fair value and credit risk,
- IFRS 9 "Financial Instruments" on clarifications about lessee derecognition of lease liabilities and on definition of transaction price over the initial measurement of trade receivables,
-IFRS 10 "Consolidated Financial Statements" on the determination of a 'De Facto Agent' and
-IAS 7 "Statement of Cash-Flows" on definition of cost method.
The adoption of the amendments is not expected to impact the separate financial statements.

2.2 Material accounting policy

The accounting policies set out below have been consistently applied to the years 2024 and 2023.

2.2.1 Shares in subsidiary undertakings
Investments in subsidiaries, including investments acquired through common control transactions, are accounted at cost less any impairment losses. Cost is the fair value of the consideration given being the amount of cash or shares issued, or if that cannot be determined reliably, the consideration paid together with any directly attributable costs.

Business combinations

The Bank accounts for business combinations using the acquisition method when control is transferred to the Bank. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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

Notes to the separate financial statements (continued)

2. Basis of preparation and material accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.1 Shares in subsidiary undertakings (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which it occurs, the Bank reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period to reflect the new information obtained about the facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. The measurement period adjustments, as mentioned above, affect accordingly the amount of goodwill that was initially recognized, while the measurement period cannot exceed one year from the acquisition date.

Merger

Mergers that involve the combination of the Bank with one or more of its related parties are accounted in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” with reference of other standard-setting bodies that use a similar conceptual framework and comply with the IFRS general principles.

In such transactions, the Bank incorporates the acquired assets and liabilities of the merged subsidiary at their carrying amounts as of the date of the legal merger without any fair value adjustments. Any difference between the carrying amount of the investment in the merged subsidiary before the legal merger, and the carrying amount of net assets acquired is recognized in the Bank’s equity.

Transactions eliminated on merger

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity- accounted investees are eliminated against the investment to the extent of the Bank interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.2.2 Foreign currencies transactions

The Bank’s presentation currency is the Bulgarian Lev (BGN) being the functional currency of the primary economic environment in which the Bank operates (‘the functional currency’). Except otherwise indicated, financial information presented in Bulgarian Leva has been rounded to the nearest thousand.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the Central Bank’s exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at each reporting date and exchange differences are recognized in the income statement.

Non-monetary assets and liabilities are translated into the functional currency at the exchange rates prevailing at initial recognition, except for non-monetary items denominated in foreign currencies that are measured at fair value which are translated at the rate of exchange at the date the fair value is determined. The exchange differences relating to these items are treated as part of the change in fair value and are recognized in the income statement or recorded directly in equity depending on the classification of the non-monetary item.

At 31 December 2024, monetary assets and liabilities are translated at the reference Central Bank exchange rate – BGN 1 for EUR 0.5113 (2023: BGN 1 for EUR 0.5113) and BGN 1 for USD 0.53118 (2023: BGN 1 for USD 0.564978).

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.3 Derivative financial instruments

Derivatives are financial instruments:

- whose value is changed in response to changes in a specified interest rate, financial instrument price, foreign exchange rate, index of prices and rates, credit rates or credit index or other variable ;
- that require no initial net investment or an initial net investment is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- that are settled at a future date.

Derivative financial instruments including foreign exchange contracts, forward currency agreements, FX swaps, interest rate swaps and cross currency interest rate swaps, options and futures are initially recognized in the financial reports on the value/settlement date on which the derivative contracts are entered into.

Forward currency agreements, interest rate swaps (incl. cross currency interest rate swaps), options and futures are subsequently re-measured at their fair value at the end of each reporting month. They are carried as assets when fair value is positive and as liabilities when fair value is negative. Usually the net investment is zero (i.e. the initial net fair value of the receivables and payables is zero). Their fair values are determined based on quoted market prices, including recent market transactions, or by using other valuation techniques, as appropriate. The changes in the fair value of these derivatives are included in the income statement. The principles for the fair value measurement of financial instruments, including derivative financial instruments, are described in note 2.2.14 Fair value measurement of financial assets.

Financial assets that contain embedded derivatives are recognised in the balance sheet in their entirety in the appropriate classification category, following instruments' assessment of their contractual cash flows and their business model as described in note 2.2.10. In addition, certain derivatives, embedded in financial liabilities, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement.

Hedge accounting

The Bank has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39, until the project of accounting of macro hedging activities is completed by the IASB. For hedge accounting purposes, the Bank forms a hedging relationship between a hedging instrument and a related item or group of items to be hedged.

A hedging instrument is a designated derivative or a designated non-derivative financial asset or financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

Specifically, the Bank designates certain derivatives as: hedges of the exposure to changes in fair value of recognized assets or liabilities or unrecognized firm commitments (fair value hedge).
In order to implement hedge accounting, specified criteria should be met. Accordingly, at the inception of the hedge accounting relationship, the Bank documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions, together with the method that will be used to assess the effectiveness of the hedging relationship.

The Bank also documents its assessment, both at inception of the hedge and on an ongoing basis, an assessment of whether the derivatives that are used in the hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items and whether the actual results of each hedge are within a range of 80-125%. If a relationship does not meet the abovementioned hedge effectiveness criteria, the Bank discontinues

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.3 Derivative financial instruments (continued)

Hedge accounting (continued)

hedge accounting prospectively. Similarly, if the hedging derivative expires or is sold, terminated or exercised, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In addition, the Bank uses other derivatives, not designated in a qualifying hedge relationship, to manage its exposure primarily to interest rate and foreign currency risks. Non qualifying hedges are derivatives entered into as economic hedges of assets and liabilities for which hedge accounting was not applied. The said derivative instruments are classified along with those held for trading purposes.
The method of recognizing the resulting fair value gain or loss depends on whether the derivatives are designated and qualify as hedging instruments, and if so, the nature of the item being hedged.
Furthermore, the Bank may designate groups of items as hedged items, by aggregating recognized assets or liabilities or unrecognized but highly probable transactions of similar risk characteristics that share the exposure for which they are hedged. Although the overall risk exposures may be different for the individual items in the group, the specific risk being hedged will be inherent in each of the items in the group.

(i) Fair value hedge

The Bank applies fair value hedging to hedge exposures primarily to changes in the fair value attributable to interest rate risk and currency risk.
The interest rate and currency risk with respect to the applicable benchmark rate may be hedged using interest rate swaps and cross currency swaps.
The Bank uses the dollar-offset method in order to assess the effectiveness of fair value hedges. This is a quantitative method that involves the comparison of the change in the fair value of the hedging instrument with the change in the fair value of the hedged item attributable to the hedged risk. Even if a hedge is not expected to be highly effective in a particular period, hedge accounting is not precluded if effectiveness is expected to remain sufficiently high over the life of the hedge.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with the changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk. The Bank discontinues hedge accounting in case the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the qualifying criteria for hedge accounting, or designation is revoked. In such cases, any adjustment to the carrying amount of the hedged item, for which the effective interest method is applied, is amortized to profit or loss over the period to maturity. Hedge ineffectiveness may arise in case of potential differences in the critical terms between the hedged item and the hedging instrument such as maturity, interest rate reset frequency and discount curves.

(ii) Derivatives that are not designated as hedging instruments

Changes in the fair value of derivative financial instruments that are not designated as a hedging instrument or do not qualify for hedge accounting are recognized in the income statement.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 25.

2.2.4 Income Statement

(i) Interest income and expense

Interest income and expense is recognized in the income statement for all interest bearing financial instruments on an accrual basis, using the effective interest rate (EIR) method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset or to the amortized cost

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.4. Income Statement (continued)

(i) Interest income and expense (continued)

of a financial liability. When calculating the EIR for financial instruments other than purchased or originated credit-impaired (POCI), the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. For POCI financial assets, the credit-adjusted EIR is used, which is the interest rate that upon the original recognition of the POCI financial asset discounts the estimated future cash flows (including expected credit losses) to the fair value of the POCI asset.

The amortized cost of a financial asset or liability is the amount at which it is measured upon initial recognition minus principal repayments, plus or minus cumulative amortization using the EIR (as described above) and for financial assets only adjusted for the expected credit loss allowance, while the gross carrying amount of a financial asset is its amortized cost before adjusting for ECL allowance.

The EIR calculation includes all fees and points paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

The Bank calculates interest income and expense by applying the EIR to the gross carrying amount of non-impaired financial assets (exposures in Stage 1 and 2) or to the amortized cost of financial liabilities respectively. For financial assets that have become credit-impaired subsequent to initial recognition (exposures in Stage 3), the Bank calculates interest income by applying the effective interest rate to the amortized cost of the financial asset (i.e. gross carrying amount adjusted for the expected credit loss allowance). If the asset is no longer credit-impaired, then the EIR is applied again to the gross carrying amount.

For financial assets that were credit-impaired on initial recognition (POCI) interest income is calculated by applying the credit-adjusted EIR (calculated as described above) to the POCI financial asset's amortized cost. For such assets even if the credit risk improves, interest income does not revert to gross basis calculation.
Interest income for all debt instruments is recognised in the income statement and are presented in the income statement line of net interest income.

(ii) Fees and commissions

Fee and commission received or paid that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income such as account servicing and asset management fees (including performance based fees) is recognised as the related services are being provided to the customer, to the extent that it is highly probable that a significant reversal of the revenue amount recognized will not occur. Transaction-based fees such as foreign exchange transactions, imports-exports, remittances, bank charges and brokerage activities are recognised at the point in time when the transaction takes place. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

In the case of a contract with a customer that results in the recognition of a financial instrument in the Bank's financial statements which may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15, the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and subsequently applies IFRS 15 to the residual part.

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.5 Net trading income

Net trading income comprises gains and losses related to derivative financial instruments (Hedging and Non-Hedging). All changes in fair value of financial assets at fair value at profit and loss are recognized as part of the net trading income in the income statement.

2.2.6 Gains less losses from investment securities

Gains less losses from investment securities relate to results deriving from realized gains and losses of securities measured at FVTPL, results deriving from early liquidation of fair value hedging derivative financial instruments (termination fees and reversal of accruals since the last coupon date) associated with OCI bonds, realized gains and losses on sale of securities (bonds) at FVOCI.

Property, plant and equipment are initially recognized at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and comprises purchase price, including import duties and non-refundable purchase taxes and any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost is the cash or cash equivalent paid or the fair value of other consideration given to acquire the assets. The minimal level for an expenditure to be recognized as an asset, adopted by the Bank, is 300 BGN.
Subsequent expenditure is recognized in the asset's carrying amount only when it is probable that future economic benefits will flow to the Bank and the cost of the asset can be measured reliably. All other repair and maintenance costs are recognized in the income statement as incurred.
After initial recognition the Bank measures the land and building at fair value. All other PPE classes are recognised at historical cost less accumulated depreciation and impairment losses.

The fair value of land and buildings is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. The main valuation methods include:

- market prices analogues (where assets are compared to those similar of nature offered on the market)
- present value of future income for rent generating assets (DCF)
- method of reduced cost (taking into account the price that the asset would cost at present if acquired or built and reduced on the basis of economic and physical depreciation factors).

Revaluation of property is performed on an annual basis.
At the date of revaluation, the net amount of the asset is restated to its revalued amount by adjusting its accumulated depreciation, in cases where the accumulated depreciation balance is less than the upward revaluation effect, the gross carrying amount is adjusted with the difference.

If an asset’s carrying amount is increased as a result of a revaluation, the increase, net of tax, is recognised in other comprehensive income and accumulated as Property revaluation reserve in shareholder’s equity. However the increase shall be recognised in the income statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement.

If an asset’s carrying amount is decreased as a result of revaluation, the decrease is recognised firstly in other comprehensive income by reducing the revaluation surplus and subsequently in the income statement if credit balances in revaluation surplus are not sufficient.

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.7 Property, plant and equipment (PPE) (continued)

With the exception of the land, the Bank depreciates all PPE. The depreciation charge is calculated using the straight-line method to write down the cost of PPE to their residual values over their estimated useful lives, as follows:

- Buildings – up to 50 years
- Leasehold improvements – 15 years
- Improvements of own buildings – 15 years
- Computer hardware - 4-10 years
- Other furniture and equipment - 3-20 years
- Motor vehicles- 5 years

The carrying amount of an item of property, plant and equipment is derecognised:

- on disposal
- when no future economic benefits are expected from its use or disposal.

The gain or loss from derecognition of an item of PPE is included in the income statement when the item is derecognised. The gain or loss from derecognition of an item of PPE is determined as the difference between the net disposal proceeds and the carrying amount of the asset.
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. PPE are assessed for indications of impairment at each reporting date. When events or changes in circumstances indicate that the carrying amount may not be recoverable, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.2.8 Intangible assets

Goodwill arising on business combinations is included in 'intangible assets' and is measured at cost less accumulated impairment losses.

Intangible assets acquired by the Bank are measured at cost less accumulated amortisation and any accumulated impairment losses.

Costs that are directly associated with identifiable non-monetary asset without physical substance controlled by the Bank and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Expenditure which enhances or extends the performance of intangible assets beyond their original specifications is recognised as a capital improvement and added to the original costs of the asset. Costs associated with maintaining intangible assets are recognised as an expense as incurred.

Costs incurred in internal development of intangible assets when meet the recognition criterion is recognized as intangible asset. The cost of development activities is capitalised when it is probable that the Bank will obtain economic benefits from the use of the asset and the cost can be reliably measured.

The costs recognised (Note 22) include the employment costs of those directly involved in creating the asset, and may include some other costs (costs of materials and services used or consumed in generating the asset, legal fees, registration fees, etc).

Intangible assets are amortized using the straight-line method over their useful lives, as follows:

- Computer software- 10-15 years
- Licenses - 10-15 years
- Other intangible assets- 5-15 years

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.8 Intangible assets (continued)

Intangible assets include software, licenses, internally developed and other intangible assets that are separable or arise from contractual or other legal rights.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An intangible asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Goodwill is tested for impairment annually or more frequently if there are any indications that impairment may have occurred. The Bank considers external information such as prevailing economic conditions, persistent slowdown in financial markets, volatility in markets and changes in levels of market and exchange risk, an unexpected decline in an asset's market value or market capitalization being below the book value of equity, together with a deterioration in internal performance indicators, in assessing whether there is any indication of impairment.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each Cash Generating Unit (CGU) or groups of CGUs that are expected to benefit from the synergies of the combination.
The Bank impairment model compares the carrying value of a CGU or group of CGUs with its recoverable amount. The carrying value of a CGU is based on the assets and liabilities of each CGU. The recoverable amount is determined on the basis of the present value of the future cash flows expected to be derived from the CGU or group of CGUs. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU and the market where the CGUs operate.

An impairment loss arises if the carrying amount of an asset or CGU exceeds its recoverable amount and is recognized in the income statement. Impairment losses are not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising in a business combination is not tested for impairment during the measurement period extending up to one year from the acquisition date that is allowed for the completion of the purchase accounting and allocation of goodwill, unless there has been a triggering event or changes in other facts and circumstances, suggesting that the acquired goodwill might be impaired, even if the allocation process is not complete.

2.2.9 Investment property

Investment property is defined as property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment property is measured initially at its cost, including related transaction costs. Under fair value model of IAS 40 "Investment property" after initial recognition, investment property is carried at fair value as

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.9 Investment property (continued)

determined by independent certified valuers, with any change therein recognized in income statement as part of other income/expense.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized to the income statement during the financial period in which they are incurred.

Investment property is derecognised when disposed or when it is permanently withdrawn from use and there is no future economic benefit expected from its disposal. Any arising gain or loss (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognized in income statement.

2.2.10 Financial assets

Financial assets - Classification and measurement

The Bank classifies financial assets based on the business model for managing those assets and their contractual cash flow characteristics. Accordingly, financial assets are classified into one of the following measurement categories: amortized cost, fair value through other comprehensive income or fair value through profit and loss.Purchases and sales of financial assets are recognized on settlement date, which is the date the Bank commits to purchase or sell the assets. Loans originated by the Bank are recognized when cash is advanced to the borrowers. Receivables from customers arising from the Bank's activities other than lending are initially measured at the transaction price.

Financial Assets measured at Amortized Cost ("AC")

The Bank classifies and measures a financial asset at AC only if both of the following conditions are met:

(a) The financial asset is held within a business model whose objective is to collect contractual cash flows (hold-to-collect business model) and

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

These financial assets are recognized initially at fair value plus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest rate (EIR) method.
Interest income, realized gains and losses on derecognition, and changes in credit impairment losses from assets classified at AC, are included in the income statement.

Financial Assets measured at Fair Value through Other Comprehensive Income ("FVOCI")

The Bank classifies and measures a financial asset at FVOCI only if both of the following conditions are met:
(a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold-to-collect-and-sell business model) and
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Financial assets that meet these criteria are debt instruments and are measured initially at fair value, plus direct and incremental transaction costs.
Subsequent to initial recognition, FVOCI debt instruments are re-measured at fair value through OCI, except for interest income, related foreign exchange gains or losses and credit impairment losses, which are recognized in

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.10 Financial assets (continued)

the income statement. Cumulative gains and losses previously recognized in OCI are transferred from OCI to the income statement when the debt instrument is derecognised.

Equity Instruments designated at FVOCI

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

Financial Assets measured at Fair Value through Profit and Loss (“FVTPL”)

The Bank classifies and measures all other financial assets that are not classified at AC or FVOCI, at FVTPL. Accordingly, this measurement category includes debt instruments such as loans and debt securities that are held within the hold–to-collect (HTC) or hold-to-collect-and-sell models (HTCS), but fail the SPPI assessment, equities that are not designated at FVOCI, financial assets held for trading and derivative financial instruments. Furthermore, a financial asset that meets the above conditions to be classified at AC or FVOCI, may be irrevocably designated by the Bank at FVTPL at initial recognition, if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.
Financial assets measured at FVTPL are initially recorded at fair value and any unrealized gains or losses arising due to changes in fair value are included in the income statement.

Business model and contractual characteristics assessment

The business model assessment determines how the Bank manages a group of assets to generate cash flows. That is, whether the Bank's objective is solely to collect contractual cash flows from the asset, to realize cash flows from the sale of assets, or both to collect contractual cash flows and cash flows from the sale of assets. In addition, the business model is determined after aggregating the financial assets into groups (business lines) which managed similarly rather than at an individual instrument’s level.

The business model is determined by the Bank’s key management personnel consistently with the operating model, considering how financial assets are managed in order to generate cash flows, the objectives and how performance of each portfolio is monitored and reported and any available information on past sales and on future sales’ strategy, where applicable.

Accordingly, in making the above assessment, the Bank will consider a number of factors including the risks associated with the performance of the business model and how those risks are evaluated and managed, the related personnel compensation, and the frequency, volume and reasons of past sales, as well as expectations about future sales activity.

Types of business models

The Bank’s business models fall into three categories, which are indicative of the key strategies used to generate returns.

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.10 Financial assets (continued)

Types of business models (continued)

The hold-to-collect (HTC) business model has the objective to hold the financial assets in order to collect contractual cash flows. Sales within this model are monitored and may be performed for reasons which are not inconsistent with this business model. More specifically, sales of financial assets due to credit deterioration, as well as, sales close to the maturity are considered consistent with the objective of hold-to-collect contractual cash flows regardless of value and frequency. Sales for other reasons may be consistent with the HTC model such as liquidity needs in any stress case scenario or sales made to manage high concentration level of credit risk. Such sales are monitored and assessed depending on frequency and value to conclude whether they are consistent with the HTC model.

Financial assets classified within this business model include cash and cash equivalents, bonds, due from banks and loans and advances to customers which are measured at amortized cost, subject to meeting the SPPI assessment criteria.

The hold-to-collect-and-sell business model (HTC&S) has the objective both to collect contractual cash flows and sell the assets. Activities such as liquidity management, interest yield and duration are consistent with this business model, while sales of assets are integral to achieving the objectives of this business model. Debt instruments classified within this business model include investment securities which are measured at FVOCI, subject to meeting the SPPI assessment criteria.

Other business models include financial assets which are managed and evaluated on a fair value basis as well as portfolios that are held for trading. This is a residual category for financial assets not meeting the criteria of the business models of HTC or HTC&S, while the collection of contractual cash flows may be incidental to achieving the business models' objective.

The Bank's business models are reassessed at least annually or earlier, if there is a sales' assessment trigger or if there are any changes in the Bank's strategy and main activities, as evidenced by the Bank's business plan, budget and Non-performing exposures (NPE) strategy.

Cash flow characteristics assessment

For a financial instrument to be measured at AC or FVOCI, its contractual terms must give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

In assessing whether the contractual cash flows are SPPI, the Bank will consider whether the contractual terms of the instrument are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin. On the initial recognition of a financial asset, an assessment is performed of whether the asset contains a contractual term that could change the amount or timing of contractual cash flows in a way that it would not be consistent with the above condition. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is considered to have failed the SPPI assessment and will be measured at FVTPL.

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.10 Financial assets (continued)

Financial assets - Classification and measurement (continued)

Cash flow characteristics assessment (continued)

For the purpose of the SPPI assessment, the Bank considers the existence of various features, including among others, contractually linked terms, prepayment terms, deferred interest-free payments, extension and equity conversion options and terms that introduce leverage including index linked payments.

In case of special lending arrangements such as non-recourse loans, the Bank in its assessment of the SPPI criterion considers various factors such as the nature of the borrower and its business, the pricing of the loans, whether it participates in the economic performance of the underlying asset and the extent to which the collateral represents all or a substantial portion of the borrower's assets.

In certain cases when the time value of money element is modified in that the financial asset's interest rate is periodically reset but the reset frequency does not match the tenor of the interest rate or when a financial asset's interest rate is periodically reset to an average of particular short-term and long-term interest rates, a quantitative assessment is performed ("Benchmark Test") in order to determine whether the contractual cash flows are SPPI. In particular, the Bank assesses the contractual cash flows of the "real instrument" (RI), whose interest rate is reset with a frequency that does not match the tenor of the interest rate, and those of the "benchmark instrument" (BI), which are identical in all respects except that the tenor of the interest rate matches exactly the interest period. If the undiscounted cash flows of the former are significantly different from the benchmark cash flows due to the modified time value of money element, the financial asset does not meet the SPPI criterion, and therefore, cannot be measured at amortized cost or at fair value through other comprehensive income. In its assessment, the Bank considers both the effect of the modified time value of money element in each reporting period and cumulatively over the life of the instrument. This is done, as far as the lifetime of the instrument is concerned, by comparing the cumulative projected undiscounted cash flows of the RI and the BI.
In addition, for the purposes of the SPPI assessment, if a contractual feature could have an effect that is de-minimis or not genuine, it does not affect the classification of the financial asset. A contractual feature does not affect the classification of the financial assets if it could have only a de-minimis effect on the contractual cash flows of the financial asset. Moreover, a contractual feature is considered as not genuine by the Bank, if it affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur.
The Bank performs the SPPI assessment for its lending exposures on a product basis for the retail and part of the wholesale portfolio where contracts are of standardized form, whereas for the remaining wholesale portfolio the assessment is performed on an individual basis.

The SPPI assessment of debt securities is performed centrally by the Group using an automated solution, at origination and acquisition dates, respectively, by taking into consideration features that introduce variability in the contractual cash flows of a financial instrument which may not result in solely payments of principal and interest.

Derecognition of Financial asset

The Bank derecognizes a financial asset when its contractual cash flows expire, or the rights to receive those cash flows are transferred in an outright sale in which substantially all risks and rewards of ownership have been transferred. In addition, a financial asset is derecognized even if rights to receive cash flows are retained but at the same time the Bank assumes an obligation to pay the received cash flows without a material delay (pass through agreement) or when substantially all the risks and rewards are neither transferred nor retained but the Bank has transferred control of the asset. The control is considered to be transferred if, and only if, the transferee

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.10 Financial assets (continued)

Derecognition of Financial asset (continued)

has the practical ability to sell the asset in its entirety to unrelated third party. On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI for financial assets at FVOCI, is recognized in income statement. The Bank may modify the contractual terms of a financial asset either as a concession granted to a client facing or that is about to face financial difficulties or due to other commercial reasons such as changes in market conditions, competition or customer retention.

In cases where the contractual cash flows of a financial asset have been modified and the modification is considered substantial enough, the original financial asset is then derecognized. The Bank records the modified asset as a ‘new’ financial asset at fair value and the difference with the net carrying amount of the existing one is recorded in the income statement as de-recognition gain or loss.

Modifications that may result in de-recognition include:

- change in borrower;
- change in the currency that the lending exposure is denominated;
- debt consolidation features where two or more consumer unsecured lending contracts are consolidated into a single new secured lending agreement;
- the removal or addition of conversion features and/or profit sharing mechanisms and similar terms which are relevant to the SPPI assessment;
- any other changes that cause the terms under the modified contract to differ substantially from those under the old contract (e.g. a new term due to which the loan cannot be considered a basic lending arrangement).

2.2.11 Reclassifications of financial assets

The Bank reclassifies a financial asset only when it changes its business model for managing financial assets. Generally, a change in the business model is expected to be rare and occurs when the Bank either begins or ceases to perform an activity that is significant to its operations; for example, when a business line is acquired, disposed of or terminated. In the rare event when there is a change to the existing business models, the updated assessment is approved by the Bank’s competent Committees and the amendment is reflected appropriately in the Bank’s budget and business plan.
Changes in intention related to particular financial assets (even in circumstances of significant changes in market conditions), the temporary disappearance of a particular market for financial assets or a transfer of financial assets between parts of the Bank with different business models, are not considered by the Bank changes in business model.

The reclassification is applied prospectively from the reclassification date, therefore previously recognized gains, losses (including impairment losses) or interest are not restated.

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.12 Financial liabilities

Classification and measurement

The Bank may classify its financial liabilities in the following categories: financial liabilities measured at amortized cost and financial liabilities at fair-value-through-profit-or-loss.

Financial liabilities at fair-value-through-profit-or-loss comprise two sub-categories: financial liabilities held for trading and financial liabilities designated at fair-value-through-profit-or-loss upon initial recognition.
Financial liabilities held for trading are those liabilities that the Bank incurs principally for the purpose of repurchasing in the near term for short term profit.

The Bank may, at initial recognition, irrevocably designate financial liabilities at fair-value-through-profit-or-loss when one of the following criteria is met:

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or
- the financial liability contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial liabilities at FVTPL are initially recognized at fair value. Changes in fair value are recognized in the income statement. For financial liabilities designated as at FVTPL using the fair value option, any changes in own credit risk related to these instruments are recognised in the Other comprehensive income (OCI) and are not subsequently reclassified to the income statement upon derecognition of the liabilities. However, if such treatment creates or enlarges an accounting mismatch in the income statement, all gains or losses of this financial liability, including the effects of changes in the credit risk, are recognized in the income statement.

As of the end of 2024 and 2023 the Bank classifies all its financial liabilities at amortized cost, except dervatives liabilities measured at fair value.

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability of the Bank is replaced by another from the same counterparty on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability and any difference arising is recognized in the income statement.
The Bank considers the terms to be substantially different, if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.12 Financial liabilities (continued)

Classification and measurement (continued)

is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

2.2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when and only when there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.2.14 Fair value measurement of financial instruments

Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Bank uses other valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Bank has elected to use mid-market pricing as a practical expedient for fair value measurements within a bid-ask spread. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received unless the Bank determines that the fair value at initial recognition differs from the transaction price. In this case, if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets, a day one gain or loss is recognized in the income statement. On the other hand, if the fair value is evidenced by a valuation technique that uses unobservable inputs, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price (day one gain or loss). Subsequently the deferred gain or loss is amortized on an appropriate basis over the life of the instrument or released earlier if a quoted price in an active market or observable market data become available or the financial instrument is closed out.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole (note 5.3). For assets and liabilities that are measured at fair value on a recurring basis, the Bank recognizes transfers into and out of the fair value hierarchy levels annually for the year in which a financial instrument's transfer was effected.

2.2.15 Impairment of financial assets

Impairment of financial assets

The Bank recognizes allowance for expected credit losses (ECL) that reflect changes in credit quality since initial recognition to financial assets that are measured at AC and FVOCI, including loans, lease receivables, debt securities, financial guarantee contracts, and loan commitments. No ECL are recognized on equity investments. ECLs are a probability-weighted average estimate of credit losses that reflects the time value of money. Upon initial recognition of the financial instruments in scope of the impairment policy, the Bank records a loss allowance equal to 12-month ECL, being the ECL that result from default events that are possible within the next twelve months. Subsequently, for those financial instruments that have experienced a significant increase in

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.15 Impairment of financial assets (continued)

Impairment of financial assets (continued)

credit risk (SICR) since initial recognition, a loss allowance equal to lifetime ECL is recognized, arising from default events that are possible over the expected life of the instrument. If upon initial recognition, the financial asset meets the definition of purchased or originated credit impaired (POCI), the loss allowance is based on the change in the ECL over the life of the asset.
Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. For all other financial assets subject to impairment, the general three-stage approach applies.

Accordingly, ECLs are recognized using a three-stage approach based on the extent of credit deterioration since origination:

• Stage 1 – Under IFRS 9, if the credit risk on a lending exposure has not increased significantly at the reporting date in comparison to its origination date, the Bank should measure the loss allowance for that lending exposure at an amount equal to 12-month expected credit losses. The 12-month ECL represents a portion of lifetime ECL that results from default events on a financial instrument that are possible within the next 12 months after the reporting date and is equal to the expected cash shortfalls over the life of the lending exposure or group of lending exposures, due to loss events that could occur in the next 12 months from the reporting date. The lifetime cash shortfalls that will result if a default occurs in the next 12 months after the reporting date (or a shorter period if the expected life of a lending exposure is less than 12 months) is weighted by the probability of a default occurring (PD) in those next 12 months after the reporting date (or earlier, given a shorter tenor).

For lending exposures with a remaining maturity of less than one year, the 12M PD is applied. For debt securities with a remaining maturity of less than 12 months, a probability of default corresponding to the remaining term to maturity is used. Not credit-impaired financial assets that are either newly originated or purchased, as well as assets recognized following a substantial modification accounted for as a de-recognition, are classified initially in Stage 1.

• Stage 2 – The Bank should move lending exposures from 12-month ECL to lifetime ECL measurement, providing that there is a significant increase in credit risk of the exposure. The lifetime ECL are the expected credit losses that result from all possible default events over the expected life of a lending exposure (i.e. Stage 2, Stage 3) and POCI. Impairment losses are measured at lifetime ECLs if an instrument's credit risk subsequent to origination has increased significantly. If the credit risk of a lending exposure has not increased significantly since initial recognition, then the Bank reverses the measurement of the impairment allowances from lifetime ECL to 12-month ECL.

• Stage 3 – Financial instruments that are considered to be credit impaired are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

• Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. ECL are only recognized or released to the extent that there is a subsequent change in the assets' lifetime expected credit losses. POCI exposures are not subject to stage allocation as these exposures are credit impaired at the date of initial recognition by the Bank and are always measured on the basis of lifetime expected credit losses. Apart from purchased assets, POCI assets may also include financial instruments that are considered new assets, following a substantial modification accounted for as a de-recognition. Any subsequent favorable changes to their expected cash flows are recognized as impairment gain in the income statement even if the resulting expected cash flows exceed the estimated cash flows at initial recognition.

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.15 Impairment of financial assets (continued)

Definition of default

As of 1 January 2021, the Bank adopted the new Definition of Default (New DoD), according to the EBA guideline (Article 178 of Regulation (EU) No 575/2013). Information on the New DoD implementation is provided in note 5.2.1.2 (a).

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

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

Sovereign debt securities

For sovereign debt securities, the Bank determines the risk of default using an internal credit rating scale and considers them as credit impaired if the internal credit rating of the issuer/counterparty at the reporting date is equivalent to "C" (Moody's rating scale). Debt instruments with external rating equivalent to "C" are always considered impaired and carry the equivalent internal rating that presents default.

Significant increase in credit risk (SICR) and stage allocation

Determining whether a loss allowance should be based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk (SICR) of the financial assets, issued loan commitments and financial guarantee contracts, since initial recognition.

At each reporting date, the Bank performs an assessment as to whether the risk of a default occurring over the remaining expected lifetime of the exposure has increased significantly from the expected risk of a default estimated at origination for that point in time.

The assessment for SICR is performed using both qualitative and quantitative criteria based on reasonable and supportable information that is available without undue cost or effort including forward looking information and macroeconomic scenarios as well as historical experience.

Assessment of SICR for debt securities is performed on an individual basis based on the number of notches downgrade in the internal credit rating scale since the origination date.

The Bank uses the below criteria in combination, where appropriate, for the purposes of identifying a significant increase in credit risk:

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.15 Impairment of financial assets (continued)

Significant increase in credit risk (SICR) and stage allocation (continued)

i. Residual lifetime PD comparison

The Bank considers a significant increase in credit risk (SICR) on a lending exposure when the "Current residual lifetime probability of default" at each reporting date (Current Residual Lifetime PD) is higher than the residual lifetime probability of default at same maturity point on the PD curve expected at the origination by a certain threshold (Residual Lifetime PD threshold).

In cases where the contractual cash flows on a lending exposure have been modified and the original lending exposure has been derecognized, the Bank uses the date of the substantial modification as the origination date of the new modified lending exposure for the purposes of the residual lifetime PD comparison. On the other hand, in cases where the modification is not substantial enough the comparison is performed between the risk of a default occurring at initial recognition (based on the original unmodified contractual terms) and the risk of a default occurring at the reporting date (based on the modified contractual terms).

ii. Forbearance

Concessions granted within the last 24 months to lending exposures as a result of financial difficulty of the borrower that otherwise would not have been considered by the Bank, are identified as associated with significant increase in credit risk SICR and thus allocated into Stage 2.

iii. Backstop indicators

The Bank applies the backstop criterion 30 days past due for the identification of SICR. In particular, lending exposures overdue for more than 30 days and below 90 days, are considered as associated with Significant Increase in Credit Risk and are classified into Stage 2.

Furthermore, Management may apply temporary collective adjustments when determining whether credit risk has increased significantly since initial recognition on exposures that share the same credit risk characteristics to reflect macro-economic or other factors which are not entirely addressed by the current credit risk models. These factors may depend on information such as the type of the exposure, counterparty's specific information and the characteristics of the financial instrument, while their application requires the application of significant judgment.

Transfers from Stage 2 to Stage 1

A lending exposure, which is classified to Stage 2 due to Significant Increase in Credit Risk (SICR), is reclassified to Stage 1, as long as it does not meet anymore any of the aforementioned Stage 2 criteria.

Where forbearance measures have been applied in the past and the exposure has been categorized as Performing Forborne (PF) Exposure (either due to the application of forbearance measures to Performing exposures or a result of curing from Non – Performing Forborne status) , the following conditions should be met in order to qualify for a transfer back to Stage 1:

- The facility is considered to be performing, including where it has been reclassified from the non – performing category after an analysis of the financial condition of the borrower showed that it no longer met the conditions to be considered as non - performing;
- A minimum of two years' probation period has passed from the date the forborne exposure was considered to be performing;
- Regular payments of more than an insignificant aggregate amount of principal or interest have been made during at least half of the probation period (i.e. one year);

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.15 Impairment of financial assets (continued)

Transfers from Stage 3 to Stage 2

A financial asset is transferred from Stage 3 to Stage 2, when the criteria based on which the financial asset was characterized as credit impaired, are no longer valid. Specifically the following criteria should be met:

- Credit exposures with EBA status Non-Performing (NPE) are transferred from Stage 3 to Stage 2, when the EBA status is changed to Performing Exposure (PE), complying at least three months probation period since the day a criteria for default was last valid, and the days past due are more than 30 days and below 90 days.

- Credit exposures with EBA status Non-Performing Forborne are transferred from Stage 3 to Stage 2 when the EBA status is changed to Performing Forborne Cured NPE (PFC), after meeting all the probation period conditions:

➢ Conditions applied during the whole 12-month probation period:
  - Days past due remain 0;
  - There is no new forbearance measure applied;
  - No other default events occur on exposure level.
  - Any breach of the aforementioned conditions will lead to restart of the 12-month probation period.

➢ Conditions applied at the end of the probation period:

  - The borrower has paid, via its regular payments in accordance with the restructuring arrangements, a total equal to the sum of the amount that was previously past due and the amount that has been written-off before the NPF classification.

Criteria for grouping of exposures based on shared credit risk characteristics

The Bank segments its lending exposures on the basis of shared credit risk characteristics for the purposes of both assessing significant increase in credit risk and measuring loan loss allowance on a collective basis. The different segments aim to group lending exposures into homogenous pools in terms of estimated PDs and rates of recovery in the event of default.
The shared credit risk characteristics used for the segmentation of lending exposures include the following:

- Instrument type (e.g. lending exposures, debt instruments etc.)
- Portfolio type (e.g. retail, wholesale etc.)
- Asset class (e.g. mortgages, consumer loans, SBBs, large corporate, SMEs etc.)
- Product type (e.g. revolving credit facilities, personal loans, debt consolidation etc.)
- Credit risk rating (i.e. segmentation per rating band)
- Remaining term to maturity (i.e. segmentation based on remaining tenor)
- Observed credit history (i.e. characteristics based on the debt service behavior of borrowers recorded in the Bank's books)

Observed credit history(i.e. characteristics based on the debt service behavior of borrowers recorded in the Bank's books)
Lending exposures are allocated into groups based on shared credit risk characteristics upon initial recognition. On subsequent periods, the Bank re-evaluates the grouping of its exposures at least on an annual basis, in order

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.15 Impairment of financial assets (continued)

Criteria for grouping of exposures based on shared credit risk characteristics (continued)

to ensure that the groups remain homogeneous in terms of their response to the identified shared credit risk characteristics, and the exposures are re-segmented in the case where relevant new information becomes available in respect to the credit risk associated with the particular exposures or when there is a change on management's perception compared to the initial recognition.

Measurement of Expected Credit Losses

The measurement of ECL is an unbiased probability-weighted average estimate of credit losses that reflects the time value of money, determined by evaluating a range of possible outcomes. A credit loss is the difference between the cash flows that are due to the Bank in accordance with the contractual terms of the instrument and the cash flows that the Bank expects to receive (i.e. cash shortfalls) discounted at the original effective interest rate (EIR) of the same instrument, or the credit adjusted EIR in case of purchased or originated credit impaired assets (POCI). In measuring ECL, information about past events, current conditions and reasonable and supportable forecasts of future conditions are considered.

The Bank estimates expected cash shortfalls, which reflect the cash flows expected from all possible sources, including collateral and other credit enhancements that are part of the contractual terms and are not recognized separately. In case of a collateralized financial instrument, the estimated expected cash flows related to the collateral reflect the amount and timing of cash flows that are expected from liquidation less the discounted costs of obtaining and selling the collateral, irrespective of whether liquidation is probable.

ECL are calculated over the maximum contractual period over which the Bank is exposed to credit risk, which is determined based on the substantive terms of the instrument, or in case of revolving credit facilities, by taking into consideration factors such as the Bank's expected credit risk management actions to mitigate credit risk and past practice.

Receivables from customers arising from the Bank's activities other than lending, are presented under Other Assets and are typically short term. Therefore, considering that usually there is no significant financing component, the loss allowance for such financial assets is measured at an amount equal to the lifetime expected credit losses under the simplified approach.

ECL Key Inputs

The ECL calculations are based on the term structures of the probability of default (PD), the loss given default (LGD), the exposure at default (EAD) and other input parameters such as the credit conversion factor (CCF) and the prepayment rate. Generally, the Bank derives these parameters from internally developed statistical models and observed point-in-time and historical data, leveraging the existing infrastructure development for the regulatory framework and risk management practices.

The PD represents the likelihood of default assessed on the prevailing economic conditions at the reporting date, adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default, over a given time horizon.

The Bank uses Point in Time (PiT) PDs in order to remove any bias towards historical data thus aiming to reflect management's view of the future as at the reporting date, incorporating relevant forward-looking information including macroeconomic scenarios.

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.15 Impairment of financial assets (continued)

ECL Key Inputs (continued)

Two types of PD are used for calculating ECL:

- 12-month PD, which is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial asset if this is less than 12 months). It is used to calculate 12-month ECL for Stage 1 exposures.
- Lifetime PD, which is the estimated probability of a default occurring over the remaining life of the financial asset. It is used to calculate lifetime ECLs for Stage 2, Stage 3 and POCI exposures.

For sovereign debt securities, implied credit ratings are obtained by an international rating agency data (Moody's Analytics CreditEdge) using risk methodologies that maximize the use of objective non-judgmental variables and market data. The Bank calculates a single weighted average annualized 5-year PD for all acquisitions of the same debt security, then the PD is mapped to the ratings table provided by Moody's Analytics CreditEdge on a monthly basis. Based on the PD ranges defined in the table an implied credit rating is assigned. In case of counterparties for which no information is available, the group assigns internal credit ratings derived from internal models. For corporate debt securities that are part of the Bank's loan portfolio, the loan impairment policies and rules apply.

The Exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest as per agreed repayment schedule and expected drawdowns on committed facilities. The EAD includes both on and off-balance sheet exposures. The on-balance sheet exposure corresponds to the total amount that has been withdrawn and is due to be paid, which includes the outstanding principal, accrued interest and any past due amounts. The off-balance sheet exposure represents the credit that is available to be withdrawn, in excess of the on balance sheet exposure.

Furthermore, the Credit conversion factor (CCF) is used to convert the amount of a credit facility and other off-balance sheet amounts to an EAD amount. It is a modelled assumption which represents a proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring.

In addition, the prepayment rate is an estimate of early prepayments on loan exposure in excess of the contractual repayment according to the repayment schedule and is expressed as a percentage applied to the EAD at each period, reducing the latter amount accordingly.

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure and it is the difference between the contractual cash flows due and those that the Bank expects to receive including any amounts from collateral liquidation. LGD varies by type of counterparty, type and seniority of claim, availability of collateral or other credit support, and is usually expressed as a percentage of EAD.

The Bank distinguishes its loan portfolios into two broad categories i.e. secured and unsecured. For secured exposures, the Bank estimates the LGD component using cure rates that reflect cash recoveries, estimated proceeds from collateral liquidation, estimates for timing realization, realization costs, etc. for unsecured exposures, the Bank considers at a minimum the cure rates, recovery rates and time to recovery. Where the LGD's component values are dependent on macro – economic data, such types of dependencies are reflected by incorporating forward looking information, such as forecasted price indices into the respective models. The estimation of the aforementioned component values within LGD reflects available historical data which cover a reasonable period, i.e. a full economic cycle.

For debt securities, the LGD is typically based on historical data derived mainly from rating agencies' studies but may also be determined considering the existing and expected liabilities structure of the obligor and macroeconomic environment.

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.15 Impairment of financial assets (continued)

ECL Key Inputs (continued)

Furthermore, the seniority of the debt security, any potential collateral by the obligor or any other type of coverage is taken into account for the calculation.
Regarding the acquired portfolio of BNP Paribas Personal Finance Bulgaria, the bank applied the following methodology for determining the risk parameters, used in the ECL calculation:

- Probability of Default (PD) – a simulation with the material threshold for overdue payment applied in Eurobank Bulgaria has been prepared in order to obtain historical data of the performance of the portfolio on a deal level. The resulting sample has been used to determine the appropriate logistic regressions for the respective products for determining the 12-month probability of default. Based on the calculated 12-month probability of default, the appropriate PD curve is determined using the Eurobank's IFRS9 PD model.
- Prepayment Rates (PR) – using the PD sample above (given the fact the probability is conditional of two events – the account does not enter in the default classification and is repaid before the contractual maturity), the prepayment rates are calculated for the PF portfolio using the methodology of Eurobank Bulgaria.
- Credit Conversion Factor (CCF) – the values are calculated using the Eurobank Bulgaria's methodology by constructing a decision tree, which takes into consideration the available data from PF.
- Loss Given Default (LGD) - the associated LGD pools for the PF portfolio are selected considering sufficient number of observations from Eurobank Bulgaria's portfolio and reflecting a reasonable estimates.

After the risk parameters are associated to each deal, the calculation of the ECL is performed in the SAS system using Eurobank's methodology.

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about reasonable and supportable forecasts of future events and macroeconomic conditions. The estimation and application of forward-looking information requires significant judgment.
The Bank uses, at a minimum, three macroeconomic scenarios (i.e. base, adverse and optimistic) to achieve the objective of measuring ECL in a way that reflects an unbiased and probability weighted outcome.

The scenarios are reflected in the risk parameters, and namely 12-month PD, Lifetime PD and LGD, hence 3 sets of each of these parameters are used, in line with the scenarios developed.
Each scenario is assigned with weight, which represent the probability of occurrence for each of these scenarios. These weights are applied on the 3 sets of calculations of the parameters in order to produce a single scenario weighted risk parameter value which is subsequently used in both SICR assessment and ECL measurement.

Modified Financial Assets
The Bank may, in the normal course of its operating activities, modify the contractual terms of a lending arrangement either as a concession granted to a client facing or that is about to face financial difficulties or due to other commercial reasons such as changes in market conditions, competition within the Banking industry, customer retention, etc.
Upon modification of the contractual terms of a lending arrangement, an assessment of whether the modification of contractual terms is substantial should follow in order to conclude on whether the modification qualifies for derecognition of the original loan and the recognition of a new one based on the revised contractual terms.

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.15 Impairment of financial assets (continued)

Modified Financial Assets (continued)

In general, a lending exposure is derecognised when, and only when, either the contractual cash flows of the lending exposure expire, or the exposure is transferred and the transfer qualifies for derecognition.

The decision of whether a modification of the contractual terms of a lending arrangement is considered substantial enough to trigger derecognition accounting requires the exercise of judgement. In that context, the Bank assesses modifications based on their significance on both the variability of cash flows and the risk profile of the lending exposure by using qualitative criteria that indicate whether an expiration of the contractual rights to those cash flows has occurred. Also, other factors such as the driver of the modification are taken into account to the extent to which the latter affect the variability of the expected cash flows and the risk profile of the lending exposure, subject to modification.

The Bank may modify the contractual terms of a lending exposure as a concession granted to a client facing or that is about to face financial difficulties. When such a renegotiation is being applied, the main events that constitute a modification are as follows:

- Change in the interest rate above a certain level
- Change in borrower
- Change in the currency that the lending exposure is denominated
- Restructuring products that include debt consolidation features.

In cases where the modification of the contractual cash flows is not considered substantial (following the de-recognition assessment performed using the de-recognition triggers provided above), the modification does not result in de-recognition. The Bank recalculates the gross carrying amount of the financial asset and recognizes the difference as a modification gain or loss, which is reflected in the income statement. When a modification includes debt forgiveness, the portion of the asset subject to forgiveness is de-recognized first and then the calculation of the modification gain/loss is performed.

The Bank has established a structured framework for both the SPPI and de-recognition assessment of its financial assets that takes place to ensure appropriate classification and measurement. The Bank indicatively considers the qualitative criteria listed in its accounting policy as indicators that represent a substantial modification of contractual terms that could lead to a derecognition, including change in the currency that the lending exposure is denominated, change in borrower, changes in interest rates that are considered significant, debt consolidation, etc. In particular, the Bank has introduced several levels of defense by performing reviews both the assessments and their results by senior management with appropriate knowledge for both lending exposures and debt securities.

Presentation of allowance for credit loss

For financial assets measured at amortized cost, credit impairment losses are recognized as a loss allowance in the income statement reducing the gross carrying amount of the debt instruments in the balance sheet. For debt instruments measured at FVOCI, credit impairment losses are recognized in other comprehensive income and the accumulated amount does not reduce the carrying amount of the debt instruments in the balance sheet. For off-balance sheet financial instruments arising from lending activities, allowance for credit losses is presented in Other Liabilities, while the respective ECL is recognised within impairment losses.

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.15 Impairment of financial assets (continued)

Write-off of financial assets

Where the Bank has no reasonable expectations of recovering a debt instrument either in its entirety or a portion of it, the gross carrying amount of that instrument is reduced directly, partially or in full, against the impairment allowance. The amount that is written-off is considered as derecognized. Subsequent recoveries of amounts previously written off decrease the amount of the impairment losses in the income statement. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

2.2.16 Sale and repurchase agreements and securities lending

- *Sale and repurchase agreements*

Securities sold subject to repurchase agreement ('repos') are retained in the financial statements as trading securities while the counterparty liability is included in deposits due to other banks, or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price in case of repos and the purchase and resale price in case of reverse repos is recognised as interest and accrued over the life of repo or reverse repo agreements using the effective interest rate method.

- *Securities lending*

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability

2.2.17 Leases

(i) Accounting for leases as lessee

When the Bank becomes the lessee in a lease arrangement, it recognizes a lease liability and a corresponding right-of-use (RoU) asset at the commencement of the lease term when the Bank acquires control of the physical use of the asset.

Lease liabilities are presented within Other liabilities and RoU assets within Property, plant and equipment. Lease liabilities are measured based on the present value of the future lease payments over the lease term, discounted using an incremental borrowing rate.For the Bank the incremental borrowing rate is equal to the Bank's Deposits cost of funds for the respective currency. The interest expense on lease liabilities is presented within Net interest income.

The RoU asset is initially recorded at an amount equal to the lease liability and is adjusted for rent prepayments, initial direct costs, or lease incentives received. Subsequently, the RoU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within Operating expenses.

When a lease contains extension or termination options that the Bank considers reasonably certain to be exercised, the expected future lease payments or costs of early termination are included within the lease payments used to calculate the lease liability.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.17 Leases (continued)

(ii) Accounting for leases as lessor

At inception date of the lease, the Bank, acting as a lessor, classifies each of its leases as either an operating lease or a finance lease based on certain criteria.

Finance leases

At commencement date, the Bank derecognizes the carrying amount of the underlying assets held under finance lease, recognizes a receivable at an amount equal to the net investment in the lease and recognizes, in profit or loss, any profit or loss from the derecognition of the asset and the recognition of the net investment.

The net investment in the lease is calculated as the present value of the future lease payments in the same way as for the lessee.

After commencement date, the Bank recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Bank also recognizes income from variable payments that are not included in the net investment in the lease. After lease commencement, the net investment in a lease is not remeasured unless the lease is modified or the lease term is revised. Finance leases are reported as part of Loans and advances to customers.

Operating leases

The Bank continues to recognize the underlying asset and does not recognize a net investment in the lease on the balance sheet or initial profit (if any) on the income statement.

The Bank recognizes lease payments from the lessees as income on a straight-line basis. Also it recognizes costs, including depreciation, incurred in earning the lease income as an expense. The Bank adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term on the same basis as the lease income.

Subleases

The Bank, acting as a lessee, may enter into arrangements to sublease a leased asset to a third party while the original lease contract is in effect. The Bank acts as both the lessee and lessor of the same underlying asset. The sublease is a separate lease agreement, in which the intermediate lessor classifies the sublease as a finance lease or an operating lease as follows:

- if the head lease is a short-term lease, the sublease is classified as an operating lease; or
- otherwise, the sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

2.2.18 Income tax

Taxation has been provided for in the financial statements in accordance with Bulgarian legislation currently in force.

Income tax expense comprises current and deferred tax. It is recognized in the income statement except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax is calculated on the basis of the taxable profit for the year, using the tax rates enacted at the balance sheet date. Income tax payable on profits, based on the applicable tax law is recognized as an expense in the period in which profits arise. The Bank shall offset current tax assets and current tax liabilities if, and only if it has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.18 Income tax (continued)

are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. The principal temporary differences arise from depreciation of property, plant and equipment, provisions for court cases and provisions for untaken annual leaves, as well as those arisen as a result of the difference between the value of the financial assets of the merging company at the date of the merger and the value at which the same financial assets were recognized by the receiving (parent) company. Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

The Bank shall offset deferred tax assets and deferred tax liabilities if, and only if it has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

The Bank determines and assesses all material tax positions taken, including all, if any, significant uncertain positions, in all tax years that are still subject to assessment (or when the litigation is in progress) by relevant tax authorities. In evaluating tax positions , the Bank examines all supporting evidence (Ministry of Finance circulars, past administrative practices, ad hoc tax/legal opinions etc.) to the extent they are applicable to the facts and circumstances of the particular Bank's case/ transaction.

2.2.19 Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Social, pension and health funds

The Bank is obliged by the current Bulgarian legislation to make fixed contribution on behalf of the employees to a social fund operated by the Government. All those payments/liabilities are recognised as an expense in the period to which those relate.

(iii) Retirement benefit obligations

In accordance with article 222, Para. 3 of the Bulgarian Labour Code, in the event of termination of a labour contract after the employee has acquired entitlement to a contributory-service and required retirement age, irrespective of the reason for the termination, the employee shell be entitled to compensation as follows: 2 gross monthly salaries in all cases and 6 gross monthly salaries where the employee has acquired with the Bank or in the Eurobank Group 10 years length of employment service during the past 20 years. Compensations under this paragraph are payable on a single occasion only.

Provision has been made for the actuarial value of the lump sum payable on retirement using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the income statement so as to spread the cost over the period of service of the employees, in accordance with the actuarial valuations which are performed every year.

The obligation is calculated as the present value of the estimated future cash outflows using interest rates of Bulgarian government bonds at the end of the reporting period. The currency and term to maturity of the bonds used are consistent with the currency and estimated term of the retirement benefit obligations. Actuarial gains

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.19 Employee benefits (continued)

and losses that arise in calculating the Bank's obligation are recognised directly in other comprehensive income in the period in which they occur and are not reclassified to the income statement in subsequent periods.
Past service costs and interest expense are recognised immediately in the income statement.

2.2.20 Repossessed collaterals

Land and buildings repossessed through an auction process to recover impaired loans are, except where otherwise stated, included in 'Other Assets'. Assets acquired from an auction process are held temporarily for liquidation and are valued at the lower of cost and net realizable value, which is the estimated selling price, in the ordinary course of business, less costs necessary to make the sale.
In cases where the Bank makes use of repossessed properties as part of its operations, they are reclassified to own occupied or investment properties, as appropriate.
Any gains or losses on liquidation are included in the income statement.

2.2.21 Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings include deposits from banks, due to customers, other borrowed funds.

2.2.22 Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimates of the amount of the obligation can be made.
The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at each reporting date, taking into account the risks and uncertainties surrounding the amount of such expenditure.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If, subsequently, it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.2.23 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days to maturity from the date of acquisition including: cash and non-restricted balances with central banks, amounts due from other banks, short-term government securities and other short term highly liquid investments with a short maturity of 90 days or less from the date of acquisition that are held for trading. Cash and cash equivalents are measured at amortized cost.

2.2.24 Financial guarantees and other related commitments

Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are granted to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.24 Financial guarantees and other related commitments (continued)

Financial guarantees (continued)

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, such guarantees are measured at the higher of the amount of the impairment loss allowance, and the amount initially recognised less any cumulative amortization of the fee earned, where appropriate.

Commitments to extend credit

Commitments represent off-balance sheet items where the Bank commits, over the duration of the agreement, to provide a loan with pre-specified terms to the customer. Such contractual commitments represent commitments to extend credit and standby letters and they are part of the normal lending activities of the Bank, for which an impairment allowance is recognised under IFRS 9.
Impairment allowance for off-balance sheet exposures (financial guarantees and commitments) is included within Other Liabilities.
Furthermore, commitments to extend credit represent off-balance sheet items where the Bank commits, over the duration of the agreement, to provide a loan with pre-specified terms to the customer. The Bank recognizes a provision in accordance with IAS 37 only when the commitment contract can be considered to be onerous.

2.2.25 Related party transactions

Related parties of the Bank include:

(a) an entity that has control over the Bank and entities controlled, jointly controlled or significantly influenced by this entity, as well as members of its key management personnel and their close family members;
(b) an entity that has significant influence over the Bank and entities controlled by this entity,
(c) members of key management personnel of the Bank, their close family members and entities controlled or jointly controlled by the abovementioned persons;
(d) associates and joint ventures of the Bank; and
(e) fellow subsidiaries.
Transactions of similar nature are disclosed on an aggregate basis. All banking transactions entered into with related parties are in the normal course of business and are conducted on an arm's length basis.

2.2.26. Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For a non-current asset to be classified as held for sale, it is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets, and the sale is considered to be highly probable. In such cases, management is committed to the sale and actively markets the property for sale at a price that is reasonable in relation to the current fair value. The sale is also expected to qualify for recognition as a completed sale within one year from the date of classification. Before their classification as held for sale, assets are remeasured in accordance with the respective accounting standard.

Assets held for sale are subsequently remeasured at the lower of their carrying amount and fair value less cost to sell. Any loss arising from the above measurement is recorded in profit or loss and can be reversed in the future. When the loss relates to a disposal group, it is allocated to the assets within that disposal group.

2.2.27. Government grants

Government grants are transfers of resources to the Bank by a government entity such as government, government agencies and similar bodies whether local, national or international, in return for compliance with

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

Notes to the separate financial statements (continued)

2. Basis of preparation and principal accounting policies (continued)

2.2 Material accounting policy (continued)

2.2.27. Government grants (continued)

certain past or future conditions related to the Bank's operating activities. Government grants are recognized when there is reasonable assurance that the grant will be received and the Bank will comply with the conditions attached to it. The grants are recognized in the income statement on a systematic basis to match the way that the Bank recognizes the expenses for which the grants are intended to compensate. In case of subsequent changes in the Bank's expectations of meeting the conditions attached to the government grants, the effect of such changes is recognised in income statement.

3.Use of judgements and estimates in applying accounting policies

In the process of applying the Bank's accounting policies, the Management makes various judgments, estimates and assumptions that may affect the reported amounts of assets and liabilities, revenues and expenses recognized in the financial statements within the next financial year and the accompanying disclosures. Estimates and judgments are continually evaluated and are based on current conditions, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant areas in which the Bank makes judgments, estimates and assumptions in applying its accounting policies are set out below:

3.1 Impairment losses on loans and advances

ECL measurement

The ECL measurement requires management to apply significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in significant changes to the timing and amount of allowance for credit loss to be recognized.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. In addition, temporary adjustments may be required to capture new developments and information available, which are not reflected yet in the ECL calculation through the risk models.

Elements of the ECL models that are considered accounting judgments and estimates include:

Determination of a significant increase of credit risk

IFRS 9 does not include a definition of what constitutes a significant increase in credit risk (SICR). An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering primarily the change in the risk of default occurring over the remaining life of the financial instrument. The Bank assesses whether a SICR has occurred since initial recognition based on qualitative and quantitative reasonable and supportable information based on current and past experience.

For all lending exposures the primary criterion for allocation from one stage to another is the percentage change in the current residual cumulative lifetime PD compared to origination residual cumulative lifetime PD above

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

Notes to the separate financial statements (continued)

3.Use of judgements and estimates in applying accounting policies (continued)

3.1 Impairment losses on loans and advances (continued)

ECL measurement (continued)

Determination of a significant increase of credit risk (continued)

specified thresholds. These thresholds are set and vary per portfolio, product type as well as per origination PD level. In general, thresholds for lower origination PDs are higher than those assessed for higher origination PDs. As of 31 December 2024, and 31 December 2023, the range of lifetime PD thresholds based on the above segmentation, that triggers allocation to Stage 2 for lending exposures are set out below:

		2024	**2024**	**2023**	**2023**
Portfolio	**Product Type**	**Lifetime PD at origination interval of the instrument**	**SICR Threshold**	**Lifetime PD at origination interval of the instrument**	**SICR Threshold**
Mortgage	Fixed term loans	0%-20%	140%	0%-20%	140%
	Fixed term loans	Above 20%	10%	Above 20%	10%
Consumer	Fixed term loans	0-20%	40%	0-20%	40%
	Fixed term loans	Above 20%	20%	Above 20%	20%
	Revolving loans	0-5%	100%	0-5%	100%
	Revolving loans	Above 5%	Any increase	Above 5%	Any increase
SBB	Fixed term loans	0-10%	100%	0-10%	100%
	Fixed term loans	Above 10%	40%	Above 10%	80%
	Revolving loans	0-5%	100%	0-5%	100%
	Revolving loans	5.01%-15%	70%	5.01%-15%	80%
	Revolving loans	Above 15%	20%	Above 15%	20%
Large corporates	Revolving loans, LGs and LCs	0-10%	300%	0-10%	300%
	Revolving loans, LG and LC	Above 10%	50%	Above 10%	50%
	Fixed term loans	0-5%	500%	0-5%	500%
	Fixed term loans	5.01%-20%	100%	5.01%-20%	100%
	Fixed term loans	Above 20%	40%	Above 20%	40%
Medium corporates	Revolving loans, LGs and LCs	0%-100%	50%	0%-100%	50%
	Fixed term loans	0-5%	500%	0-5%	500%
	Fixed term loans	5.01%-20%	100%	5.01%-20%	100%
	Fixed term loans	Above 20%	40%	Above 20%	40%

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

Notes to the separate financial statements (continued)

3. Use of judgements and estimates in applying accounting policies (continued)

3.1 Impairment losses on loans and advances (continued)

ECL measurement (continued)

Determination of scenarios, scenario weights and macroeconomic factors

To achieve the objective of measuring ECL, the Bank evaluates a range of possible outcomes in line with the requirements of IFRS 9 through the application of a minimum three macroeconomic scenarios i.e. baseline, adverse and optimistic, in a way that reflects an unbiased and probability weighted outcome.

Each of the scenarios is based on management's assumptions around future economic conditions in the form of macroeconomic, market and other factors. The applied weights of the macro scenarios in the IFRS 9 provisioning process as of 31.12.2024 remains unchanged compared to 31.12.2023 – 30%, 40% and 30% for Adverse, Baseline and Optimal scenario, respectively.

The Bank ensures that impairment estimates and macroeconomic forecasts applicable for financial reporting, business and regulatory purposes are fully consistent.

The most recent macro forecast reflecting the external Environment and Geopolitical Risks, Bulgarian Economic outlook, Investments/ import-export and Inflation is based on the key assumptions for the baseline forecasts, as follows:

- The global economic landscape remains challenging, with ongoing geopolitical tensions in Ukraine and the Middle East exerting pressure on supply chains and international energy markets. These factors heighten the risk of renewed economic shocks in the coming quarters. In the Euro Area (EA), economic activity is expected to gradually strengthen, while inflation is projected to ease over the medium term. However, services inflation is likely to remain elevated in the short term before moderating.
- Bulgarian economy is expected to maintain a moderate growth trajectory, with private consumption remaining a key driver. Rising wages, including the planned increase in the minimum wage, will support household spending, while a tight labor market and favorable credit conditions will provide additional momentum
- Gross capital formation is projected to grow at a steady pace, although investment activity could be affected by delays in accessing National Recovery and Resilience Plan funds. Exports of goods will continue improving, but at a slower pace due to weaker-than-expected growth in key trading partners, particularly Germany. Exports of services, on the other hand, are expected to follow a stable upward trend. Imports will remain strong, driven by resilient domestic demand, leading to a widening net trade deficit.

- Harmonized Index of Consumer Prices (HICP) inflation is expected to remain moderate, with a slight temporary increase due to base effects, before continuing its downward trajectory. However, persistent wage pressures and labor market tightness will sustain robust consumption growth, keeping services inflation elevated in the near term. ECB is expected to gradually ease its monetary policy, leading to a decline in interest rates for corporate borrowers. However, household interest rates, particularly for mortgages, will continue to be influenced by domestic factors. A gradual increase is anticipated, reflecting both inflation trends and BNB measures to manage credit growth.

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

Notes to the separate financial statements (continued)

3. Use of judgements and estimates in applying accounting policies (continued)

3.1 Impairment losses on loans and advances (continued)

ECL measurement (continued)

Determination of scenarios, scenario weights and macroeconomic factors (continued)

The following risks have been taken into consideration:

i. Downside risks:

- Escalating geopolitical tensions could trigger additional global shocks, leading to prolonged economic disruptions and structural scarring. Renewed inflationary pressures, driven by deteriorating trade conditions and rising material and energy costs, would erode household purchasing power and constrain consumption. Businesses would face escalating production expenses, weakening economic activity and driving unemployment higher. Tightening credit market conditions and rising interest rates could further restrict financing access for households and enterprises, dampening investment and growth prospects. Political instability would amplify economic uncertainty, undermining business confidence. Additionally, an unstructured transition to the Euro Area without a comprehensive informational campaign and sufficient technical preparation could fuel inflationary expectations, increase volatility, and impose significant short-term adjustment costs on both the public and private sectors.

ii. Upside risk:

- Easing geopolitical tensions would enhance global trade conditions, accelerating supply-chain normalization and reinforcing economic stability. A more favorable external environment would bolster consumer confidence and business sentiment, fostering increased economic activity. Strengthened household budgets would drive higher demand, while lower production costs would support expanded hiring and investment. Although certain interest rates may rise, overall credit conditions are expected to remain accommodative. Political stability and the accelerated absorption of Recovery and Resilience Plan funds would act as key growth drivers. Additionally, Bulgaria’s accession to the Euro Area and euro adoption are anticipated to have a positive impact on business activity and investments, further stimulating trade and tourism.

In terms of macroeconomic assumptions, the Bank assesses a number of indicators in projecting the risk parameters. Regarding the macroeconomic indicators used in the ECL measurement of Bulgarian lending portfolios for the year ended 31 December 2024, the arithmetic averages of the scenarios’ probability-weighted annual forecasts from 2025 to 2029, are set in the following table:

	Unit	**Arithmetic Average (2025 - 2029) Probability weighted annual forecast**
Gross Domestic Product	YOY % 2010 prices	2.88%
Domestic Demand	YOY % 2010 prices	3.01%
Number of Employed	YOY %	(0.70%)
Unemployment Rate	%	4.70%
Long term interest rate	%	4.79%
Retail Sales	YOY %	3.20%
Average Monthly Wage	YOY %	5.27%
Total Disposable Income Per Person	YOY %	5.94%
House Price Index	YOY % 2015=100	4.96%
Interest Rate Spread (companies)	%	3.69%
Central Bank Policy Rate	%	2.57%
Imports (goods and services)	YOY %	3.56%

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

Notes to the separate financial statements (continued)

3. Use of judgements and estimates in applying accounting policies (continued)

3.1 Impairment losses on loans and advances (continued)

ECL measurement (continued)

Determination of scenarios, scenario weights and macroeconomic factors (continued)

Changes in the scenarios and weights, the corresponding set of macroeconomic variables and the assumptions made around those variables for the forecast horizon would have a significant effect on the ECL amount.

Development of ECL models, including the various formulas, choice of inputs and interdependencies

For the purposes of ECL measurement the Bank performs the necessary model parameterization based on observed point-in-time data on a granularity of monthly intervals. The ECL calculations are based on input parameters, i.e. EAD, PDs, LGDs, CCFs, etc. incorporating management's view of the future. The Bank also determines the links between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.

Furthermore, the PDs incorporate relevant forward-looking information including macroeconomic scenarios. The forecasting risk parameters models incorporate a number of explanatory variables, such as GDP, unemployment etc. which are used as independent variables for optimum predictive capability.

The models are based on linear and logistic regressions and run under the different macroeconomic scenarios and relevant changes and shocks in the macro environment reflected accordingly.

Segmentation of financial assets when their ECL is assessed on a collective basis

The Bank segments its exposures on the basis of shared credit risk characteristics upon initial recognition for the purposes of both assessing significant increase in credit risk and measuring loan loss allowance on a collective basis. The different segments aim to capture differences in PDs and in the rates of recovery in the event of default. On subsequent periods, the Bank re-evaluates the grouping of its exposures at least on an annual basis, in order to ensure that the groups remain homogeneous in terms of their response to the identified shared credit risk characteristics. Re-segmentation reflects management's perception in respect to the change of credit risk associated with the particular exposures compared to initial recognition.

Modeling and Management overlays / adjustments

A number of sophisticated models have been developed or modified to calculate ECL, while temporary management adjustments may be required to capture new developments and information available, which are not yet reflected in the ECL calculation through the risk models. Internal counterparty rating changes, new or revised models and data may significantly affect ECL.

The past year was marked by ambivalent results in terms of development of the economy. The inflation curve continued its trend of improvement, decreasing from 4.7% as of December 2023 to 2.2% as of December 2024, which put Bulgaria close to compliance of the last requirement for eurozone membership. Economic activity in Bulgaria continued to grow at a moderate pace throughout the first three quarters - private consumption accelerated, backed by a double-digit expansion in disposable income and easing inflation. A negative trend was observed in the net trade balance and the direct foreign investments, the latter of which caused by the unstable political situation in the country. In the second half of the year, the total business climate indicator marked a significant decrease of the outlook, declining by 30% compared to the level in June 2024. Nevertheless, there are still a lot of factors that cause uncertainty for the short-term development of the economy – the political instability continues, causing issues with the financial planning and position of the country (mainly towards the next-years budget and utilization of funds under the Recovery and Resilience Facility). In a scenario of continual and escalating conflicts, energy supplies could also be substantially disrupted, leading to a spike in energy prices. This would have significant spillover effects and heighten geopolitical and economic uncertainty.

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

Notes to the separate financial statements (continued)

3. Use of judgements and estimates in applying accounting policies (continued)

3.1 Impairment losses on loans and advances (continued)

ECL measurement (continued)

Modeling and Management overlays / adjustments (continued)

Taking all of the above into account, the Bank decided that it should maintain management overlay balances to address potential negative macro environment development in the foreseeable future. The Bank performed a re-estimation of the management overlay need by considering the behavior of the highest risk part of performing lending exposures, existing as of 30 November 2024, i.e. those which have experienced a historical delinquency of more than 15 days-past-due on a borrower level for the past two-year period 31.01.2023 – 30.11.2024. This calculation was applied for all business lines and resulted to a final amount of ECL management buffer of BGN 27,726 thousand as of 31.12.2024 (2023: BGN 25,896).

Sensitivity analysis on lending portfolios

The tables below depict the effect in the Bank's ECL measurement upon potential, reasonably combined changes of forecasts in all macroeconomic indicators used for ECL estimation over the next 5 years (2025-2029), compared to the actual probability weighted macroeconomic scenarios. The values presented below for the weighted scenario are a probability weighted average where the applied probabilities are 30% for the optimistic macro forecast, 40% for the baseline macro forecast and 30% for the adverse macro forecast. The values presented for the optimal, adverse and baseline scenario correspond to the respective macro forecast scenario.

Sensitivity Scenario

Indicator	**Unit**	**Scenario**	**2025**	**2026**	**2027**	**2028**	**2029**
Gross Domestic Product	YOY % 2010 prices	Optimal	7.25%	4.86%	4.33%	3.95%	4.06%
		Baseline	3.27%	2.63%	2.66%	2.44%	2.46%
		Weighted	3.41%	2.80%	2.83%	2.63%	2.74%
		Adverse	-0.36%	0.75%	1.36%	1.33%	1.55%
Domestic Demand	YOY % 2010 prices	Optimal	7.08%	5.18%	4.17%	3.64%	3.60%
		Baseline	3.81%	3.38%	2.66%	2.31%	2.25%
		Weighted	3.93%	3.47%	2.79%	2.42%	2.43%
		Adverse	0.86%	1.73%	1.44%	1.17%	1.29%

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

Notes to the separate financial statements (continued)

3. Use of judgements and estimates in applying accounting policies (continued)

3.1 Impairment losses on loans and advances (continued)

Sensitivity Scenario (continued)

Indicator	Unit	Scenario	2025	2026	2027	2028	2029
Number of Employees	YOY %	Optimal	0.81%	0.15%	-0.07%	-0.18%	-0.32%
		Baseline	-0.39%	-0.69%	-0.81%	-0.86%	-0.86%
		Weighted	-0.33%	-0.65%	-0.79%	-0.85%	-0.86%
		Adverse	-1.39%	-1.43%	-1.53%	-1.55%	-1.43%
Unemployment Rate	%	Optimal	3.33%	3.71%	4.99%	4.20%	4.38%
		Baseline	4.37%	4.59%	4.74%	4.86%	4.89%
		Weighted	4.39%	4.63%	4.75%	4.83%	4.88%
		Adverse	5.48%	5.62%	5.52%	5.46%	5.37%
Long term interest rate	%	Optimal	4.33%	4.91%	5.34%	5.69%	5.90%
		Baseline	3.77%	4.42%	4.90%	5.31%	5.53%
		Weighted	3.78%	4.41%	4.90%	5.31%	5.53%
		Adverse	3.23%	3.91%	4.46%	4.92%	5.17%
Retail Sales	YOY %	Optimal	6.34%	4.93%	4.32%	4.12%	3.91%
		Baseline	3.64%	3.27%	3.03%	2.82%	2.71%
		Weighted	3.82%	3.38%	3.09%	2.89%	2.81%
		Adverse	1.49%	1.86%	1.82%	1.59%	1.71%
Average Monthly Wage	YOY %	Optimal	10.76%	7.58%	5.84%	5.07%	4.58%
		Baseline	8.15%	6.08%	4.60%	3.81%	3.38%
		Weighted	8.15%	6.11%	4.67%	3.88%	3.51%
		Adverse	5.50%	4.59%	3.49%	2.64%	2.46%
Total Disposable Income Per Person	YOY %	Optimal	13.96%	10.48%	8.88%	7.67%	7.10%
		Baseline	7.46%	5.80%	4.87%	4.13%	4.22%
		Weighted	8.01%	6.49%	5.60%	4.80%	4.76%
		Adverse	2.59%	2.89%	2.62%	2.04%	2.33%
House Price Index	YOY % 2015=100	Optimal	13.52%	9.24%	8.15%	7.81%	7.36%
		Baseline	7.01%	4.04%	3.20%	3.11%	3.05%
		Weighted	7.66%	4.81%	4.13%	4.12%	4.07%
		Adverse	2.50%	0.83%	0.49%	0.73%	0.92%
Interest Rate Spread (companies)	%	Optimal	2.42%	2.77%	3.28%	3.85%	4.35%
		Baseline	2.83%	3.20%	3.63%	4.14%	4.61%
		Weighted	2.85%	3.20%	3.63%	4.14%	4.62%
		Adverse	3.30%	3.63%	3.97%	4.45%	4.89%
Central Bank Policy Rate	%	Optimal	2.43%	2.59%	2.78%	2.94%	3.14%
		Baseline	2.19%	2.39%	2.59%	2.79%	2.99%
		Weighted	2.17%	2.37%	2.57%	2.77%	2.97%
		Adverse	1.89%	2.11%	2.34%	2.58%	2.79%
Imports (goods and services)	YOY %	Optimal	8.57%	7.99%	6.17%	5.77%	5.37%
		Baseline	2.85%	4.25%	2.61%	2.33%	2.38%
		Weighted	3.59%	4.84%	3.28%	3.07%	3.01%
		Adverse	-0.56%	2.11%	0.77%	0.74%	0.82%

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

Notes to the separate financial statements (continued)

3. Use of judgements and estimates in applying accounting policies (continued)

3.1 Impairment losses on loans and advances (continued)

Sensitivity analysis on lending portfolios (continued)

Lending Portfolio	Scenario	Collective ECL change	% of allowance change
Retail	100% Optimistic	(5,682)	-2.53%
	No FLI	-	0.00%
	100% Base	0,225	0.10%
	100% Adverse	5,415	2.41%
Corporate	100% Optimistic	(3,741)	-5.48%
	No FLI	-	-
	100% Base	7,893	11.57%
	100% Adverse	17,789	26.06%

It is noted that sensitivity analysis when performed on certain key parameters can provide meaningful information only for portfolios where the risk parameters have a significant impact on the overall credit risk of a lending portfolio, particularly where such sensitivities are also used for internal credit risk management purposes. Otherwise, a sensitivity on certain combinations of some risk parameters may not produce meaningful results as in reality there are interdependencies between the various economic inputs rendering any changes in the parameters correlated changes in other factors.
The Bank updates and reviews the reasonability and performs back-testing of the main assumptions used in its methodology assessment for SICR and ECL measurement, at least on an annual basis or earlier, based on facts and circumstances. In this context, experienced and dedicated staff within the Bank's Risk Management function monitors the risk parameters applied for the estimation of ECL. Furthermore, as part of the well-defined governance framework, any revisions to the methodology used are approved by the Bank competent committees and ultimately the Risk Committee (RC).

3.2. Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The fair value of financial instruments that are not quoted in an active market are determined by using other valuation techniques that include the use of valuation models. In addition, for financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using other valuation techniques.

The valuation models used include present value methods and other models based mainly on observable inputs and to a lesser extent to non-observable inputs, in order to maintain the reliability of the fair value measurement.

Valuation models are used mainly to value over-the-counter derivatives and securities measured at fair value.

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

Notes to the separate financial statements (continued)

3. Use of judgements and estimates in applying accounting policies (continued)

3.2. Fair value of financial instruments (continued)

Where valuation techniques are used to determine the fair values of financial instruments that are not quoted in an active market, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used, and are calibrated to ensure that outputs reflect actual data and comparative market prices.

The main assumptions and estimates, considered by management when applying a valuation model include:

- the likelihood and expected timing of future cash flows;
- the selection of the appropriate discount rate, which is based on an assessment of what a market participant would regard as an appropriate spread of the rate over the risk-free rate; and
- judgment to determine what model to use in order to calculate fair value.

To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates to reflect uncertainties in fair values resulting from the lack of market data inputs. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available. However, in most cases there will be some historical data on which to base a fair value measurement and consequently even when unobservable inputs are used, fair values will use some market observable inputs.
Information in respect of the fair valuation of the Bank's financial assets and liabilities is provided in note 5.3.

3.3 Classification of financial instruments

The Bank applies judgments in assessing the classification of its financial instruments and especially, in the below areas:

Business model assessment
Judgment is exercised in order to determine the appropriate level at which to assess the business model. The Bank's business models are determined at a key management personnel level for loan portfolio and centrally by the Group for debt securities. In assessing the business model of financial instruments, these are aggregated into groups (business lines) based on their characteristics, and the way they are managed in order to achieve the Bank's business objectives. In general the assessment is performed at the business unit level both for loans and debt securities.
In assessing the business model for financial instruments, the Bank performs a past sales evaluation of the financial instruments and assesses their expected evolution in the future. Judgment is exercised in determining the effect of sales to a "hold to collect" business model depending on their objective and the acceptable level and frequency.

Contractual cash flow characteristics test (SPPI test)
The Bank performs the SPPI assessment of loans and debt securities by considering all the features which might potentially lead to SPPI failure. Judgment is applied by the responsible Business Divisions when considering whether certain contractual features significantly affect future cash flows. Accordingly, for non-recourse loans, the Bank assesses jointly criteria such as the adequacy of equity, LTV (Loan-to-Value) and DSCR (Debt-Service-Coverage-Ratio) ratios as well as the existence of corporate and personal guarantees. For the securitized notes issued by special purpose vehicles and held by the Bank, the cash flow characteristics of the notes and the underlying pool of financial assets as well as the credit risk inherent in each securitization's tranche compared to the credit risk of all of the underlying pool of financial assets, are assessed by the Group. Furthermore, in order to assess whether any variability in the cash flows is introduced by the modified time value of money element, the Bank performs a quantitative assessment (as described in note 2.2.10). Moreover, the Bank evaluates certain cases on whether the existence of performance-related terms exposes the Bank to asset risk rather to the borrower's credit risk.

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

Notes to the separate financial statements (continued)

3. Use of judgements and estimates in applying accounting policies (continued)

The Bank has established a robust framework to perform the necessary assessments in accordance with Bank's policies in order to ensure appropriate classification of financial instruments, including reviews by experienced staff for both lending exposures and debt securities.

3.4 Retirement benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions, such as the discount rate and future salary increases. Any changes in these assumptions will impact the carrying amount of pension obligations.
The Bank determines the appropriate discount rate used to calculate the present value of the estimated retirement obligations, at the end of each year. In determining the appropriate discount rate, interest rates of Bulgarian government bonds at the end of the reporting period are used. The currency and term to maturity of the bonds used are consistent with the currency and estimated term to maturity of the retirement benefit obligations. The salary rate increase assumption is based on future inflation estimates reflecting also the Bank's reward structure and expected market conditions. The assumed rate of salary increase is determined by reviewing the Bank's salary increases each year. Other assumptions for pension obligations, such as the inflation rate, are based in part on current market conditions.
For information in respect of the sensitivity analysis of the Bank's retirement benefit obligations to reasonably possible, at the time of preparation of these financial statements, changes in the above mentioned key actuarial assumptions, refer to note 30.

3.5 Provisions and contingent liabilities

The Bank recognizes provisions when it has a present legal or constructive obligation, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of its amount.
A provision is not recognized and a contingent liability is disclosed when it is not probable that an outflow of resources will be required to settle the obligation, when the amount of the obligation cannot be measured reliably or in case that the obligation is considered possible and is subject to the occurrence or non -occurrence of one or more uncertain future events.Considering the subjectivity and uncertainty inherent in the determination of the probability and amount of the abovementioned outflows, the Bank takes into account a number of factors such as legal advice, the stage of the matter and historical evidence from similar cases. Further information in relation to the Bank's provisions and contingent liabilities is provided in note 35.

3.6 Fair value of land and buildings, repossessed collateral and investment properties

Fair value of land and buildings

The Bank determines the fair value of land and building from market-based evidence by appraisal that is undertaken by professionally qualified valuators.

The main valuation methods used to determine the fair value were:

- market prices analogues (where assets are compared to those similar of nature offered on the market)
- present value of future income for rent generating assets (DCF)
- method of reduced cost (taking into account the price that the asset would cost at present if acquired or built and reduced on the basis of economic and physical depreciation factors).

Fair value of repossessed collaterals

Repossessed collaterals are stated at the lower cost and net realizable value, which is the estimated selling price, in the ordinary course of business, less costs necessary to make the sale. The fair value is determined annually by external appraiser companies.

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

Notes to the separate financial statements (continued)

3. Use of judgements and estimates in applying accounting policies (continued)

3.6 Fair value of land and buildings, repossessed collateral and investment properties (continued)

The fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. In the absence of such information, the fair value estimation of the external appraiser companies is based on the cost of the asset with adjustments to reflect any changes in economic conditions and the management’s best estimate regarding the future trend of properties market.

Fair value of investment properties
Investment property is carried at fair value, as determined by external, independent, certified valuators on an annual basis.
The main factors underlying the determination of fair value are related with rental income from current leases and assumptions about rental income from future leases in the light of current market conditions, future vacancy rates and periods, discount rates or rates of return, the terminal values as well as the level of future maintenance and other operating costs.

Additionally, where the fair value is determined based on market prices of comparable transactions those prices are subject to appropriate adjustments, in order to reflect current economic conditions and management’s best estimate regarding the future trend of properties market based on advice received from its independent external valuers.Further information in respect of the fair valuation of the Bank’s investment properties is included in note 20.

3.7 Fair value of loans and advances of customers acquired

Following IFRS 3 Business Combination requirement, loans and advances to customers acquired are measured at fair value as of acquisition date and subsequently measured at amortized cost.

Loans and advances to customers acquired were fair valued using an Income Approach valuation model. The Income Approach indicates the value of an asset based on its cash generation potential, where the maximum amount that a potential investor would be willing to pay for the asset would not exceed the net present value of the future benefits generated by the asset. The fair values are estimated by discounting future expected cash flows over the time period they are expected to be recovered, using appropriate risk-adjusted discount rates. Loans are grouped according to their EBA statuses and IFRS 9 Stages at acquisition into homogenous assets with similar characteristics, such as currency, product, borrower type, etc., in order to improve the accuracy of the estimated valuation outputs. Assumptions for expected prepayments and timing of collateral realization were incorporated in estimating future cash flows, while the discount rates incorporate observable inputs such as BNB statistics for interest rates on new loans and unobservable inputs for relevant risk premiums to reflect liquidity, maturity, customer type, the required rate of return of average market investor in non-performing exposures, etc.

3.8. Leases

The Bank, as a lessee, determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank applies judgement in evaluating whether it is reasonably certain or not to exercise an option to renew or terminate the lease, by considering all relevant factors and economic aspects that create an economic incentive. The Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate, such as significant leasehold improvements or significant customization of the leased asset.
In measuring lease liabilities, the Bank uses a discount rate equal to the Bank’s deposits cost of funds for the respective currency. It is revised on a regular bases and the revised discount rate is used for the new contracts.

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

Notes to the separate financial statements (continued)

4. Capital management

The Bank prepares quarterly statutory reports and monthly reports for internal purposes, in accordance with the requirements of Regulation (EU) 575/2013, Regulation (EU) 876/2019, Regulation (EU) 873/2020 and Ordinance №8 of the Bulgarian National Bank (BNB) on capital buffers of banks. The Bank applies the standardised approach for credit and market risks and the Basic Indicator Approach for operational risk since 1 January 2007.

According to supervisory statements of the Bank for the purposes of the Bulgarian National Bank in accordance with Regulation (EU) 575/2013 of the European Parliament and the Council, as of 31 December 2024, the Bank was in compliance with capital adequacy requirements, maintaining CET 1 ratio comfortably above the regulatory required level and MREL requirements in accordance with Regulation (EU) No 806/2014. As disclosed in the regulatory reports to the Central Bank, the capital adequacy ratio of the Bank is 19.7%, not including the interim profit for the second half of 2024 ending on 31 December 2024.

The capital adequacy ratio stands at 21.1% including the profit attributable to the shareholders of the Bank for the period ended 31 December 2024 after receiving of the regulatory approvals.

The Bank's Management objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

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

In accordance with Law on Credit Institutions each bank or banking group is required to hold the minimum level of paid-in capital amounting to BGN 10,000 thousand.

Capital adequacy and the use of regulatory capital are monitored by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and Regulation (EU) 575/2013, Regulation (EU) 876/2019, Regulation (EU) 873/2020, as well as Directive 2013/36 of the European Union and Commission Implementing Regulation (EU) 2021/451. The required information is filed with the Bulgarian National Bank on a quarterly basis.

Regulatory capital consists of Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital. Tier 1 capital includes shareholders' ordinary equity, „Reserve" fund, retained earnings from previous year, unrealized gains/losses from FVOCI financial instruments and is reduced by intangible assets and deferred tax assets. Tier II capital includes subordinated debt and hybrid instruments.

The own funds requirements under Basel III are the following (as a percentage of risk-weighted assets, RWA):

- CET 1 capital ratio of 4.5%;
- Tier 1 capital ratio of 6%;
- Total capital ratio of 8%.

Additionally, capital conservation buffer, systemic risk buffer, capital buffer for other systemically important institutions (O-SIIs) and countercyclical capital buffer are introduced. The capital conservation buffer equals 2,5% of RWA; the systemic risk buffer equals 3% of RWA; the O-SIIs buffer equals 0.75% of RWA and the countercyclical capital buffer – 2% of RWA. The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of − and reflecting an estimate of credit, market and other risks associated with − each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

From 1 January 2020 Eurobank Bulgaria A.D. meets, on an individual basis, a Pillar 2 additional own funds requirement of 1.25%, to be entirely composed of CET 1 capital. Since 1 March 2022, the Pillar 2 additional own funds requirement has to be held in the form of 56.25% of CET1 capital and 75% of Tier 1 capital, as a minimum.

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

Notes to the separate financial statements (continued)

4. Capital management

On 19 June 2024, Regulation 2024/1623/EU and Directive 2024/1619/EU of the European Parliament and of the Council of 31 May 2024, amending Regulation 575/2013/EU and Directive 2013/36/EU, respectively, were published in the Official Journal of the European Union. The revised CRR (CRR3) will, in general, become applicable from 1 January 2025, with a transitional period envisaged for certain rules set out therein. EU member states will need to transpose the revised CRDIV (CRD6) into national law, to be applied from 11 January 2026. In addition, following its publication in the Official Journal of the European Union, the Commission Implementing Regulation (EU) 2024/1872 of 1 July 2024, amended the implementing technical standards laid down in Implementing Regulation (EU) 2016/1799 as regards the mapping tables specifying the correspondence between the credit risk assessments of external credit assessment institutions and the credit quality steps set out in Regulation (EU) No 575/2013 of the European Parliament and of the Council.

The Bank applies standardized approach for credit and market risk and Basic Indicator Approach (BIA) for operational risk.

5. Financial risk management and fair value

5.1 Use of financial instruments

By their nature the Bank’s activities are principally related to the use of financial instruments including derivatives. The Bank accepts deposits from customers for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers within a range of credit standing. Such exposures include both on-balance sheet loans and advances and off-balance sheet guarantees and other commitments such as letters of credit.

The Bank might also perform trades in financial instruments where it takes positions in traded and over the counter financial instruments, including derivatives, to take advantage of short-term market movements in the equity and bond markets and in currency and interest rates.

5.2 Financial risk factors

Due to its activities, the Bank is exposed to a number of financial risks, such as credit risk, market risk (including currency and interest rate risk), liquidity and operational risks. The Bank's overall risk management strategy seeks to minimize any potential adverse effects on its financial performance, financial position and cash flows.

Risk Management objectives and policies

The Bank acknowledges that taking risks is an integral part of its operations in order to achieve its business objectives. Therefore, the Bank’s management sets adequate mechanisms to identify those risks at an early stage and assesses their potential impact over the achievement of these objectives.

Due to the fact that economic, industry, regulatory and operating conditions will continue to change, risk management mechanisms are set in a manner that enable the Bank to identify and deal with the risks associated with those changes. The Bank’s structure, internal processes and existing control mechanisms ensure both the independence principle and the exercise of sufficient supervision. The management of the Bank considers effective risk management a top priority, as well as a major competitive advantage for the organization. In this regard, the Bank has allocated significant resources to improve its policies, methods and infrastructure in order to ensure compliance with the requirements of the European Central Bank (ECB) and of the Single Resolution Board (SRB), the guidelines of the European Banking Authority (EBA) and the Basel Committee on Banking Supervision, the Bulgarian National Bank and the best international banking practices. The Bank has established a well-structured loan approval process, independent reviews of loan applications and effective policies for management of the credit, market, IRRBB & CSRBB liquidity and operational risks. The risk management policies applied by the Bank are reviewed every two years .

(All amounts are shown in BGN thousands unless otherwise stated)
Notes to the separate financial statements (continued)

5.Financial risk management and fair value (continued)

5.2.Financial risk factors (continued)

Risk Management objectives and policies (continued)
The Bank's risk management strategy, outlines the Bank's overall direction regarding risk and capital management issues, the risk management mission and objectives, risk definitions, risk management principles, risk governance framework, strategic objectives and key management initiatives for the improvement of the risk management framework in place.
The maximum amount of risk which the Bank is willing to assume in the pursuit of its strategic objectives is articulated via a set of quantitative and qualitative statements for specific risk types, including specific tolerance levels as described in the Bank's Risk Appetite Framework. The objectives are to support the Bank's business growth, balance a strong capital position with higher returns on equity and to ensure the Bank's adherence to regulatory requirements.

The risk appetite that is clearly communicated throughout the Bank, determines risk culture and forms the basis on which risk policies and risk limits are established at Bank and Group level. Within the context of its Risk Appetite Framework, the Bank has further enhanced the risk identification process and the risk materiality assessment methodology.
The identification and the assessment of all risks is the cornerstone for the effective Risk Management. The Bank aiming to ensure a collective view on the risks linked to the execution of its strategy, acknowledges the new developments at an early stage and assesses the potential impact. In this context, the Bank has recognized climate change risk as a material risk and based on its supervisory guidelines, is in the process of continuing adapting its policies and methodologies for identifying and monitoring the relevant risks.

Risk Committee
The Bank's risk governance framework comprises a number of different constituents. In particular, the Supervisory Board has set up a Risk Committee overseeing all risk management functions. It is currently complemented by the Risk function.
The Supervisory Board has delegated to the Risk Committee the role of approving all strategic risk management decisions. The Risk Committee is in charge of monitoring the quantitative and qualitative aspects of all credit, market, liquidity and operational risks. The Risk Committee is empowered to:

- ✓ Review and analyze the Bank's risk profile, identify and assess significant risks;
- ✓ Develop adequate policies and procedures in order to identify, assess, monitor and control significant risks;
- ✓ Approve the framework for the credit approval process, including, when relevant, the internal structures for credit granting and monitoring, and defining delegated decision-making authorities.
- ✓ Review the level of forborne exposures on a segmental basis and the measures granted and to report periodically to the Supervisory Board the effectiveness of the measures (in terms of type of portfolio, type of restructuring solution and vintage):
- ✓ Approve loans (loan origination, annual review, forbearance measures) that exceed 10% of Bank's capital base:
- ✓ Approve write-offs higher than (an aggregate of) 5% per annum of Bank's capital base for corporate loans and higher than (an aggregate of) 5% per annum of Bank's capital base (on a pool basis) for retail loan portfolios;
- ✓ Review any deviation from the credit policy or potential conflict with the approved risk strategy and risk appetite and propose to the Supervisory Board corrective actions in case the CRC identifies that the risk strategy is not implemented, partly or in full.
- ✓ Determine the principles which govern risk management across the Bank in terms of the identification, measurement, monitoring, control, and mitigation of risks

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

Risk Management objectives and policies (continued)

- ✓ Ensure that the Bank has the appropriate methodologies, modelling tools, data sources, IT systems and competent staff to assess the asset quality of the Bank's credit portfolio under current macroeconomic conditions and the effect on the Bank's capital position under stressed macroeconomic scenarios;
- ✓ Assess, in compliance with the approved risk appetite and risk capacity levels, the appropriateness of risk limits, the adequacy of provisions and, in general, the capital adequacy in relation to the risks undertaken by the Bank.

The Risk Committee updates the Supervisory Board on the adequacy of the risk management structure and reports key risks. Any significant matters of concern are escalated either to the Supervisory Board of Eurobank Bulgaria AD or to the Eurobank SA's Group Risk Committee.

Non-Performing Exposures (NPEs) management

The Bank has established an organizational and hierarchical model in order to empower the management of troubled assets and to be adequate to the macro environment, adopting the regulatory requirements.

Proactive measures have been taken in this regard, as the Bank has transformed its troubled assets operating model by establishing a dedicated Troubled Assets Group Division (TAG) and respective troubled assets governance bodies, namely the Troubled Assets Committee (TAC) and the Special Handling Monitoring Committee (SHMC).

Troubled Assets Committee (TAC)

The Troubled Assets Committee (TAC) is established as a committee of Troubled Assets Group Division under the Bank`s Management Board. The TAC oversees and monitors the Bank's troubled assets' management. In particular, the main competencies that have been delegated to TAC relate to the monitoring of loans in arrears and the management of non-performing loans, the determination and implementation of the troubled assets' management strategy, to approve and assess the sustainability of the forbearance and closure procedure measures and modification programs.

Special Handling Monitoring Committee (SHMC)

The Special Handling Monitoring Committee (SHMC) is established as a dedicated committee that monitors Corporate watch-listed, problematic and non-performing relationships. The main competences of the SHMC are related to monitoring of customers activities and financial performance as well as to decide on the strategy for handling of problematic Corporate relationships.

Troubled Assets Group Division (TAG)

The TAG has been established as an independent body, reporting directly to the Chief Executive Officer of the Bank. TAG Division is the overall responsible body for the management of the Bank's troubled assets portfolio, for the whole process, from the pre-delinquency status in case of high risk exposures up to legal workout. It ensures close monitoring, tight control and course adjustment taking into account the continuous developments in the macro environment, the regulatory and legal requirements, the international best practices and new or evolved internal requirements.

TAG comprises the Retail TAG Department, the Wholesale TAG Department, Risk and policy Department and TAG Retail Underwriting Department. TAG structure is completely segregated from the Bank's business units both in terms of account management, as well as credit approval process, which ensures transparency,

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

Risk Management objectives and policies (continued)

Troubled Assets Group Division (TAG) (continued)

flexibility, better prioritization and management accountability and shifts the management from bad debt minimization to bad debt value management, in line with the Bank's risk appetite.

The TAG cooperates with the Bank`s Risk Division, being responsible for the overall risk management framework and the development and validation of credit assessment methodologies and tools (i.e. models and scorecards). Interaction with the Risk Division is in place with regard to the elaboration, validation and updating of the TAG Credit Policy, evaluation and opinion on TAG business proposals, approval of forbearance measures and modification programs (risk representatives participate in the approval process). The overall results of the management of troubled assets are presented to the regular Risk Committees. The key governing principles of the TAG are to:

- Ensure direct top management involvement in troubled assets management and close monitoring of the respective portfolio;
- Deploy a sound credit workout strategy through innovative propositions that will lead to viable short and long-term solutions, ensuring a consistent approach for managing troubled assets across portfolios;
- Ensure a consistent approach for managing troubled assetsn and special products.;
- Prevent non-performing exposures formation through early intervention and clear definition of primary financial objectives of troubled assets;
- Monitor the loan delinquency statistics, as well as define targeted risk mitigating actions to ensure portfolio risk reduction;
- Target maximization of borrowers who return to performing status through modifications or collections;
- Define criteria to assess the sustainability of proposed forbearance.

Operational targets for Non-performing exposures (NPEs)

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

The Management of the Bank approved a NPEs management strategy for the years 2025-2027, which envisages projected NPEs stock to reach BGN 404 million by the end of 2025, and BGN 442 million (NPE ratio close to 2.2%) by the end of 2027.

NPE loans IFRS 9 ECL captures the expected loss related to the forward looking accelerated non-performing exposures management strategy. IFRS 9 does not limit the cash flows that the Bank can expect to receive only to contractual cash flows that are collected from the borrowers. Further it states that credit risk management activities that are aimed at minimizing potential credit losses, such as sales, are integral to a hold-to-collect business model. Accordingly, cash flows that are expected to be recovered from sale of defaulted assets should be included in the measurement of ECL.

The recoverability of disposable non-performing exposures has been quantified by taking into account Bank's past practice and future expectations and relevant market information related to bad debt loans sale prices and similar transactions.

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit Risk

Credit risk is the risk that a counterparty will be unable to fulfill its payment obligations in full when due. Settlement risk is the risk arising when payments are settled, for example for trades in financial instruments, including derivatives and currency transactions. The risk arises when the Bank remits payments before it can ascertain that the counterparties' payments have been received.

Credit risk arises principally from the corporate and retail lending activities of the Bank, including from credit enhancement provided, such as financial guarantees and letters of credit. The Bank is also exposed to credit risk arising from other activities such as investments in debt securities, trading activities, capital markets and settlement activities. Taking into account that credit risk is the principal risk the Bank is exposed to, it is rigorously managed and is monitored by centralized dedicated risk units, reporting to the Bank Chief Risk Officer and to the Group Chief Risk Officer.

(a) Credit approval process

There are currently two distinct Groups of Credit Committees - Performing Clients Committees and Special Handling Committees.
The performing clients committees are responsible for implementing the functions of credit evaluation, approval and periodic review of performing clients. The mandate is to concurrently meet the objectives of having a robust loans portfolio together with maintaining profits for the Bank and sustainable growth.

The scope of the Special Handling Committees includes the handling of borrowers with Risk Classification Medium and High. Their primary emphasis is placed on accurately evaluating their financial viability in order to define the account strategy.
The segregation of duties ensures independence among executives responsible for the customer relationship, the approval process and the loan disbursement, as well as monitoring of the loan during its lifecycle.

Credit Committees

The credit approval process in Corporate Banking is centralized through establishment of Credit Committees with escalating Credit Approval Levels, in order to manage the corporate credit risk. Main Committees of the Bank are considered to be the following:

- Credit Committees (Central and Local) authorized to approve new financing, renewals or amendments in the existing credit limits, in accordance with their approval authority level, depending on total limit amount and customer risk category (i.e. high, medium or low), as well as the tenor and the value and type of security;
- Special Handling Credit Committees authorized to approve credit requests and take actions for distressed clients;
- International Credit Committee (Regional) established for credit underwriting to wholesale borrowers and the subsidiaries within the Group, authorized to approve new limits, renewals or amendments to existing limits, in accordance with the approval authority level, depending on total customer exposure and customer risk category (i.e. high, medium or low), as well as the tenor and the value and type of security; and
- International Special Handling Committees established for handling distressed wholesale borrowers of the subsidiaries within the Group

The Credit Committees meet on a weekly basis or more frequently, if needed.

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit Risk (continued)

Credit Committees (continued)

Credit Risk Department

The main responsibilities of Credit Risk Department are:

- Review and evaluation of credit requests of:
  - ✓ Domestic large and medium scale corporate entities of medium and low risk category;
  - ✓ Specialized units, such as Project Finance, Factoring;
  - ✓ Cross-border customers; and
  - ✓ Retail sector's customers (small business and individual banking) above a predetermined threshold and for predetermined types of exceptions.
- Issuance of an independent risk opinion for each credit request, which includes:
  - ✓ Assessment of the customer credit profile based on the qualitative and quantitative risk factors identified (market, operations, structural and financial);
  - ✓ A focused sector analysis; and
  - ✓ Recommendations to structure a bankable, well-secured and well-controlled transaction

- Review and confirmation of the ratings of each separate borrower, to reflect the risks acknowledged;
- Participation in all credit committees (for both performing and Remedial TAG customers), as per the credit approval procedures and having voting rights for the local ones.
- Active participation in all external/regulatory audits of the Bank;
- Preparation of specialized reports to International Credit Sector (ICS) on a regular basis, with regards to expired credit reviews, leveraged transactions, as well as various statistics on the existing and newly approved financings at a request;
- Safeguarding compliance of the Lending Units with the approved Bank's policies; and
- Provision of specialized knowledge, expertise and support to other divisions of the Bank, in relation to operational and credit procedures, security policies, new lending products and restructuring schemes.

Retail Banking approval process

The approval process for loans to small businesses (turnover up to BGN 5 million) is centralized following specific guidelines for eligible collaterals as well as the 'four-eyes' principle. The assessment is based on an analysis of the borrower's financial position and statistical scorecards. Two sub-segments are distinguished in SBB regarding credit approvals: a) Clients with turnover up to BGN 2 million and b) Clients with turnover within the range BGN 2 – 4 million. Different credit criteria and exception matrices apply for each sub-segment.

The credit approval process for Individual Banking (consumer and mortgage loans) is also centralized. It is based on specialized credit scoring models and credit criteria taking into account the payment behavior, personal wealth and financial position of the borrowers, including the existence of real estate property, the type and quality of securities and other factors. The ongoing monitoring of the portfolio quality and of any other deviations that may arise, leads to an immediate adjustment of the credit policy and procedures, when deemed necessary.

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

(b) Credit risk monitoring

Credit Control Department

The Bank's Credit Control Department monitors and assesses the quality of all of the Bank's loan portfolios and operates independently from the business units of the Bank. The department reports directly to the CRO

Specifically, the main responsibilities of the Credit Control Department are to:

- Continually monitor and assess the quality of Group's loan portfolio via field, desktop and thematic reviews in order to timely identify emerging risks, vulnerabilities, compliance to set credit policies and consistency in underwriting
- Monitor progress on review findings remediation activities on a regular basis and escalate non - compliance issues
- Prepare regular reports and analyses on the Bank's Retail and Corporate loan portfolio, which are presented to the local management of the Bank, as well as to Credit Control in Eurobank SA;
- Develop overarching risk related policies, internal circulars and guides related to credit underwriting issues
- Coordinate Credit Policy Manuals formulation and regular review.
- Participate in the actualization of the credit ratings of the corporate borrowers;
- Control, analysis and assessment of the quality of Retail and Corporate loan portfolio and the stemming credit risk in Retail and Corporate banking;
- Create and maintain Preventive, Monitoring and Controlling System referring to Retail and Corporate Portfolios;
- Evaluate applications from Business Units, regarding new products, as well as approval of credit policies and procedures and amendments to them, including subsequent follow-up of their correct application;
- Oversee the appropriateness of the individual and collective assessment as per the provisions of IFRS9 and the correctness of staging allocation;
- Review the effectiveness of various forbearance measures and the accomplishment of NPE's reduction plan (budget) and propose required actions.
- Participate in preparation of key supervisory disclosures, monitor the relevant regulatory requirements in order to keep the Management abreast, collaborate with other involved areas in order to implement required amendments
- Oversee the monthly process of calculating provisions, coordinate all involved stakeholders, initiate and lead remediation actions in case of time overruns
- Performs Quality Control on valuations (through Random sample valuations)
- Participate through the Head of Credit Control Department in Troubled Assets Committee.

Credit Risk Methodology and Capital Adequacy Control Department

The Credit Risk Methodology and Capital Adequacy Control (CRM-CAC) Department reports to the Bank's CRO.

Specifically, the main responsibilities of the CRM-CAC Department are to:

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

(b) Credit risk monitoring (continued)

Credit Risk Methodology and Capital Adequacy Control Department (continued)

- manage the models development, implementation, maintenance and validation of the IRB models of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) for evaluating credit risk;
- manage the models development, implementation, maintenance and validation of the risk related scoring models;
- manage the models development, implementation, maintenance and validation of the IFRS9 models of 12m ECL and lifetime ECL calculation;
- implementation, monitoring and maintenance of IFRS9 impairment calculation engine;
- implementation, monitoring and maintenance of credit rating systems;
- perform stress tests, both internal and external (EBA/Bulgarian National Bank (BNB)), and maintain the credit risk stress testing infrastructure;
- prepare the credit risk analyses for Internal Capital Adequacy Assessment (ICAAP)/ Pillar 2 purposes;
- prepare the Basel Pillar 3 disclosures for credit risk;
- participate in the preparation of the business plan, the NPE targets plan and the recovery plan of the Bank in relation to asset quality and capital requirements for the loan book (projected impairments and RWAs), as well as participate in the relevant committees;
- support the business units in the use of credit risk models in business decisions, for funding purposes, in the capital impact assessment of strategic initiatives and the development and usage of risk related metrics such as risk adjusted pricing, Risk Adjusted Return on Capital (RAROC) etc.;
- monitor the regulatory framework in relation to the above, to perform impact assessment, to initiate and manage relevant projects;
- regularly report to the CRO and Group Chief Risk Officer, to the Management Risk Committee and to the Board Risk Committee on: risk models performance, risk parameters (PD, LGD, EAD), updates on regulatory changes and impact assessment and asset quality reviews.

Market Risk Department

Market Risk Department is responsible for the measurement, monitoring and reporting of the Bank’s exposure to counterparty risk, which is the risk of loss due to the customer’s failure to meet its contractual obligations in the context of treasury activities, such as securities, derivatives, repos, reverse repos, interbank placings, etc. The Bank sets limits on the level of counterparty risk (see also below 5.2.1 (f) credit risk mitigation) that may be undertaken based mainly on the counterparty’s credit rating, as provided by international rating agencies, the product type and the maturity of the transaction (e.g. control limits on net open derivative positions by both amount and term, bonds exposure, interbank transactions and operating account balances). The utilization of the abovementioned limits, any excess of them, as well as the aggregate exposure per counterparty and product type are monitored by the department on a daily basis. Risk mitigation contracts are taken into account for the calculation of the final exposure. In case of uncollateralized derivative transactions, the Bank measures the current exposure along with the potential future exposure (PFE) using financial models. The combined exposure is used for the monitoring of limit utilization.

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

(c) Credit related commitments

The primary purpose of credit related commitments is to ensure that funds are available to a customer as agreed. Financial guarantee contracts carry the same credit risk as loans since they represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are secured by the underlying shipment of goods to which they relate and therefore carry less risk than a loan. Commitments to extend credit represent contractual commitments to provide credit under pre-specified terms and conditions (note 35) in the form of loans, guarantees or letters of credit for which the Bank usually receives a commitment fee. Such commitments are irrevocable over the life of the facility or revocable only in response to a material adverse effect.

(d) Concentration risk

The Bank structures the levels of credit risk it undertakes by placing exposure limits by borrower, or groups of borrowers, and by industry segments.
Concentration risk is monitored regularly and reported to the Risk Committee.

e) Rating systems

Rating of wholesale lending exposures

The Bank employs a number of rating models and tools in order to reflect appropriately the risk arising from wholesale lending customers with different characteristics. Accordingly, the Bank employs the following rating models for the wholesale portfolio:

- Moody’s Risk Analyst model (“MRA”) is used to assess the risk of borrowers for Corporate Lending.
- Slotting models: in view of assessing the risk of specialized exposures, which are part of the Specialized Lending corporate portfolio, slotting rating models are employed.
- Internal Credit Rating model (“ICR”) is used for those customers that cannot be rated by neither MRA nor Slotting methodology.

CreditLens credit rating system operating with the MRA model allows the assessment of the creditworthiness of corporate borrowers through the analysis of (a) quantitative criteria (min two financial years’ statements) which are compared with the financial statements of a peer group (i.e. companies with similar business activity) and (b) qualitative parameters such as company reputation and status, management characteristics and skills etc. CreditLens takes into account the entity's balance sheets, income statement accounts and cash flow statements to calculate key ratios. Its ratio analysis includes assessments of each ratio’s trend across multiple periods, both in terms of the slope and volatility of the trend. It also compares the value of the ratio for the most recent period with the quartile values for a comparable peer group. Moreover, CreditLens is supplied with a commonly used set of qualitative factors relating to the quality of the company’s management, the standing of the company within its industry and the perceived riskiness of the industry. CreditLens uses financial data for companies operating on the Bulgarian market.

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

e) Rating systems (continued)

Rating of wholesale lending exposures (continued)

With reference to Specialized Lending portfolio (for which the Bank is using Slotting rating models) and in line with European Banking Authority (EBA) definitions, it comprises types of exposures towards entities specifically created to finance or operate physical assets, where the primary source of income and repayment of the obligation lies directly with the assets being financed. The rating system New Credit Rating (NCR) is applied to real estate projects, i.e. financing real estate projects (for example, office buildings that can be rented out, commercial areas, residential building, industrial or warehouse areas) where the expected cash flows for the repayment of the loan will be generated by the asset under consideration (leasing payments, rent payments or sale of the asset). The rating system for real estate projects is used for investment real estate (Investors) and real estate in process of development (Developers). According to the slotting methodology, four keys aspects of the project are evaluated: financial stability, characteristics of the asset, stability of the investor/developer, collaterals.

The MRA rating is not employed for certain types of entities that use special characteristics of different accounting methods to prepare their financial statements, such as Insurance companies and brokerage firms. Moreover, entities such as start-ups that have not produced financial information for at least two annual accounting periods are not rated with MRA.

In case a client is not eligible neither for MRA, nor rating based on Slotting methodology, the Internal Credit Rating ("ICR") is used. The ICR is based on a thorough analysis of a set of qualitative factors (company management, industry, operating conditions, market sector, collateral servicing the loan, etc.) and quantitative factors (financial indicators such as profitability, leverage, liquidity, etc., derived from the financial statements of the client). Each client must be individually rated, but customers who belong to a group of companies should be considered together. In the event that the related company provides corporate guarantee, then the company, which is the borrower must obtain a credit rating of the company providing the guarantee.

In the context of IFRS9 implementation, the Bank has further enhanced its corporate credit risk assessment models linking risk parameters estimation with macro-economic factors allowing the forecasting of rating transitions under different macroeconomic scenarios (base, adverse and optimistic).

The rating systems described above are an integral part of the wholesale banking decision-making and risk management processes:

- the credit approval or rejection, both at the origination and review process;
- the allocation of competence levels for credit approval;
- the impairment calculation (staging criteria and subsequent ECL estimation of forecasted risk parameters)

Rating of retail lending exposures

The Bank assigns credit scores to its retail customers using a number of statistically-based models both at the origination and on ongoing basis through behavioral scorecards. These models have been developed to predict, on the basis of available information, the probability of default, the loss given default and the exposure at default. They cover the entire spectrum of retail products (credit cards, consumer lending, mortgages and small business loans).

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

(e) Rating systems (continued)

Rating of retail lending exposures (continued)5

The Bank's models were developed based on historical data and credit bureau data. The models are applied in the credit approval process, the credit limits management, as well as the collection process for the prioritization of the accounts in terms of handling.

Behavioral scorecards are calculated automatically on a monthly basis, thus ensuring that the credit risk assessment is up to date. In the context of IFRS 9, the Bank has further enhanced its retail credit risk assessment models linking risk parameters estimation with macro-economic factors allowing their forecasting over one year and lifetime horizon under different macroeconomic scenarios (base, adverse and optimistic) and supporting the staging analysis and allocation to risk classes under homogeneous pools.

The Credit Risk Methodology and Capital Adequacy Control Department monitors the capacity of rating models and scoring systems to classify customers according to risk, as well as to predict the probability of default and loss given default and exposure at default on an ongoing basis. The Bank verifies the validity of the rating models and scoring systems on an annual basis and the validation includes both quantitative and qualitative aspects.

(f) Credit risk mitigation

A key component of the Bank's business strategy is to reduce risk by utilizing various risk mitigating techniques. The most important risk mitigating means are collateral's pledge, guarantees and master netting agreements.

Types of collateral commonly accepted by the Bank

The Bank has internal policies in place which set out the following types of collateral that are usually accepted in a credit relationship:

- Real estate
- Pledge on movable property
- Pledge on commercial enterprises
- Pledge on receivables
- Securities
- Cash
- Letters of guarantees
- Personal guarantees /Sureties/
- Other eligible collaterals

A specific coverage ratio is pre-requisite, upon the credit relationship's approval and on ongoing basis, for each collateral type, as specified in the Bank's credit policy.
For interbank exposures (i.e. reverse repos, derivatives), the Bank accepts as collateral only cash or liquid bonds.

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

(f) Credit risk mitigation (continued)

Valuation principles of collaterals

In defining the minimum collateral ratio for loans, the Bank considers all relevant information available, including the collaterals' specific characteristics, if market participants would take those into account when pricing the relevant assets. The valuation and hence eligibility is based on the following factors:

- the collateral's fair value, i.e. the exit price that would be received to sell the asset in an orderly transaction under current market conditions;
- the fair value reflects market participants' ability to generate economic benefits by using the asset in its highest and best use or by selling it;
- a reduction in the collateral's value is considered if the type, location or condition (such as deterioration and obsolescence) of the asset indicate so; and
- no collateral value is assigned if a pledge is not legally enforceable.

Collateral policy and documentation

Regarding collaterals, Bank's policy emphasizes the need that collaterals and relevant processes are timely and prudently executed, in order to ensure that collaterals and relevant documentation are legally enforceable at any time. The Bank holds the right to liquidate collateral in the event of the obligor's financial distress and can claim and control cash proceeds from the liquidation process.

Guarantees

The guarantees used as credit risk mitigation by the Bank are largely issued by central government, local banks and funds (Bulgarian Development Bank and National Guarantee Fund) and international financial institutions (European Investment Fund (EIF), International Financial Corporation (IFC), etc.).

A key component of the Bank's business strategy is to reduce risk by utilizing various risk mitigating techniques. The most important risk mitigating means are collaterals' pledges, guarantees and master netting arrangements.

Counterparty risk

The Bank mitigates counterparty risk arising from treasury activities by entering into master netting arrangements and similar agreements, as well as collateral agreements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in the offset of balance sheet assets and liabilities, as the transactions are usually settled on a gross basis.

However, the respective credit risk is reduced through a master netting agreement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis.
In the case of derivatives, the Bank makes use of International Swaps and Derivatives Association (ISDA) contracts, which limit the exposure via the application of netting, and Credit Support Annex (CSAs), which further reduce the total exposure with the counterparty. Under these agreements, the total exposure with the counterparty is calculated on a daily basis taking into account any netting arrangements and collaterals.The same process is applied in the case of repo transactions where standard Global Master Repurchase Agreements (GMRAs) are used. The exposure (the net difference between repo cash and the market value of the securities) is calculated on a daily basis and collateral is transferred between the counterparties thus minimizing the exposure.

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.1 Maximum exposure to credit risk before collateral held

	As at 31 December	
	2024	**2023**
Loans and advances to banks	1,180,884	783,264
Less: Impairment allowance	(47)	(30)
Loans and advances to customers:		
- Mortgages	4,592,947	3,671,461
- Consumer lending (including credit cards)	3,771,631	3,245,705
- Small Business lending	1,136,837	1,019,686
- Corporate lending	5,622,869	4,969,665
Less: Impairment allowance	(384,640)	(366,275)
Trading assets - debt securities	73,026	35,646
Derivative financial instruments	33,505	18,655
Debt securities at fair value through other comprehensive income	1,125,148	1,155,858
Debt securities at amortised cost	2,308,695	1,810,028
Less: Impairment allowance	(3,975)	(2,922)
Other financial assets (*)	117,618	95,559
Less: Impairment allowance	(6,011)	(3,770)
Credit risk exposures relating to off-balance sheet items are as follows (Note 35):		
Guarantees and Letters of credit	370,570	345,117
Loan commitments	2,968,215	2,372,705
Less: Impairment allowance	(954)	(1,027)
Total	**22,906,318**	**19,149,325**

(*) it refers to financial assets subject to IFRS 9 requirements, which are recognized within other assets

The above table represents the Bank’s maximum credit risk exposure as at 31 December 2024 and 31 December 2023, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on the net carrying amounts as reported in the balance sheet.

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers

The section below provides an overview of the Bank's exposure to credit risk arising from its customer lending portfolios.

Loans and advances to customers carried at amortised cost are classified depending on how ECL is measured. Accordingly, loans reported as non-impaired include loans for which a '12-month ECL allowance' is recognized as they exhibit no significant increase in credit risk since initial recognition and loans for which a 'Lifetime ECL allowance' is recognized as they exhibit a significant increase in credit risk since initial recognition but are not considered to be in default.

Credit impaired loans category includes loans that are considered to be in default, for which a loss allowance equal to 'Lifetime ECL' is recognized and loans classified as 'Purchased or originated credit impaired' (POCI) which are always measured on the basis of lifetime ECL.

The Bank's accounting policy regarding impairment of financial assets is set out in Note 2.2.15.

(a) Credit quality of loans and advances to customers

Regulatory definitions'

'Default exposures', in line with the regulatory definition of default as adopted by the Bank, include material exposures that are past due more than 90 days, exposures that are assessed by Bank as unlikely to pay as well as those that are assessed for impairment individually and carry an individual impairment allowance. As at 31 December 2024, the Bank's default exposures amounted to BGN 374,915 thousand (2023: BGN 324,786 thousand).

The new definition of default (DoD) for regulatory purposes introduced a new set of standards that have a significant impact on governance, data, processes, systems and credit models. The new DoD is applicable since 1 January 2021 and is set in the Article 178 of Regulation (EU) No. 575/2013, the Commission Delegated Regulation (EU) 2018/171 and European Banking Authority (EBA) Guidelines (EBA/GL/2016/07). It aims at the harmonization of the definition of default across institutions and jurisdictions in the European Union. In particular, the new DoD guidelines specify that days past due are counted from the date that both materiality thresholds are breached (an absolute amount of the total exposure and a relative as a percentage of the exposure), include conditions for a return to non-defaulted status (introduction of a probation period) and explicit criteria for classification of restructured loans as defaulted when the diminished financial obligation criterion is satisfied (difference between the net present value of cash flows before and after the restructuring exceeds the threshold of 1%).

The Bank applies the above new provisions of DoD, in order to identify defaulted exposures starting from 1 January 2021, consistently across all its lending portfolios, subject to local regulations and specific credit risk characteristics of each jurisdiction. Accordingly, the definition of default for accounting purposes is aligned with the new DoD, that is also the one used for internal credit risk management purposes.

'Non-performing exposures' as currently monitored and reported by the Bank, in line with the guidelines set by the European Banking Authority (EBA Implementing Technical Standards), include material exposures that are in arrears for more than 90 days, or assessed as unlikely to pay, impaired exposures, exposures categorized as defaulted for regulatory purposes, as well as forborne non performing exposures. The Bank has aligned its accounting definition of default with the EBA definition of default, as described above.

As at 31 December 2024, the Bank's gross amount of non-performing exposures amounted to BGN 374,915 thousand (2023: BGN 324,786 thousand). POCI loans included in non-performing exposures are BGN 20,583 thousand (2023: BGN 29,059 thousand). Correspondingly, 'Performing exposures' include exposures without arrears, those that are less than 90 days past due or are not assessed as unlikely to pay, non-impaired and non-defaulted for regulatory purposes exposures. As at 31 December 2024, the Bank's gross amount of performing exposures amounted to BGN 14,749,369 thousand (2023: BGN 12,581,731thousand).

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(a) Credit quality of loans and advances to customers (continued)

'Unlikely to pay' category refers to exposures where a borrower's ability to repay his credit obligations in full without realization of collateral is assessed as unlikely, regardless the existence of any past due amounts or the number of days past due.

Quantitative information

The following tables present the total gross amount, representing the maximum exposure to credit risk before the impairment allowance, of loans and advances that are classified as non-impaired (Stage 1 and Stage 2) and those classified as impaired (Stage 3 and POCI). They also present the total impairment allowance recognized in respect of all loans and advances and credit related commitments, analyzed into individually or collectively assessed, based on how the respective impairment allowance has been calculated, the carrying amount of loans and advances, as well as the value of collateral held to mitigate credit risk.

For credit risk management purposes, the Public Sector, which includes exposures to the central government, local or regional authorities, state-linked companies and entities controlled and fully or partially owned by the state, is incorporated in wholesale lending.

In addition, the value of collateral presented in the tables below is capped to the respective gross loan amount. The total impairment provision for loans and advances is BGN 384,640 thousand, of which BGN 98,080 thousand represents the individually impaired loans provision and the remaining amount of BGN 286,560 thousand represents the portfolio provision. During 2024, the Bank's total net loans and advances increased by 17.5% . In order to minimize the potential increase of credit risk exposure, the Bank has focused more on the business with large corporate enterprises with good credit rating or retail customers providing sufficient collateral.

The following table presents information about the credit quality of the gross carrying amount of loans and advances to customers carried at amortised cost, the nominal exposures of credit related commitments and the respective impairment allowance as at 31 December 2024 and 31 December 2023. The values of collaterals presented are up to the net carrying amount of the exposures:

As at 31 December 2024

	Non-impaired		**Credit-impaired**					**Non-impaired**		**Credit-impaired**					
			Lifetime ECL credit-impaired		POCI		**Total gross carrying amount/ nominal exposure**			Lifetime ECL credit-impaired		POCI		**Carrying amount**	**Value of collateral**
	12-month ECL	Lifetime ECL not credit-impaired	Indivi-dually assessed	Collect-ively assessed	Indivi-dually assessed	Collect-ively assessed		12-month ECL	Lifetime ECL not credit-impaired	Indivi-dually assessed	Collect-ively assessed	Indivi-dually assessed	Collect-ively assessed		
Retail Lending	**8,584,121**	**679,970**	**47,067**	**181,684**	**2,491**	**6,082**	**9,501,415**	**(56,725)**	**(75,355)**	**(35,383)**	**(122,013)**	**(1,459)**	**(1,587)**	**9,208,893**	**5,322,878**
- Mortgage	4,410,189	117,174	24,445	34,749	2,491	3,899	4,592,947	(2,751)	(6,158)	(19,908)	(12,160)	(1,459)	(246)	4,550,265	-
Value of collateral	4,403,831	111,792	3,792	22,397	1,008	3,629	-	-	-	-	-	-	-	-	4,546,449
- Consumer lending	3,104,448	527,057	-	137,997	-	2,129	3,771,631	(48,233)	(66,642)	-	(104,417)	-	(1,326)	3,551,013	-
Value of collateral	14,685	716	-	52	-	-	-	-	-	-	-	-	-	-	15,453
- Small business	1,069,484	35,739	22,622	8,938	-	54	1,136,837	(5,741)	(2,555)	(15,475)	(5,436)	-	(15)	1,107,615	
Value of collateral	732,992	19,294	6,399	2,251	-	40	-	-	-	-	-	-	-	-	760,976
Corporate lending	4,812,358	670,484	115,754	9,827	14,372	74	5,622,869	(15,596)	(9,756)	(58,111)	(5,497)	(3,127)	(31)	5,530,751	
Value of collateral	2,846,799	497,690	34,697	424	11,245	43		-	-	-	-	-	-	-	3,390,898
Total	**13,396,479**	**1,350,454**	**162,821**	**191,511**	**16,863**	**6,156**	**15,124,284**	**(72,321)**	**(85,111)**	**(93,494)**	**(127,510)**	**(4,586)**	**(1,618)**	**14,739,644**	
Total Value of collateral	***7,998,307***	***629,492***	***44,888***	***25,124***	***12,253***	***3,712***	-	-	-	-	-	-	-	-	***8,713,776***
Credit related commitments	**3,220,718**	**104,812**	**609**	**10,983**	**-**	**1,663**	**3,338,785**	**(914)**	**(34)**	**-**	**(6)**	**-**	**-**	**3,337,831**	
Loan commitments	2,869,371	85,661	564	10,956	-	1,663	2,968,215	-	-	-	-	-	-	2,968,215	-
Financial guarantee contracts and other commitments	351,347	19,151	45	27	-	-	370,570	(914)	(34)	-	(6)	-	-	369,616	
Value of collateral	*511,191*	*58,456*	*11,513*	*1,389*				-	-	-	-	-	-	-	*582,549*

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(a) Credit quality of loans and advances to customers (continued)

As at 31 December 2023

	Non-impaired		**Credit-impaired**					**Non-impaired**		**Credit-impaired**					
			Lifetime ECL credit-impaired		POCI		**Total gross carrying amount/ nominal exposure**			Lifetime ECL credit-impaired		POCI		**Carrying amount**	**Value of collateral**
	12-month ECL	Lifetime ECL not credit-impaired	Indivi-dually assessed	Collect-ively assessed	Indivi-dually assessed	Collect-ively assessed		12-month ECL	Lifetime ECL not credit-impaired	Indivi-dually assessed	Collect-ively assessed	Indivi-dually assessed	Collect-ively assessed		
Retail Lending	**7,116,651**	**597,300**	**59,352**	**147,463**	**2,687**	**13,399**	**7,936,852**	**(62,410)**	**(72,976)**	**(49,629)**	**(104,688)**	**(1,678)**	**(7,112)**	**7,638,359**	**4,272,421**
- Mortgage	3,488,383	101,412	32,561	41,914	2,668	4,523	3,671,461	(2,367)	(5,491)	(27,777)	(23,949)	(1,659)	(532)	3,609,686	
Value of collateral	*3,479,662*	*96,001*	*4,369*	*17,637*	*954*	*3,812*	-	-	-	-	-	-	-		*3,602,435*
- Consumer lending	2,758,467	381,493	-	96,938	-	8,807	3,245,705	(47,802)	(57,895)	-	(74,127)	-	(6,549)	3,059,332	
Value of collateral	*14,332*	*1,095*	-	*38*	-	-	-	-	-	-	-	-	-		*15,465*
- Small business	869,801	114,395	26,791	8,611	19	69	1,019,686	(12,241)	(9,590)	(21,852)	(6,612)	(19)	(31)	969,341	
Value of collateral	*596,448*	*52,325*	*4,280*	*1,430*	-	*38*	-	-	-	-	-	-	-		*654,521*
Corporate lending	**4,318,475**	**546,673**	**83,054**	**5,858**	**15,405**	**200**	**4,969,665**	**(16,645)**	**(8,389)**	**(34,738)**	**(2,827)**	**(5,132)**	**(51)**	**4,901,883**	
Value of collateral	*2,468,949*	*447,134*	*41,985*	*1,105*	*10,272*	*148*	-	-	-	-	-	-	-	-	**2,969,593**
Total	**11,435,126**	**1,143,973**	**142,406**	**153,321**	**18,092**	**13,599**	**12,906,517**	**(79,055)**	**(81,365)**	**(84,367)**	**(107,515)**	**(6,810)**	**(7,163)**	**12,540,242**	
Total Value of collateral	***6,559,391***	***596,555***	***50,634***	***20,210***	***11,226***	***3,998***	**-**	**-**	**-**	**-**	**-**	**-**	**-**		***7,242,014***
Credit related commitments	**2,603,446**	**111,129**	**172**	**1,400**	**-**	**1,675**	**2,717,822**	**(989)**	**(37)**	**-**	**(1)**	**-**	**-**	**2,716,795**	
Loan commitments	2,276,496	92,964	172	1,398	-	1,675	2,372,705	(656)	-	-	-	-	-	2,372,049	-
Financial guarantee contracts and other commitments	326,950	18,165	-	2	-	-	345,117	(333)	(37)	-	(1)	-	-	344,746	-
Value of collateral	*517,405*	-	-	-	-	-	-	-	-	-	-	-	-	-	*517,405*

The Bank assesses the credit quality of its loans and advances to customers and credit related commitments that are subject to ECL. The Bank's internal credit rating systems in the wholesale portfolio are based on a variety of quantitative and qualitative factors, while the credit quality in the retail portfolio is based on their probability of default (PD's).

The following tables present the distribution of the gross carrying amount of loans and advances and the nominal exposure of credit related commitments based on the credit quality classification categories and stage allocation:

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(a) Credit quality of loans and advances to customers (continued)

		31 December 2024				
		Non-impaired		Credit-impaired		
	Internal credit rating	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total gross carrying amount**
Retail Lending						
- Mortgage	PD<2.5%	4,399,824	177	-	8	4,400,009
	2.5%<=PD<4%	-	143	-	71	214
	4%<=PD<10%	9,467	1,910	-	367	11,744
	10%<=PD<16%	-	1,927	-	208	2,135
	16%<=PD<99.99%	898	113,017	-	1,717	115,632
	100%	-	-	59,194	4,019	63,213
- Consumer	PD<2.5%	1,082,660	2,541	-	29	1,085,230
	2.5%<=PD<4%	1,923,083	1,509	-	-	1,924,592
	4%<=PD<10%	98,374	51,718	-	-	150,092
	10%<=PD<16%	-	11,928	-	-	11,928
	16%<=PD<99.99%	331	459,361	-	1,889	461,581
	100%	-	-	137,997	211	138,208
- Small business	PD<2.5%	963,142	122	-	-	963,264
	2.5%<=PD<4%	105,288	948	-	-	106,236
	4%<=PD<10%	-	921	-	-	921
	10%<=PD<16%	-	1,843	-	-	1,843
	16%<=PD<99.99%	1,054	31,905	-	-	32,959
	100%	-	-	31,560	54	31,614
Wholesale lending						
- Large Corporate	PD<2.5%	2,169,861	177,391	-	-	2,347,252
	2.5%<=PD<4%	826,724	8,760	-	-	835,484
	4%<=PD<10%	322,674	70,178	-	43	392,895
	10%<=PD<16%	-	43,523	-	-	43,523
	16%<=PD<99.99%	12	83,710	-	-	83,722
	100%			68,709	13,983	82,692
-SME's	PD<2.5%	1,255,358	24,469	-	-	1,279,827
	2.5%<=PD<4%	235,731	25,410	-	-	261,141
	4%<=PD<10%	-	88,704	-	-	88,704
	10%<=PD<16%	-	65,431	-	-	65,431
	16%<=PD<99.99%	1,998	82,908	-	-	84,906
	100%	-	-	56,872	420	57,292
Total		**13,396,479**	**1,350,454**	**354,332**	**23,019**	**15,124,284**
Corporate Lending	Strong	1,740,204	46,738	-	-	1,786,942
	Satisfactory	2,364,355	412,133	-	43	2,776,531
	Watch list	707,799	211,613	-	13,952	933,364
	Impaired	-	-	125,581	451	126,032
Total		**4,812,358**	**670,484**	**125,581**	**14,446**	**5,622,869**

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(a) Credit quality of loans and advances to customers (continued)

		31 December 2023				
		Non-impaired		Credit-impaired		
	Internal credit rating	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total gross carrying amount
Retail Lending						
- Mortgage	PD<2.5%	3,474,694	121	-	2	3,474,817
	2.5%<=PD<4%	-	416	-	23	439
	4%<=PD<10%	12,244	1,605	-	558	14,407
	10%<=PD<16%	-	2,293	-	405	2,698
	16%<=PD<99.99%	1,445	96,977	-	1,558	99,980
	100%	-	-	74,475	4,645	79,120
- Consumer	PD<2.5%	1,016,888	1,664	-	-	1,018,552
	2.5%<=PD<4%	713,638	4,373	-	1	718,012
	4%<=PD<10%	1,027,652	4,328	-	2	1,031,982
	10%<=PD<16%	-	9,133	-	-	9,133
	16%<=PD<99.99%	289	361,995	-	33	362,317
	100%	-	-	96,938	8,771	105,745
- Small business	PD<2.5%	21,051	211	-	-	21,262
	2.5%<=PD<4%	17,657	132	-	-	17,789
	4%<=PD<10%	830,808	2,531	-	-	833,339
	10%<=PD<16%	-	4,134	-	-	4,134
	16%<=PD<99.99%	285	107,387	-	-	107,672
	100%	-	-	35,402	88	35,490
Wholesale lending						
- Large Corporate	PD<2.5%	2,210,251	37,771	-	-	2,248,022
	2.5%<=PD<4%	592,377	147,011	-	-	739,388
	4%<=PD<10%	228,634	1,477	-	50	230,161
	10%<=PD<16%	-	57,398	-	-	57,398
	16%<=PD<99.99%	-	80,682	-	-	80,682
	100%	-	-	34,197	14,857	49,054
-SME's	PD<2.5%	1,046,564	6,017	-	1	1,052,582
	2.5%<=PD<4%	-	3,669	-	-	3,669
	4%<=PD<10%	229,405	86,107	-	-	315,512
	10%<=PD<16%	-	63,016	-	-	63,016
	16%<=PD<99.99%	11,244	63,525	-	-	74,769
	100%	-	-	54,715	697	55,412
Total		**11,435,126**	**1,143,973**	**295,727**	**31,691**	**12,906,517**
Corporate Lending	Strong	1,581,955	20,013	-	-	1,601,968
	Satisfactory	2,391,621	426,506	-	-	2,818,127
	Watch list	344,899	100,154	-	-	445,053
	Impaired	-	-	88,912	15,605	104,517
Total		**4,318,475**	**546,673**	**88,912**	**15,605**	**4,969,665**

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(a) Credit quality of loans and advances to customers (continued)

		31 December 2024			
		Non impaired		**Credit-impaired**	
	Internal credit rating	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total nominal amount**
<u>**Credit Related Commitments**</u>					
Retail Lending					
Loan Commitments					
	PD<2.5%	1,225,755	24,504	116	1,250,375
	2.5%<=PD<4%	1,632	1,571		3,203
	4%<=PD<10%	613	6,825		7,438
	10%<=PD<16%	-	3,468		3,468
	16%<=PD<99.99%	17,000	22,478	1,528	41,006
	100%	-		2,303	2,303
Financial Guarantee contracts and Other Commitments					
	PD<2.5%	15,396	-	-	15,396
	2.5%<=PD<4%	-	-	-	-
	4%<=PD<10%	-	-	-	-
	10%<=PD<16%	-	-	-	-
	16%<=PD<99.99%	-	-	-	-
	100%	-	-	27	27
Wholesale Lending					
Loan Commitments					
	Strong	925,846	1,987	-	927,833
	Satisfactory	610,973	13,619	-	624,592
	Watch list	87,551	11,208	-	98,759
	Impaired	-	-	9,236	9,236
Financial Guarantee contracts and Other Commitments					
	Strong	85,589	1,618	-	87,207
	Satisfactory	146,244	14,141	-	160,385
	Watch list	104,119	3,393	-	107,512
	Impaired	-	-	45	45
Total		**3,220,718**	**104,812**	**13,255**	**3,338,785**

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

		31 December 2023			
			Non impaired	Credit-impaired	
	Internal credit rating	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total nominal amount**
<u>Credit Related Commitments</u>					
Retail Lending					
Loan Commitments					
	PD<2.5%	881,358	6,301	-	887,659
	2.5%<=PD<4%	11,190	13,102	-	24,292
	4%<=PD<10%	187,935	1,795	-	189,730
	10%<=PD<16%	-	3,651	-	3,651
	16%<=PD<99.99%	1	41,747	-	41,748
Financial Guarantee contracts and Other Commitments	100%	-	-	2,882	2,882
	PD<2.5%	16,370	-	-	16,370
	2.5%<=PD<4%	-	-	-	-
	4%<=PD<10%	111	-	-	111
	10%<=PD<16%	-	-	-	-
	16%<=PD<99.99%	-	-	-	-
Wholesale Lending	100%	-	-	2	2
Loan Commitments					
	Strong	611,303	-	-	611,303
	Satisfactory	544,521	21,083	-	565,604
	Watch list	40,188	5,285	-	45,473
Financial Guarantee contracts and Other Commitments	Impaired	-	-	363	363
	Strong	104,128	455	-	104,583
	Satisfactory	118,134	17,097	-	135,231
	Watch list	88,207	613	-	88,820
Total		**2,603,446**	**111,129**	**3,247**	**2,717,822**

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(a) Credit quality of loans and advances to customers (continued)

The table below depicts the internal credit rating bands (MRA/ NCR/ ICR rating scale) for the wholesale portfolio that correspond to the credit quality classification categories presented in the above tables, 1st and only criteria for category assignment being the borrower's stage.

Quality classification	Stage	Rating (MRA/ ICR/ NCR)	12-month PD ranges
Strong	Stage 1	1-4	0.00-0.81
Satisfactory	Stage 1	4.1-8.6	0.82-2.81
Watchlist	Stage 2	1.2-9.7	2.82-27.53
Impaired	Stage 3	3.2-11	100.00

The following tables present the movement of the gross carrying amounts for loans and advances to customers by product line by reference to opening and closing balances for the reporting period from 01.01.2024 to 31.12.2024 and from 01.01.2023 to 31.12.2023:

	31 December 2024																
	Wholesale				Mortgage				Consumer				Small Busines				
	12-month ECL-Stage 1	Lifetime ECL-Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	12-month ECL-Stage 1	Lifetime ECL-Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	12-month ECL-Stage 1	Lifetime ECL-Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	12-month ECL-Stage 1	Lifetime ECL-Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	Total
Gross carrying amount at 1 January	4,318,475	546,673	88,912	15,605	3,488,383	101,412	74,475	7,191	2,758,467	381,493	96,938	8,807	869,801	114,395	35,402	88	12,906,517
New loans and advances originated or purchased	1,194,722	-	-	-	1,278,078	-	-	-	1,232,954	-	-	-	322,567	-	-	-	4,028,321
Transfer between stages:																	
-to 12-month ECL	119,120	(119,019)	(101)	-	37,089	(35,943)	(1,146)	-	92,550	(91,920)	(630)	-	74,652	(74,415)	(237)	-	-
-to lifetime ECL	(354,838)	355,593	(755)	-	(62,156)	66,865	(4,709)	-	(375,813)	379,291	(3,478)	-	(20,675)	20,971	(296)	-	-
-to lifetime ECL credit-impaired loans	(50,523)	(28,899)	79,422	-	(1,971)	(3,114)	5,085	-	(58,260)	(65,561)	123,821	-	(4,414)	(8,276)	12,690	-	-
Loans and advances derecognised	-	-	(545)	-	-	-	(1,190)	-	-	-	(8,484)	(5,100)	-	-	(357)	-	(15,676)
Amounts written-off	-	-	(728)	(120)	-	-	(2,765)	-	-	-	(70,358)	-	-	-	(7,020)	-	(80,991)
Repayments	(416,138)	(96,436)	(27,715)	(1,039)	(324,320)	(15,918)	(10,594)	-	(555,177)	(64,576)	(2,905)	-	(161,236)	(29,059)	(7,761)	-	(1,712,874)
Foreign exchange differences and other movements	1,540	12,572	(12,909)	-	(4,914)	3,872	38	(801)	9,727	(11,670)	3,093	(1,578)	(11,211)	12,123	(861)	(34)	(1,013)
Gross carrying amount at 31 December	4,812,358	670,484	125,581	14,446	4,410,189	117,174	59,194	6,390	3,104,448	527,057	137,997	2,129	1,069,484	35,739	31,560	54	15,124,284
Impairment allowance	(15,596)	(9,756)	(63,608)	(3,158)	(2,751)	(6,158)	(32,068)	(1,705)	(48,233)	(66,642)	(104,417)	(1,326)	(5,741)	(2,555)	(20,911)	(15)	(384,640)
Carrying amount at 31 December	4,796,762	660,728	61,973	11,288	4,407,438	111,016	27,126	4,685	3,056,215	460,415	33,580	803	1,063,743	33,184	10,649	39	14,739,644

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(a) Credit quality of loans and advances to customers (continued)

31 December 2023

	Wholesale				Mortgage				Consumer				Small Busines				
	12-month ECL-Stage 1	**Lifetime ECL-Stage 2**	**Lifetime ECL credit-impaired-Stage 3**	**POCI**	**12-month ECL-Stage 1**	**Lifetime ECL-Stage 2**	**Lifetime ECL credit-impaired-Stage 3**	**POCI**	**12-month ECL-Stage 1**	**Lifetime ECL-Stage 2**	**Lifetime ECL credit-impaired-Stage 3**	**POCI**	**12-month ECL-Stage 1**	**Lifetime ECL-Stage 2**	**Lifetime ECL credit-impaired-Stage 3**	**POCI**	**Total**
Gross carrying amount at 1 January	**3,843,474**	**543,147**	**116,211**	**47,460**	**2,775,972**	**201,170**	**96,330**	**9,514**	**1,582,062**	**212,401**	**74,901**	**21**	**756,545**	**101,381**	**49,386**	**645**	**10,410,620**
New loans and advances originated or purchased	831,318				919,099				1,002,548				285,512				3,038,477
Arrising from acquisition									*866,882*			*12,581*					***879,463***
Transfer between stages:																	
-to 12-month ECL	**147,015**	**(141,682)**	**(5,333)**		**121,995**	**(119,898)**	**(2,097)**		**61,712**	**(60,985)**	**(727)**		**23,818**	**(23,469)**	**(349)**		**-**
-to lifetime ECL	**(194,379)**	**194,529**	**(150)**		**(38,446)**	**43,723**	**(5,277)**		**(282,268)**	**285,469**	**(3,201)**		**(65,143)**	**66,588**	**(1,445)**		**-**
-to lifetime ECL credit-impaired loans	**(30,962)**	**(1,438)**	**32,400**		**(3,202)**	**(5,793)**	**8,995**		**(38,497)**	**(25,477)**	**63,974**		**(2,986)**	**(6,298)**	**9,284**		**-**
Loans and advances derecognised	-	-	(865)	-	-	-	(629)	-	-	-	(6,634)	-	-	-	(67)	-	**(8,195)**
Amounts written-off	-	-	(30,614)	-	-	-	(12,895)	-	-	-	(38,031)	-	-	-	(11,762)	-	**(93,302)**
Repayments	(270,655)	(62,598)	(17,584)	-	(280,492)	(26,147)	(12,495)	-	(399,475)	(20,746)	(4,713)	-	(123,587)	(24,459)	(9,905)	-	**(1,252,856)**
Foreign exchange differences and other movements	(7,336)	14,715	(5,153)	(31,855)	(6,543)	8,357	2,543	(2,323)	(34,497)	(9,169)	11,369	(3,795)	(4,358)	652	260	(557)	**(67,690)**
Gross carrying amount at 31 December	**4,318,475**	**546,673**	**88,912**	**15,605**	**3,488,383**	**101,412**	**74,475**	**7,191**	**2,758,467**	**381,493**	**96,938**	**8,807**	**869,801**	**114,395**	**35,402**	**88**	**12,906,517**
Impairment allowance	(16,645)	(8,389)	(37,565)	(5,183)	(2,367)	(5,491)	(51,726)	(2,191)	(47,802)	(57,895)	(74,127)	(6,549)	(12,241)	(9,590)	(28,464)	(50)	(366,275)
Carrying amount at 31 December	**4,301,830**	**538,284**	**51,347**	**10,422**	**3,486,016**	**95,921**	**22,749**	**5,000**	**2,710,665**	**323,598**	**22,811**	**2,258**	**857,560**	**104,805**	**6,938**	**38**	**12,540,242**

Loans and advances derecognized during the year present loans sold and those that are modified (where the modification resulted in de-recognition) during the period.

Credit impaired loans and advances to customers

The following table presents the ageing analysis of credit impaired (Stage 3) loans and advances by product line at their gross carrying amounts, as well as the respective cumulative loss allowance:

31 December 2024

	Retail lending								
	Mortgage	**POCI**	**Consumer**	**POCI**	**Small business**	**POCI**	**Corporate lending**	**POCI**	**(Lifetime ECL credit-impaired)**
up to 90 days	27,409	4,686	46,932	1,816	15,575	40	71,315	13,995	**181,768**
90 to 179 days	1,642	-	28,111	57	2,084	-	10,085	-	**41,979**
180 to 360 days	1,474	4	43,525	166	2,598	1	17,605	-	**65,373**
more than 360 days	28,669	1,700	19,429	90	11,303	13	26,576	451	**88,231**
Gross carrying amount	**59,194**	**6,390**	**137,997**	**2,129**	**31,560**	**54**	**125,581**	**14,446**	**377,351**
Impairment Allowance	(32,068)	(1,705)	(104,417)	(1,326)	(20,911)	(15)	(63,608)	(3,158)	**(227,208)**
Carrying amount	**27,126**	**4,685**	**33,580**	**803**	**10,649**	**39**	**61,973**	**11,288**	**150,143**
Value of collateral	**26,189**	**4,637**	**52**	**-**	**8,650**	**40**	**35,121**	**11,288**	**85,977**

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(a) Credit quality of loans and advances to customers (continued)

	31 December 2023								
	Retail lending								
	Mortgage	POCI	Consumer	POCI	Small business	POCI	Corporate lending	POCI	(Lifetime ECL credit-impaired)
up to 90 days	33,878	4,903	29,689	3,529	14,482	54	50,924	13,993	**151,452**
90 to 179 days	3,458	282	20,886	333	3,006	-	6,624	-	**34,589**
180 to 360 days	1,099	-	22,810	1,379	3,661	-	6,088	-	**35,037**
more than 360 days	36,040	2,006	23,553	3,566	14,253	34	25,276	1,612	**106,340**
Gross carrying amount	**74,475**	**7,191**	**96,938**	**8,807**	**35,402**	**88**	**88,912**	**15,605**	**327,418**
Impairment Allowance	(51,726)	(2,191)	(74,127)	(6,549)	(28,464)	(50)	(37,565)	(5,183)	**(205,855)**
Carrying amount	**22,749**	**5,000**	**22,811**	**2,258**	**6,938**	**38**	**51,347**	**10,422**	**121,563**
Value of collateral	**22,006**	**4,766**	**38**	**-**	**5,710**	**38**	**43,090**	**10,420**	**86,068**

(b) Collaterals and repossessed collaterals

Collaterals

The Loan-to-Value (LTV) ratio of the mortgage lending reflects the gross loan exposure at the balance sheet date over the market value of the property held as collateral.
The LTV ratio of the mortgage portfolio is presented below:

	As at 31 December:	
Mortgages	**2024**	**2023**
Less than 50%	2,049,794	1,190,573
50%-70%	1,445,939	1,216,935
71%-80%	480,977	599,453
81%-90%	459,372	510,277
91%-100%	17,622	19,547
101%-120%	119,427	98,017
121%-150%	6,207	18,000
Greater than 150%	13,609	18,659
Total exposure	**4,592,947**	**3,671,461**
Average LTV	**43.02%**	**49.08%**

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(b) Collaterals and repossessed collaterals (continued)

Collaterals type held as security and other credit enhancements are presented in the table below:

Type of exposure	**Percentage of exposure that is subject to collateral requirements**		**Principal type of collateral held**
	31.12.2024	**31.12.2023**	
Trading derivative assets	100	100	Cash
Derivative financial instruments	100	100	Cash
Loans and advances to retail customers			
Small Banking Business - Secured loans	100	100	Properties (residential, commercial, administrative), cash collaterals, guarantees, equipment
Small Banking Business - Unsecured loans	below 100, not fixed % of coverage	below 100, not fixed % of coverage	Properties (residential, commercial, administrative), cash collaterals, guarantees, equipment
Small Banking Business - Factoring	100	100	Factoring invoices
Mortgage lending	100	100	Residential property
Consumer lending incl. credit cards	-	-	None
Loans and advances to wholesale customers			
Wholesale - Factoring	100	100	Factoring invoices
Wholesale lending	not fixed obligatory % of coverage	not fixed obligatory % of coverage	Properties (residential, commercial, administrative), cash collaterals, equipment

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(b) Collaterals and repossessed collaterals (continued)

The breakdown of collateral and guarantees is presented below:

	As at 31 December 2024				
	Value of collateral received				
	Real Estate	Financial	Other Collateral	Total	Guarantee received
Retail Lending	4,946,652	21,637	354,589	**5,322,878**	194,048
Wholesale Lending	1,614,566	17,644	1,758,688	**3,390,898**	388,501
Total	**6,561,218**	**39,281**	**2,113,277**	**8,713,776**	**582,549**

	As at 31 December 2023				
	Value of collateral received				
	Real Estate	Financial	Other Collateral	Total	Guarantee received
Retail Lending	3,942,412	22,036	307,973	4,272,421	184,921
Wholesale Lending	1,374,730	27,945	1,566,918	2,969,593	332,484
Total	**5,317,142**	**49,981**	**1,874,891**	**7,242,014**	**517,405**

The fair value of the presented collaterals in the tables above is capped at the amount of the loan outstanding balance.

Repossessed collaterals

The Bank recognizes collateral assets on the balance sheet by taking possession usually through legal processes or by calling upon other credit enhancements. The main type of collateral that the Bank repossesses against repayment or reduction of the outstanding loan is real estate, which is recognized within repossessed assets. They are included in Other assets (Note 23). Assets acquired are held temporarily for liquidation and are valued at the lower of cost and net realizable value, which is the estimated selling price, in the ordinary course of business, less costs necessary to make the sale. In cases where the Bank makes use of repossessed collaterals as part of its operations, they are classified as own-used or investment properties, as appropriate.

The following tables present a summary of collaterals that the Bank took possession, and were recognized as repossessed assets, as well as the movement during 2024 and 2023:

Nature of assets	**2024**	**2023**
Commercial property and other moveable assets	9,882	10,100
Residential property	1,402	2,216
Land	2,190	2,007
Total	**13,474**	**14,323**

Reconciliation of Level 3 movement:	**2024**	**2023**
Balance at 1 January	**14,323**	**12,911**
Additional	1,040	6,270
Sales	(1,842)	(1,387)
Impairment	(47)	(3,519)
Transfers	-	48
Balance at 31 December	**13,474**	**14,323**

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(b) Collaterals and repossessed collaterals (continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Class property	Fair value 31/12/2024 (BGN th)	Valuation technique	Input	Range (BGN) (weighted average) 2024	Range (BGN) (weighted average) 2023	Connection between the unobservable input and FV
Land	2,190	Market comparison approach	price per m2	1.47 - 1189.69 (29.41)	0.90 - 1146.66 (24.75)	A significant increase in price per m2 would result in a higher fair value
Residential	1,402	Market comparison approach	price per m2	30.08 - 2036.04 (157.58)	30.00 - 1920.98 (140.56)	A significant increase in price per m2 would result in a higher fair value
Mixed	9,882	Market comparison approach	price per m2	19.62 - 1432.18 (321.64)	22.94 - 1409.00 (323.76)	A significant increase in price per m2 wou result in a higher fair value
		Income approach	price per m2	3.17 - 13.93 (4.53)	1.10 - 10.62 (3.32)	A significant increase in price per m2 would result in a higher fair value
		Cost approach	price per m2	5.49 - 437.50 (144.97)	5.49 - 437.50 (156.14)	A significant increase in price per m2 would result in a higher fair value

(c) Geographical and industry concentrations of loans and advances to customers

The Bank holds diversified portfolios across markets and implements limits on concentrations arising from the geographical location or the activity of groups of borrowers that could be similarly affected by changes in economic or other conditions, in order to mitigate credit risk.

The following table breaks down the Bank's exposure into loans and advances to customers and credit related commitments at their gross carrying amount and nominal amount respectively by stage, product line, industry and geographical region as well as the impairment allowance.

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

Notes to the separate financial statements (continued)

Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(c) Geographical and industry concentrations of loans and advances to customers (continued)

31 December 2024

	Bulgaria					Greece					Rest of Europe					Other countries				
	Gross carrying/nominal amount					Gross carrying/nominal amount					Gross carrying/nominal amount					Gross carrying/nominal amount				
	12-month ECL- Stage 1	Lifetime ECL- Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	Impair-ment allowance	12-month ECL- Stage 1	Lifetime ECL - Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	Impair-ment allowance	12-month ECL- Stage 1	Lifetime ECL- Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	Impair-ment allowance	12-month ECL- Stage 1	Lifetime ECL- Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	Impair-ment allowance
Retail Lending	8,519,590	676,658	226,614	8,385	(290,004)	6,762	639	128	-	(149)	46,425	2,276	1,361	-	(1,466)	11,344	397	648	188	(903)
-Mortgage	4,363,446	115,851	58,379	6,202	(41,690)	4,228	379	-	-	(6)	33,653	864	261	-	(237)	8,862	80	554	188	(749)
-Consumer	3,086,660	525,068	136,675	2,129	(219,092)	2,534	260	128	-	(143)	12,772	1,412	1,100	-	(1,229)	2,482	317	94	-	(154)
-Small business	1,069,484	35,739	31,560	54	(29,222)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale Lending	4,608,860	670,484	125,581	14,446	(91,424)	13,832	-	-	-	(6)	186,407	-	-	-	(673)	3,259	-	-	-	(15)
-Commerce and services	50,818	20,719	3,713	-	(3,442)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Manufacturing	950,966	73,914	31,523	43	(20,418)	-	-	-	-	-	52,997	-	-	-	(71)	3,259	-	-	-	(15)
-Construction	190,854	10,926	-	-	(1,530)	-	-	-	-	-	33,647	-	-	-	(93)	-	-	-	-	-
-Tourism	16,713	1,120	104	-	(162)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Energy	303,356	41,547	2,936	31	(3,851)	-	-	-	-	-	99,763	-	-	-	-	-	-	-	-	-
-Other	3,096,153	522,258	87,305	14,372	(62,021)	13,832	-	-	-	(6)	-	-	-	-	(509)	-	-	-	-	-
Total	13,128,450	1,347,142	352,195	22,831	(381,428)	20,594	639	128	-	(155)	232,832	2,276	1,361	-	(2,139)	14,603	397	648	188	(918)
Credit related commitments	3,154,232	104,566	11,592	1,659	(954)	3,783	125	-	4	-	61,804	106	-	-	-	899	15	-	-	-
Loan commitments	2,802,885	85,415	11,520	1,659	-	3,783	125	-	4	-	61,804	106	-	-	-	899	15	-	-	-
Financial guarantee contracts and other commitments	351,347	19,151	72	-	(954)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

31 December 2023

	Bulgaria					Greece					Rest of Europe					Other countries				
	Gross carrying/nominal amount					Gross carrying/nominal amount					Gross carrying/nominal amount					Gross carrying/nominal amount				
	12-month ECL- Stage 1	Lifetime ECL- Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	Impair-ment allowance	12-month ECL- Stage 1	Lifetime ECL - Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	Impair-ment allowance	12-month ECL- Stage 1	Lifetime ECL- Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	Impair-ment allowance	12-month ECL- Stage 1	Lifetime ECL- Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	Impair-ment allowance
Retail Lending	**7,064,522**	**595,123**	**204,480**	**15,898**	**(295,957)**	**6,892**	**186**	**276**	**-**	**(289)**	**36,660**	**1,669**	**1,445**	**-**	**(1,430)**	**8,577**	**322**	**614**	**188**	**(817)**
-Mortgage	*3,452,051*	*100,962*	*73,308*	*7,003*	*(60,628)*	*4,657*	*67*	-	-	*(6)*	*25,260*	*383*	*702*	-	*(484)*	*6,415*	-	*465*	*188*	*(657)*
-Consumer	*2,742,670*	*379,774*	*95,770*	*8,807*	*(184,984)*	*2,235*	*119*	*276*	-	*(283)*	*11,400*	*1,278*	*743*	-	*(946)*	*2,162*	*322*	*149*	-	*(160)*
-Small business	*869,801*	*114,387*	*35,402*	*88*	*(50,345)*	-	-	-	-	-	-	*8*	-	-	-	-	-	-	-	-
Wholesale Lending	**4,092,998**	**546,673**	**88,912**	**15,605**	***(66,563)***	**14,362**	**-**	**-**	**-**	**(8)**	***202,048***	**-**	**-**	**-**	***(1,163)***	**9,067**	**-**	**-**	**-**	***(48)***
-Commerce and services	*95,913*	*8,417*	*14,198*	*29*	*(3,191)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Manufacturing	*1,415,916*	*53,604*	*36,640*	*166*	*(20,385)*	-	-	-	-	-	*13,162*	-	-	-	*(50)*	*9,067*	-	-	-	*(48)*
-Construction	*98,154*	*850*	-	-	*(500)*	-	-	-	-	-	*128,090*	-	-	-	*(343)*	-	-	-	-	-
-Tourism	*39,076*	*867*	-	-	*(41)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Energy	*344,584*	*40,711*	*3,890*	*1,025*	*(5,435)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Other	*2,099,355*	*442,224*	*34,184*	*14,385*	*(37,011)*	*14,362*	-	-	-	*(8)*	*60,796*	-	-	-	*(770)*	-	-	-	-	-
Total	**11,157,520**	**1,141,796**	**293,392**	**31,503**	**(362,520)**	**21,254**	**186**	**276**	**-**	**(297)**	**238,708**	**1,669**	**1,445**	**-**	**(2,593)**	**17,644**	**322**	**614**	**188**	**(865)**
Credit related commitments	***2,537,297***	***110,912***	***1,572***	***1,671***	***(1,027)***	***4,010***	***86***	**-**	***4***	**-**	***61,334***	***124***	**-**	**-**	**-**	***805***	***7***	**-**	**-**	**-**
Loan commitments	*2,210,347*	*92,747*	*1,570*	*1,671*	*(656)*	*4,010*	*86*	-	*4*	-	*61,334*	*124*	-	-	-	*805*	*7*	-	-	-
Financial guarantee contracts and other commitments	*326,950*	*18,165*	*2*	-	*(371)*	-	-	-	-	-	-	-		-	-	-	-	-	-	-

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(d) Forbearance practices on lending activities

Modifications of the loans' contractual terms may arise due to various factors, such as changes in market conditions, customer retention and other factors as well as due to the potential deterioration in the borrowers' financial condition. The Bank has employed a range of forbearance options in order to enhance the management of customer relationships and the effectiveness of collection efforts, as well as to improve the recoverability of cash flows and minimize credit losses for both retail and wholesale portfolios.

Forbearance practices' classification

Forbearance practices as monitored and reported by the Bank based on the European Banking Authority Implementing Technical Standards (EBA ITS) guidelines occur only in the cases where the contractual payment terms of a loan have been modified, as the borrower is considered unable to comply with the existing loan's terms due to apparent financial difficulties, and the Bank grants a concession by providing more favorable terms and conditions that it would not otherwise consider had the borrower not been in financial difficulties.

All other types of modifications granted by the Bank, where there is no apparent financial difficulty of the borrower and may be driven by factors of a business nature are not classified as forbearance measures.

Forbearance solutions

Forbearance solutions granted following an assessment of the borrower's ability and willingness to repay and can be of a short or longer term nature. The objective is to assist financially stressed borrowers by rearranging their repayment cash outflows into a sustainable modification, and at the same time, protect the Bank from suffering credit losses. The Bank deploys targeted segmentation strategies with the objective to tailor different short or long term and sustainable management solutions to selected groups of borrowers for addressing their specific financial needs.

The nature and type of forbearance options may include but is not necessarily limited to, one or more of the following:

- debt consolidations, whereby existing loan balances of the borrower are combined in a single loan;
- interest-only payments;
- grace period;
- reduced payment plans;
- arrears repayment plan;
- loan term extensions/ partial debt forgiveness/ write down;

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(d) Forbearance practices on lending activities (continued)

Forbearance solutions continued

- interest rate reduction;
- split balance (combination of forbearance options that mainly includes capitalization of arrears, loan term extensions and interest rate reduction).
- operational restructuring

Specifically for unsecured consumer loans (including credit cards), forbearance programs (e.g. term extensions), are applied in combination with debt consolidation whereby all existing consumer balances are pooled together. Forbearance solutions are applied in order to ensure a sufficient decrease on installment and a viable solution for the borrower. In selected cases, the debt consolidations may be combined with mortgage establishment to convert unsecured lending exposures to secured ones.
In the case of mortgage loans, a decrease of installment may be achieved through forbearance measures such as extended payment periods, capitalization of arrears, split balance and reduced payment plans.

Wholesale exposures are subject to forbearance when there are indications of financial difficulties of the borrower, evidenced by a combination of factors including the deterioration of financials, credit rating downgrade, payment delays and other.

Retail business units are responsible for all first modifications of loans delinquent from 1 to 89 dpd.

The Troubled Assets Division (TAG) is the independent body, which has the overall responsibility for the management of the Bank's troubled assets portfolio, including forborne loans, in alignment with the acting regulations. TAG ensures tight control and close monitoring of the effectiveness of the forbearance schemes and the performance of the portfolios under management. TAG also warrants the continuous improvement and adjustment of policies and procedures, by performing quality assurance reviews and by assessing and taking into account the macroeconomic developments, the regulatory and legal requirements and changes, international best practices, and any existing or new internal requirements.

TAG cooperates with Risk Management to reach a mutual understanding and develop an appropriate methodology for the evaluation of the risks inherent in every type of modification and delinquency bucket, per portfolio.

i) Classification of Forborne loans

Forborne loans are classified either as non-impaired (Stage 2), or impaired (Stage 3) by assessing their delinquency and credit quality status.
Credit impaired forborne loans enter initially a probation period of one year where the borrowers' payment performance is closely monitored. If at the end of the abovementioned period, the borrowers have complied with the terms of the program and there are no past due amounts and concerns regarding the loans' full repayment, the loans are then reported as non-impaired forborne loans (Stage 2). In addition, non-impaired forborne loans, including those that were previously classified as credit impaired and complied with the terms of the program, are monitored over a period of two years. If, at the end of that period, the borrowers have made payments more than an insignificant aggregate amount, there are no past due amounts over 30 days and the loans are neither credit impaired nor any other SICR criteria are met they exit forborne status and are classified as Stage 1.
Particularly, the category of credit impaired forborne loans includes those that (a) at the date when forbearance measures were granted, were more than 90 days past due or assessed as unlikely to pay, (b) at the end of the one year probation period met the criteria of entering the non - impaired status and during the two years

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(d) Forbearance practices on lending activities (continued)

i) Classification of Forborne loans (continued)

monitoring period new forbearance measures were extended or became more than 30 days past due, and (c) were initially classified as non- impaired and during the two years monitoring period met the criteria for entering the credit impaired status.

Furthermore, forborne loans that fail to perform under the new modified terms and are subsequently denounced cease to be monitored as part of the Bank's forbearance activities and are reported as denounced credit impaired loans (Stage 3) consistently with the Bank's management and monitoring of all denounced loans.

ii) Loan restructuring

In cases where the contractual cash flows of a forborne loan have been substantially modified, the original forborne loan is de-recognized and a new loan is recognized. The Bank records the modified asset as a 'new' financial asset at fair value and the difference with the carrying amount of the existing one is recorded in the income statement as derecognition gain or loss.

In some circumstances there may be evidence that the new loan is credit-impaired at initial recognition, and thus, it is recognized as an originated credit-impaired (POCI) loan.

In cases where the modification, as a result of forbearance measures, is not considered substantial, the Bank recalculates the gross carrying amount of the loan and recognizes the difference as a modification gain or loss in the income statement. The Bank continues to monitor the modified forborne loan in order to determine if the financial asset exhibits significant increase in credit risk since initial recognition during the forbearance period.

The following tables present an analysis of Bank's forborne activities for loans measured at amortised cost. The relevant tables below are presented on a gross carrying amount basis, while cumulative impairment allowance is presented separately, in line with the Bank's internal credit risk monitoring process under IFRS 9 principles.

The following table presents a summary of the types of the Bank's forborne activities:

Forbearance measures:	**2024**	**2023**
Loan term extension	322,620	252,302
Reduced payment below interest owed	34,370	16,443
Interest rate reduction	12,927	18,127
Reduced payment above interest owed	120,816	36,202
Arrears repayment plan	-	5
Interest only	23,381	80,400
Total gross carrying amount	**514,114**	**403,479**
Less: cumulative impairment allowance	(75,349)	(62,281)
Total carrying amount	**438,765**	**341,198**

(All amounts are shown in BGN thousands unless otherwise stated)
Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(d) Forbearance practices on lending activities (continued)

The following tables present a summary of the credit quality of forborne loans and advances to customers:

	As at 31 December 2024		
	Total loans and advances	**Forborne loans and advances**	**% of Forborne loans and advances**
Gross carrying amounts:			
12-month ECL	13,396,479	-	-
Lifetime ECL non credit-impaired	1,352,890	362,156	**27%**
Lifetime ECL credit-impaired	374,915	151,958	**41%**
Total Gross Amount	**15,124,284**	**514,114**	**3%**
Cumulative ECL Loss allowance :			
12-month ECL allowance	(72,321)	-	
Lifetime ECL (not credit-impaired) allowance	(85,111)	(9,654)	
Lifetime ECL (credit-impaired) allowance of which:	(227,208)	(65,695)	
- Individually assessed	*(98,080)*	*(34,311)*	
- Collectively assessed	*(129,128)*	*(31,384)*	
Total carrying amount	**14,739,644**	**438,765**	**3%**
Collateral received	8,713,773	255,004	

	As at 31 December 2023		
	Total loans and advances	**Forborne loans and advances**	**% of Forborne loans and advances**
Gross carrying amounts:			
12-month ECL	11,435,126	-	-
Lifetime ECL non credit-impaired	1,143,973	**285,778**	**25%**
Lifetime ECL credit-impaired	327,418	**117,701**	**36%**
Total Gross Amount	**12,906,517**	**403,479**	**3%**
Cumulative ECL Loss allowance :			
12-month ECL allowance	(79,055)	-	
Lifetime ECL (not credit-impaired) allowance	(81,365)	(8,934)	
Lifetime ECL (credit-impaired) allowance of which:	(205,855)	(53,347)	
- Individually assessed	*(91,177)*	*(26,825)*	
- Collectively assessed	*(114,678)*	*(26,522)*	
Total carrying amount	**12,540,242**	**341,198**	**3%**
Collateral received	7,242,012	247,374	

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(d) Forbearance practices on lending activities (continued)

The following table presents the movement of forborne loans and advances:

Gross carrying amount at 1 January 2023	**278,757**
Forbearance measures in the year	207,349
Repayment of loans	(55,880)
Write-offs of forborne loans	(270)
Loans and advances that exited forbearance status	(22,863)
Other	(3,614)
Less cumulative impairment allowance	(62,281)
Carrying amount at 31 December 2023	**341,198**
Gross carrying amount at 1 January 2024	**403,479**
Forbearance measures in the year	289,269
Repayment of loans	(94,443)
Write-offs of forborne loans	(97)
Loans and advances that exited forbearance status	(86,896)
Other	2,802
Less cumulative impairment allowance	(75,349)
Carrying amount at 31 December 2024	**438,765**

The following table presents the Bank's exposure to forborne loans and advances by product line:

	As at 31 December	
	2024	**2023**
Retail Lending	**140,291**	**131,003**
- Mortgage	24,608	28,612
- Consumer	98,617	73,804
- Small business	17,066	28,587
Wholesale Lending	**373,823**	**272,476**
Total gross carrying amount	**514,114**	**403,479**
Less cumulative impairment allowance	(75,349)	(62,281)
Total carrying amount	**438,765**	**341,198**

The following table presents the Bank's exposure to forborne loans and advances by geographical region:

	As at 31 December	
	2024	**2023**
Bulgaria	513,396	402,836
Rest of Europe	478	408
Other countries	153	186
Greece	87	49
Total gross carrying amount	**514,114**	**403,479**
Less cumulative impairment allowance	(75,349)	(62,281)
Total carrying amount	**438,765**	**341,198**

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.2 Loans and advances to customers (continued)

(d) Forbearance practices on lending activities (continued)

The following table provides information on modifications due to forbearance measures on lending exposures which have not resulted in derecognition. Such financial assets were modified while they had a loss allowance measured at an amount equal to lifetime ECL:

Modified loans during the year	**As at 31 December**	
	2024	**2023**
Gross carrying amount at 31 December	289,270	304,110
Modification (loss)	(795)	(2,100)
Modified loans since initial recognition		
Gross carrying amount at 31 December for which loss allowance has changed to 12-month ECL measurement	243,048	34,245

5.2.1.3 Debt securities, loans and advances to banks and derivatives

The table below presents an analysis of debt securities, derivatives and banks placements net of ECL allowance by rating agency designation, based on the credit assessments of nominated External Credit Assessment Institutions. Debt securities, banks placements and financial assets are classified in Stage 1 as per the IFRS 9 requirements.

	31 December 2024 Non-impaired					
Rating	**Trading securities**	**Debt securities at FVOCI**	**Debt securities at AC**	**Loans and advances to banks**	**Derivatives**	**Total**
AA- to AA+	36,327	183,038	545,128	184,335	-	**948,828**
A- to A+	-	367,222	216,901	514,851	-	**1,098,974**
BBB- to BBB+	36,699	574,888	1,451,422	420,766	-	**2,483,775**
BB- to BB+	-	-	65,579	59,987	26,456	**152,022**
Lower than BB-	-	-	25,690	-	-	**25,690**
Unrated	-	-	-	898	7,049	**7,947**
Total	**73,026**	**1,125,148**	**2,304,720**	**1,180,837**	**33,505**	**4,717,236**

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.3 Debt securities, loans and advances to banks and derivatives (continued)

	31 December 2023 Non-impaired					
Rating	**Trading securities**	**Debt securities at FVOCI**	**Debt securities at AC**	**Loans and advances to banks**	**Derivatives**	**Total**
AA- to AA+	-	175,246	629,805	197,016	-	**1,002,067**
A- to A+	-	347,303	18,319	260,039	-	**625,661**
BBB- to BBB+	35,646	633,309	721,108	195,642	-	**1,585,705**
BB- to BB+	-	-	78,259	126,509	-	**204,768**
Lower than BB-	-	-	-	-	5,537	**5,537**
Unrated	-	-	359,615	4,028	13,118	**376,761**
Total	**35,646**	**1,155,858**	**1,807,106**	**783,234**	**18,655**	**3,800,499**

Concentration of risks of financial assets with credit risk

The following table breaks down the Bank's financial instruments (excluding Loans and advances to customers) at their carrying amounts, as categorized by geographical region as of 31 December. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

(a) Geographical sectors

	Bulgaria	**Greece**	**Rest of Europe***	**Other countries**	**Total**
Loans and advances to banks	-	59,987	1,062,278	58,572	**1,180,837**
Trading assets – debt securities	36,699	-	-	36,327	**73,026**
Debt securities at fair value through other comprehensive income	191,554	-	763,337	170,257	**1,125,148**
Derivative financial instruments	7,049	26,456	-	-	**33,505**
Debt securities at amortised cost	728,027	515,101	1,061,592	-	**2,304,720**
31 December 2024	**963,329**	**601,544**	**2,887,207**	**265,156**	**4,717,236**

*The five largest exposures of debt securities have issuers from the following countries: Ireland, Italy, Poland, Romania and France.

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.3 Debt securities, loans and advances to banks and derivatives (continued)

Geographical sectors (continued)

	Bulgaria	**Greece**	**Rest of Europe***	**Other countries**	**Total**
Loans and advances to banks	-	126,509	607,305	49,420	**783,234**
Trading assets – debt securities	35,646	-	-	-	**35,646**
Debt securities at fair value through other comprehensive income	218,226	-	774,736	162,896	**1,155,858**
Derivative financial instruments	13,118	5,537	-	-	**18,655**
Debt securities at amortised cost	507,698	437,875	861,533	-	**1,807,106**
31 December 2023	**774,688**	**569,921**	**2,243,574**	**212,316**	**3,800,499**

*The five largest exposures of debt securities have issuers from the following countries: Ireland, Italy, Poland, France, Romania.

5.2.1.4 Offsetting of financial assets and financial liabilities

The Bank does not have offsetting assets/liabilities that fall under the scope of IAS 32, i.e. are offset in the statement of financial position when an entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Bank has master netting arrangements with counterparty banks, which are enforceable in case of default. In addition, applicable legislation allows the Bank to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure as if they were set off in the statement of financial position. The Bank also made margin deposits as collateral for its outstanding derivative positions. The counterparty may set off the Bank’s liabilities with the margin deposit in case of default.

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.1 Credit risk (continued)

5.2.1.4 Offsetting of financial assets and financial liabilities

	Gross amounts before offsetting in BS	Gross amounts set off in BS	Net amount after offsetting in BS	Financial or cash collateral received or given either recognised on BS or not, not offset on BS	Net amount of exposure
	(a)	(b)	(c) = (a) - (b)	(d)	(c) - (d)
Assets as of 31 December 2024					
Derivative assets	26,455	-	26,455	(26,455)	**-**
Liabilities as of 31 December 2024					
Derivative liabilities	(8,364)	-	(8,364)	59,312	**50,948**
Repurchase agreements with banks	(827,224)	-	(827,224)	862,112	34,888

	Gross amounts before offsetting in BS	Gross amounts set off in BS	Net amount after offsetting in BS	Financial or cash collateral received or given either recognised on BS or not, not offset on BS	Net amount of exposure
	(a)	(b)	(c) = (a) - (b)	(d)	(c) - (d)
Assets as of 31 December 2023					
Derivative assets	5,537	-	5,537	(5,537)	**-**
Liabilities as of 31 December 2023					
Derivative liabilities	(15,345)	-	(15,345)	38,395	**23,050**

5.2.2 Market risk

Changes in interest rates, foreign exchange rates, credit spreads, equity prices and other relevant factors, such as the implied volatilities, can affect the Bank's income or the fair value of its financial instruments. The market risks, the Bank is exposed to, are monitored, controlled and estimated by its Market Risk Department (MRD). This is performed in close cooperation with the Group Market and Counterparty Risk Unit (GMCR).

MRD is responsible for the measurement, monitoring, control and reporting of all market risks, including the interest rate risk in the banking book (IRRBB) and the credit spread risk in the banking book (CSRBB) of the Bank. The department reports to the CRO and its main responsibilities include:

- Monitoring of all key market, IRRBB & CSRBB risk indicators (exposure, sensitivities, etc.)
- Implementation of Stress Testing methodologies for market risk and IRRBB (historical and hypothetical)
- Monitoring and reporting of market, IRRBB & CSRBB risk limits utilization
- Development, maintenance and expansion of risk management infrastructure

The market risks the Bank is exposed to, are the following:

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.2 Market risk (continued)

Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flows and the fair value of its financial positions. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is further split into 'General' and 'Specific'. The former refers to changes in the fair valuation of positions due to the movements of benchmark interest rates, while the latter refers to changes in the fair valuation of positions due to the movements of specific issuer yields and credit spreads.

Currency risk

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

Equity risk

Equity price risk is the risk of the decrease of fair values as a result of changes in the levels of equity indices and the value of individual stocks. The equity risk that the Bank undertakes is negligible and arises mainly from the investment portfolio as well as small participations in financial infrastructure companies. Daily VaR is calculated only for the listed equities portfolio.

Implied volatilities

The Bank closes its outright options back-to-back, thus it carries none or negligible implied volatility (vega) risk on the options it holds or has written, as no option positions are left open.

The Bank's Risk Committee sets limits on the level of exposure to market risks, which are monitored on a regular basis. Sensitivity and stress test analysis is additionally performed.

Market risk measurement techniques

The Bank ensures that all positions that are exposed to market risks (FX, IR, credit spreads, equity prices) are included within the market risk measurement system.

Currently market risk measurement is done using notional exposure data and notional level limits, sensitivity analysis, KRIs with relevant threshold levels and regular stress testing. As of YE2024, VaR analysis is applied only with regard to the Bank's equity risk exposure.

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.2 Market risk (continued)

Interest rate gap and sensitivity

The following table provides the interest rate repricing gap of the Bank, which analyses the structure of interest rate mismatches within the balance sheet. The Bank's financial assets/liabilities are included at their notional/outstanding amounts and categorized based on either (i) the next contractual repricing date if floating rate or (ii) the maturity/call date (whichever is first) if fixed rate. The below analysis provides an approximation of the interest rate risk exposure since transactions with different duration are aggregated together per time bucket

31.12.2024	Carrying amount	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
Balances with central banks	2,380,546	2,380,558	-	-	-	-
Loans and advances to banks	1,180,837	1,180,349	-	-	-	-
Debt securities	3,464,426	450,973	489,323	328,760	1,421,861	826,511
Loans and advances to customers	14,739,644	4,735,338	8,622,723	758,480	550,344	52,078
Total interest bearing assets	**21,765,453**	**8,747,218**	**9,112,046**	**1,087,240**	**1,972,205**	**878,589**
Due to credit institutions	(973,063)	(971,029)	(276,643)	(557,412)	(459,620)	-
Due to customers	(17,241,317)	(12,642,581)	(998,259)	(2,116,073)	(1,412,182)	-
Total interest bearing liabilities	**(18,214,380)**	**(13,613,610)**	**(1,274,902)**	**(2,673,485)**	**(1,871,802)**	**-**
Derivative financial instruments	(2,302)	(172,183)	(175,047)	6,150	341,088	-
Interest rate gap		**(5,038,575)**	**7,662,097**	**(1,580,095)**	**441,491**	**878,589**

31.12.2023	Carrying amount	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
Balances with central banks	2,365,538	2,365,571	-	-	-	-
Loans and advances to banks	783,234	783,049	-	-	-	-
Debt securities	3,028,859	529,812	279,579	280,646	1,301,949	721,902
Loans and advances to customers	12,540,242	4,443,903	6,987,533	675,066	518,684	43,998
Total interest bearing assets	**18,717,873**	**8,122,335**	**7,267,112**	**955,712**	**1,820,633**	**765,900**
Due to credit institutions	(140,905)	(140,755)	(8,481)	(215,141)	(801,890)	-
Due to customers	(15,653,641)	(11,668,016)	(1,040,981)	(2,099,036)	(807,234)	-
Total interest bearing liabilities	**(15,794,546)**	**(11,808,771)**	**(1,049,462)**	**(2,314,177)**	**(1,609,124)**	**-**
Derivative financial instruments	(4,032)	(154,591)	(129,085)	(59,848)	342,859	-
Interest rate gap		**(3,841,027)**	**6,088,565**	**(1,418,313)**	**554,368**	**765,900**

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.2 Market risk (continued)

Interest rate gap and sensitivity (continued)

The Bank performs a sensitivity analysis to assess the impact on net interest income (NII) and on other comprehensive income (OCI), to a hypothetical change in the market interest rates.

The impact on NII is calculated under the scenario of an instantaneous parallel shift of all interest rates by +/-100 bps, for a 1-year period, assuming a static balance sheet approach. As at 31 December 2024 the impact on NII, under the scenario of a parallel shift in the yield curves, stands at BGN 48,407 thousand (+100 bps) and BGN (18,055) thousand (-100 bps).

The impact on OCI is calculated as the fair value movement of all financial assets measured at FVOCI, net of hedging. As at 31 December 2024 the impact on OCI, under the scenario of a parallel shift in the yield curves, stands at BGN (25,505) thousand (+100bps) and BGN 25,505 thousand (-100bps).

Sensitivity of assets and liabilities

The following table sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

		Market risk measure	
As at 31 December 2024	**Carrying amount**	**Trading portfolios**	**Non-trading portfolios**
Assets subject to Market risk			
Cash and balances with Central Bank	2,380,546	-	2,380,546
Trading assets	74,656	74,656	-
Derivative financial instruments	33,505	33,505	-
Loans and advances to banks	1,180,837	-	1,180,837
Loans and advances to customers	14,739,644	-	14,739,644
Investment securities	3,464,426	-	3,464,426
Other financial assets	111,607	-	111,607
Total assets subject to Market risk	**21,985,221**	**108,161**	**21,877,060**
Liabilities subject to Market risk			
Derivative financial instruments	35,807	35,807	-
Deposits from banks	973,063	-	973,063
Due to customers	17,241,317	-	17,241,317
Other borrowed funds	1,305,591	-	1,305,591
Other financial liabilities	215,723	-	215,723
Total liabilities subject to Market risk	**19,771,501**	**35,807**	**19,735,694**

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.2 Market risk (continued)
Sensitivity of assets and liabilities (continued)

		Market risk measure	
As at 31 December 2023	**Carrying amount**	**Trading portfolios**	**Non-trading portfolios**
Assets subject to Market risk			
Cash and balances with Central Bank	2,365,538	-	2,365,538
Trading assets	37,272	37,272	-
Derivative financial instruments	18,655	18,655	-
Loans and advances to banks	783,234	-	783,234
Loans and advances to customers	12,540,242	-	12,540,242
Investment securities	3,028,859	-	3,028,859
Other financial assets	91,789	-	91,789
Total assets subject to Market risk	**18,865,589**	**55,927**	**18,809,662**
Liabilities subject to Market risk			
Derivative financial instruments	22,687	22,687	-
Deposits from banks	140,905	-	140,905
Due to customers	15,653,641	-	15,653,641
Other borrowed funds	1,036,249	-	1,036,249
Other financial liabilities	196,526	-	196,526
Total liabilities subject to Market risk	**17,050,008**	**22,687**	**17,027,321**

Foreign exchange risk

The following table presents the Bank's exposure to foreign exchange risk as at 31 December 2024 and 2023:

	As at 31 December 2024					
Assets	**BGN**	**EUR**	**USD**	**CHF**	**OTHER**	**Total**
Cash and balances with the Central Bank	1,337,315	1,033,193	6,116	942	2,980	**2,380,546**
Loans and advances to banks	280	1,066,515	70,033	6,758	37,251	**1,180,837**
Trading assets	38,329	-	36,327	-	-	**74,656**
Derivative financial instruments	-	32,395	1,110	-	-	**33,505**
Loans and advances to customers	11,888,133	2,672,013	149,693	28,868	937	**14,739,644**
Investment securities	201,967	2,977,423	285,036	-	-	**3,464,426**
Other financial assets	41,399	61,001	9,204	-	3	**111,607**
Total financial assets	**13,507,423**	**7,842,540**	**557,519**	**36,568**	**41,171**	**21,985,221**
Liabilities						
Deposits from banks	10,892	961,040	669	393	69	**973,063**
Derivative financial instruments	537	35,150	120	-	-	**35,807**
Due to customers	10,838,143	5,521,374	767,835	34,757	79,208	**17,241,317**
Other borrowed funds	2,839	1,302,752	-	-	-	**1,305,591**
Other financial liabilities	115,194	96,116	4,034	226	153	**215,723**
Total financial liabilities	**10,967,605**	**7,916,432**	**772,658**	**35,376**	**79,430**	**19,771,501**
Off balance sheet Credit related commitments	**2,621,087**	**658,418**	**57,307**	**-**	**1,974**	**3,338,786**

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.2 Market risk (continued)

Foreign exchange risk concentration (continued)

	As at 31 December 2023					
Assets	**BGN**	**EUR**	**USD**	**CHF**	**OTHER**	**Total**
Cash and balances with the Central Bank	1,695,175	659,903	6,310	1,526	2,624	**2,365,538**
Loans and advances to banks	3,655	657,545	57,201	28,187	36,646	**783,234**
Trading assets	37,272	-	-	-	-	**37,272**
Derivative financial instruments	285	18,163	207	-	-	**18,655**
Loans and advances to customers	10,031,279	2,361,491	141,980	4,897	595	**12,540,242**
Investment securities	146,556	2,555,126	327,177	-	-	**3,028,859**
Other financial assets	50,782	31,539	9,464	-	4	**91,789**
Total financial assets	**11,965,004**	**6,283,767**	**542,339**	**34,610**	**39,869**	**18,865,589**
Liabilities						
Deposits from banks	3,129	136,518	708	266	284	**140,905**
Derivative financial instruments	347	22,235	105	-	-	**22,687**
Due to customers	9,848,709	4,876,788	809,666	32,834	85,644	**15,653,641**
Other borrowed funds	8,526	1,027,723	-	-	-	**1,036,249**
Other financial liabilities	95,749	98,544	1,738	219	276	**196,526**
Total financial liabilities	**9,956,460**	**6,161,808**	**812,217**	**33,319**	**86,204**	**17,050,008**
Off balance sheet Credit related commitments	**2,237,491**	**448,181**	**32,150**	**-**	**-**	**2,717,822**

5.2.3 Liquidity risk

Basel Committee defines liquidity as “the ability of the Bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses“.

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

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

The Bank is exposed to daily calls on its available cash resources and maintains adequate liquidity buffers to ensure regular and timely meeting of all current and future obligations related to deposits withdrawals, maturity of medium or long term notes, maturity of secured or unsecured funding (interbank repos and money market takings), loan drawdowns.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank. The ability of the Bank to mobilize its liquid and illiquid assets to raise funding are also of great importance in the overall liquidity management assessment.

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.3 Liquidity risk (continued)

Liquidity risk management Framework

The Bank maintains appropriate liquidity policies which have to ensure prudent liquidity management practices are in place.

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

The Bank produces and monitors internally defined liquidity ratios and reports. In accordance with the requirements of Regulation (EU) No 575/2013, Regulation (EU) No 2015/61 and Regulation No 2016/313, the Bank also prepares the reports under the Liquidity Coverage Ratio (LCR), Additional Liquidity Monitoring Metrics (ALMM) on a monthly basis and the Net Stable Funding Ratio (NSFR) on a quarterly basis.The Maturity Ladder report is prepared under the EBA methodology as per Annex 23 of Commission Implementing Regulation (EU) 2017/2114.

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

The Management Board (MB) of the Bank assigns the Assets and Liabilities Committee (ALCO) as the primary responsible body to advise the MB for the strategic management of assets and liabilities with aim to manage the interest rate and liquidity risks of the Bank.

The Bank's Liquidity Risk policies defines the following supervisory and control structure:

- Risk Committee's role is to approve all strategic liquidity risk management decisions and to monitor the quantitative and qualitative aspects of liquidity risk;
- Assets and Liabilities Committee has the mandate to form and implement the liquidity policies and guidelines in conformity with Bank's risk appetite, and to review at least monthly the overall liquidity position of the Bank;
- Treasury is responsible for the implementation of the Bank's liquidity strategy, taking into account the latest funding plan and for the daily management of the Bank's liquidity;
- Market Risk Department is responsible for measuring, controlling, monitoring and reporting the liquidity risk of the Bank;
- Regulatory Reporting and Methodology Department is responsible for producing the regulatory liquidity reports.

ALCO is composed of the senior management of the Bank, meets at least once a month and duly reports any significant issues to the MB of the Bank.

Within its authority is to take all the necessary decisions regarding the interest rate policy, the liquidity and assets and liabilities management and to set the target parameters of potential external funding.

Regarding Assets and Liabilities management, ALCO shall regularly review the following:

- Structure, current state and trends of the assets and liabilities of the Bank;
- Interest income margin generated on assets and cost of funding base (deposit base and external funding);
- Interest rates offered by main competitors and market shares;
- Capital Adequacy;

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.3 Liquidity risk (continued)

Liquidity risk management Framework (continued)

- Liquidity Ratios and liquidity buffers as defined by BNB , ECB and the EU regulations;
- Internal Liquidity ratios;
- Liquidity buffers;
- Sources and uses of liquidity and liquidity Projections;
- Liquidity Stress tests, reflecting the changes on the asset-liability maturity tables in different stress scenarios and the respective impact on liquidity buffers.

On a strategic level ALCO manages the Bank's assets and liabilities to ensure regular and timely meeting of current and future obligations.

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

Maturity analysis of assets and assets held for managing liquidity risk

Cash flows

The tables below presents the cash flows receivables and payable by the Bank under financial assets/ liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows for the year 2024 and 2023.

As at 31 December 2024	**Carrying**	**Gross nominal**	**Less than**	**1-3**	**3-12**	**1-5**	**More than**
Financial Assets	**amount**	**inflow/ (outflow)**	**1 month**	**months**	**months**	**years**	**5 years**
Non-derivative assets	***21,951,716***	***25,278,202***	***6,941,277***	***765,185***	***2,235,066***	***8,001,323***	***7,335,351***
Cash and balances with Central Bank	2,380,546	2,380,546	2,380,546	-	-	-	-
Loans and advances to banks	1,180,837	1,181,249	1,181,249	-	-	-	-
Loans and advances to customers	14,739,644	17,431,004	3,190,850	479,923	1,740,640	5,879,395	6,140,196
Financial assets held for trading	74,656	90,715	32,740	5,273	921	6,834	44,947
Investment securities	3,464,426	4,083,081	44,285	279,989	493,505	2,115,094	1,150,208
Other financial assets	111,607	111,607	111,607	-	-	-	-
Derivative financial instruments	***33,505***	***626,168***	***354,741***	***4,845***	***17,866***	***248,716***	***-***
Inflow from net settled		82,494	7,050	4,845	17,866	52,733	-
Inflow from gross settled		543,674	347,691	-	-	195,983	-
Total assets (contractual maturity)	**21,985,221**	**25,904,370**	**7,296,018**	**770,030**	**2,252,932**	**8,250,039**	**7,335,351**

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.3 Liquidity risk (continued)
Maturity analysis of assets and assets held for managing liquidity risk (continued)
Cash flows (continued)

As at 31 December 2023	**Carrying**	**Gross nominal**	**Less than**	**1-3**	**3-12**	**1-5**	**More than**
Financial Assets	**amount**	**inflow/ (outflow)**	**1 month**	**months**	**months**	**years**	**5 years**
Non-derivative assets	***18,846,934***	***21,627,645***	***6,194,186***	***517,948***	***1,916,098***	***6,986,557***	***6,012,856***
Cash and balances with Central Bank	2,365,538	2,365,538	2,365,538	-	-	-	-
Loans and advances to banks	783,234	783,334	783,334	-	-	-	-
Loans and advances to customers	12,540,242	14,812,188	2,869,672	407,514	1,626,007	5,076,624	4,832,371
Financial assets held for trading	37,272	38,608	1,641	18	110	36,839	-
Investment securities	3,028,859	3,536,188	82,212	110,416	289,981	1,873,094	1,180,485
Other financial assets	91,789	91,789	91,789	-	-	-	-
Derivative financial instruments	***18,655***	***660,661***	***330,958***	***4,701***	***17,359***	***307,643***	***-***
Inflow from net settled	-	91,785	7,145	4,701	17,359	62,580	-
Inflow from gross settled	-	568,876	323,813	-	-	245,063	-
Total assets (contractual maturity)	**18,865,589**	**22,288,306**	**6,525,144**	**522,649**	**1,933,457**	**7,294,200**	**6,012,856**

Off-balance sheet items

(a) *Loan commitments*

The amounts of the Bank’s off-balance sheet financial instruments that commit it to extend credit to customers and other facilities are presented on-demand - to the earliest period in which the Bank can be required to pay.

(b) *Financial guarantees and other financial facilities*

Financial guarantees are presented on-demand, based on the earliest date on which the guarantee can be called. Based on the experience of the bank Cash flows from financial guarantees and loan commitments are presented by maturity.

The Bank’s liquidity buffer represents a diversified portfolio of cash and highly liquid assets to support payment obligations and contingent deposit withdrawals in a normal and stressed market environment. The Bank's assets held for managing liquidity comprise:

(a) Cash and balances with central banks;
(b) Eligible bonds and other financial assets for collateral purposes; and
(c) Current accounts with banks and interbank placings maturing within one month.

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)
5.2.3 Liquidity risk (continued)
Off-balance sheet items (continued)

Based on past experience the Bank contractual maturities are not the expected maturities. Saving and sight deposits are expected to remain stable and no significant fluctuations from the normal course of business are expected.

Maturity analysis of liabilities

The amounts disclosed in the tables below are the contractual undiscounted cash flows for the years 2024 and 2023. Liabilities without contractual maturities (sight and saving deposits) are presented in the 'less than 1 month' time bucket. The Bank has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Due to these contracts the Bank has already posted collateral which covers the valuation of its net liabilities from interbank derivatives.

It should be noted that this table represents the worst case scenario since it is based on the assumption that all liabilities will be paid at maturity and they will not be rolled over (e.g. all term deposits are withdrawn at their contractual maturity). The recent experience shows that even in a period of a systemic financial crisis the likelihood of such an event is remote.

As at 31 December 2024	**Carrying**	**Gross nominal**	**Less than**	**1-3**	**3-12**	**1-5**	**More than**
Financial liabilities	**amount**	**inflow/ (outflow)**	**1 month**	**months**	**months**	**years**	**5 years**
Non-derivative liabilities	***19,735,694***	***(20,028,528)***	***(13,813,049)***	***(1,024,561)***	***(2,200,300)***	***(2,702,610)***	***(288,008)***
Due to other banks	973,063	(973,842)	(973,842)	-	-	-	-
Due to customers	17,241,317	(17,286,445)	(12,705,269)	(1,005,321)	(2,097,235)	(1,478,620)	-
Other borrowed funds	1,305,591	(1,551,278)	-	(15,802)	(90,506)	(1,172,506)	(272,464)
Lease liabilities	85,046	(86,286)	(3,261)	(3,438)	(12,559)	(51,484)	(15,544)
Other financial liabilities	130,677	(130,677)	(130,677)	-	-	-	-
Derivative financial instruments	***35,807***	***(626,580)***	***(355,488)***	***(4,845)***	***(17,866)***	***(248,381)***	***-***
(Outflow) from net settled		(82,498)	(7,050)	(4,845)	(17,866)	(52,737)	-
(Outflow) from gross settled		(544,082)	(348,438)	-	-	(195,644)	-
Total liabilities (contractual maturity)	**19,771,501**	**(20,655,108)**	**(14,168,537)**	**(1,029,406)**	**(2,218,166)**	**(2,950,991)**	**(288,008)**

As at 31 December 2024	**Gross nominal**	**Less than**	**1-3**	**3-12**	**1-5**	**More than**
Off Balance sheet items	**inflow/ (outflow)**	**1 month**	**Months**	**months**	**Years**	**5 years**
Credit commitments	(2,968,216)	(894,310)	(238,970)	(915,538)	(868,463)	(50,935)
Guarantees and other commitments	(370,570)	(11,679)	(51,725)	(127,195)	(171,976)	(7,995)
Total amount	**(3,338,786)**	**(905,989)**	**(290,695)**	**(1,042,733)**	**(1,040,439)**	**(58,930)**

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.2 Financial risk factors (continued)

5.2.3 Liquidity risk (continued)

Maturity analysis of liabilities (continued)

As at 31 December 2023 Financial liabilities	Carrying amount	Gross nominal inflow/ (outflow)	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
Non-derivative liabilities	***17,119,355***	***(17,460,627)***	***(12,094,883)***	***(1,052,416)***	***(2,133,098)***	***(1,856,110)***	***(324,120)***
Due to other banks	140,905	(141,025)	(141,025)	-	-	-	-
Due to customers	15,653,641	(15,689,903)	(11,755,826)	(1,032,938)	(2,065,007)	(836,132)	-
Other borrowed funds	1,036,249	(1,340,567)	-	(16,636)	(55,470)	(966,101)	(302,360)
Lease liabilities	92,034	(92,606)	(1,506)	(2,842)	(12,621)	(53,877)	(21,760)
Other financial liabilities	196,526	(196,526)	(196,526)	-	-	-	-
Derivative financial instruments	***22,687***	***(653,165)***	***(328,984)***	***(4,701)***	***(16,363)***	***(303,117)***	***-***
(Outflow) from net settled	-	(84,926)	(5,288)	(4,701)	(16,363)	(58,574)	-
(Outflow) from gross settled	-	(568,239)	(323,696)	-	-	(244,543)	-
Total liabilities (contractual maturity)	**17,142,042**	**(18,113,792)**	**(12,423,867)**	**(1,057,117)**	**(2,149,461)**	**(2,159,227)**	**(324,120)**

As at 31 December 2023 Off Balance sheet items	Gross nominal inflow/ (outflow)	Less than 1 month	1-3 Months	3-12 months	1-5 Years	More than 5 years
Credit commitments	(2,372,704)	(728,273)	(258,421)	(891,252)	(486,279)	(8,479)
Guarantees and other commitments	(345,118)	(38,869)	(42,258)	(119,202)	(130,222)	(14,567)
Total amount	**(2,717,822)**	**(767,142)**	**(300,679)**	**(1,010,454)**	**(616,501)**	**(23,046)**

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.3. Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price). When a quoted price for an identical asset or liability is not observable, fair value is measured using valuation techniques that are appropriate in the circumstances, and maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect assumptions that market participants would use when pricing financial instruments, such as quoted prices in active markets for similar instruments, interest rates and yield curves, implied volatilities and credit spreads.

Fair values of financial assets and liabilities not measured at fair value

The following table presents the carrying amounts and fair values of financial assets and liabilities which are not carried at fair value on the balance sheet, analysed by the level in the fair value hierarchy into which each fair value measurement is included. The table contains only line items where the FV is different from the carrying amount:

	At 31 December 2024				
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**	**Total Carrying Amount**
Financial assets					
Loans and advances to customers					
- Corporate	-	-	5,323,278	**5,323,278**	**5,530,751**
- SBB	-	-	1,061,839	**1,061,839**	**1,107,615**
- Consumer	-	-	3,649,924	**3,649,924**	**3,551,013**
- Mortgage	-	-	4,371,916	**4,371,916**	**4,550,265**
Inv. Securities AC	1,587,911	767,835	-	**2,355,746**	**2,304,720**
Total	**1,587,911**	**767,835**	**14,406,957**	**16,762,703**	**17,044,364**
Financial liabilities					
Other borrowed funds	-	1,299,548	-	**1,299,548**	**1,305,591**

	At 31 December 2023				
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**	**Total Carrying Amount**
Financial assets					
Loans and advances to customers					
- Corporate	-	-	4,718,110	**4,718,110**	**4,901,883**
- SBB	-	-	936,862	**936,862**	**969,341**
- Consumer	-	-	3,132,671	**3,132,671**	**3,059,332**
- Mortgage	-	-	3,468,412	**3,468,412**	**3,609,686**
Inv. Securities AC	980,456	845,467	-	**1,825,923**	**1,807,106**
Total	**980,456**	**845,467**	**12,256,055**	**14,081,978**	**14,347,348**
Financial liabilities					
Other borrowed funds		1,034,138	-	**1,034,138**	**1,036,249**

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.3 Fair values of financial assets and liabilities (continued)

The assumptions and methodologies underlying the calculation of fair values of financial instruments not carried at fair value on the balance sheet date are in line with those used to calculate the fair values for financial instruments carried at fair value and are as follows:

a) Loans and advances to customers

For loans and advances to customers quoted market prices are not available as there are no active markets where these instruments are traded. The fair values are estimated by discounting future expected cash flows over the time period they are expected to be recovered, using constructed risk-adjusted rates.

Loans are grouped into homogenous pools of assets based on shared credit risk characteristics, such as product type, borrower type, vintages and credit history. In estimating future cash flows, the Bank takes into account information for the contractual terms, remaining maturity and credit risk parameters of the exposures.

For other financial instruments which are short term (cash and balances with central banks, loans and advances to banks, due to central banks and other banks) or re-priced at frequent intervals (due to customers) the carrying amounts represent reasonable approximations of fair values Investment securities measured at amortized cost: the fair values are determined using prices quoted in an active market when these are available. In other cases, fair values are determined using quoted market prices for securities with similar credit risk, maturity and yield, quoted market prices in non-active markets for identical or similar financial instruments, or by using the discounted cash flows method. In addition, for certain high quality corporate bonds for which quoted prices are not available, fair value is determined using prices that are derived from reliable data management platforms while part of them is verified by market participants (e.g. brokers).

b) Debt issued and other borrowed funds

For borrowed funds, which are either short term or re-priced at frequent intervals, the carrying amounts represent reasonable approximations of fair values.

The fair values of fixed rate borrowed funds are determined by discounting the expected cash flows at a risk-adjusted rate, where the Bank's own credit risk is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Bank or other issuers

Financial instruments measured at fair value

Trading assets, derivatives and other transactions undertaken for trading purposes, as well as FVOCI securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value by reference to quoted market prices when available. If quoted prices are not available, the fair values are estimated using appropriate valuation techniques.

These financial instruments carried at fair value are categorised into the three levels of the fair value hierarchy as at 31 December 2024 based on whether the inputs to the fair values are observable or unobservable, as follows:

Level 1 – Financial instruments measured based on quoted prices in active markets for identical financial instruments that the Bank can access at the measurement date. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. These include actively quoted debt instruments, equity and derivative instruments traded on exchanges, as well as mutual funds and unit-linked products that have regularly and frequently published quotes.

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.3 Fair values of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

Level 2 – Financial instruments measured using valuation techniques with the following inputs: i) quoted prices for similar financial instruments in active markets, ii) quoted prices for identical or similar financial instruments in markets that are not active, iii) inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers and iv) may also include other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments mainly include over-the-counter (OTC) derivatives and less-liquid debt instruments.

Level 3 – Financial instruments measured using valuation techniques with significant unobservable inputs. When developing unobservable inputs, best information available is used, including own data, while at the same time market participants' assumptions are reflected (e.g. assumptions about risk). Level 3 financial instruments include unquoted equity instruments and illiquid debt securities.

The fair value hierarchy categorisation of the Bank's financial assets and liabilities carried at fair value is presented in the following table:

	31 December 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Trading assets				
-Debt securities	36,327	36,699	-	**73,026**
-Equity securities	1,630	-	-	**1,630**
Derivative financial instruments	-	33,505	-	**33,505**
Investment securities				
- Investment securities at FVOCI	960,920	164,228	-	**1,125,148**
- Investment securities at FVTPL	-	19,158	15,400	**34,558**
Total financial assets	**998,877**	**253,590**	**15,400**	**1,267,867**
Financial liabilities measured at fair value:				
Derivative financial instruments	**-**	35,807	-	**35,807**
Total financial liabilities	**-**	**35,807**	**-**	**35,807**

	31 December 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Trading assets				
-Debt securities	35,646	-	-	**35,646**
-Equity securities	1,626	-	-	**1,626**
Derivative financial instruments	-	18,655	-	**18,655**
Investment securities				
- Investment securities at FVOCI	783,418	372,440	-	**1,155,858**
- Investment securities at FVTPL	-	51,862	14,033	**65,895**
Total financial assets	**820,690**	**442,957**	**14,033**	**1,277,680**
Financial liabilities measured at fair value:				
Derivative financial instruments	-	22,687	-	**22,687**
Total financial liabilities	**-**	**22,687**	**-**	**22,687**

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.3 Fair values of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

Reconciliation of Level 3 fair value measurement	2024	2023
Balance at 1 January	**14,033**	**13,355**
Total gain/ (loss) for the period included in profit or loss	1,367	678
Balance at 31 December	**15,400**	**14,033**

The realized gain/ loss for Level 3 instruments is recognized in "Gain less losses from investment securities" line.

Unobservable inputs used in Level 3 fair value measurement

The table below provides details on significant unobservable inputs, where applicable, used in the valuation of Level 3 financial instruments as of 31 December 2024:

Type of financial instruments	Valuation technique	Unobservable input
	Discounted cash flow	Expected growth rate
		Required rate of return

Unobservable input	Range of estimates (weighted average) for unobservable input	Range of estimates (weighted average) for unobservable input	Fair value measurement sensitivity to unobservable inputs
	2024	**2023**	
expected growth rate	2.95-3.15% (3.05%)	3.00-3.20% (3.15%)	a significant increase in expected growth rate would result in higher fair value
required rate of return	10.80-11.30% (11.04%)	11.55-12.05% (11.81%)	a significant increase in required rate of return on equity would result in lower fair value

Unobservable inputs were used for equities of local financial institutions and are given as follows:

- The expected growth rate is derived from the expected GDP growth rate of the country.
- The required rate of return on equity is derived from the risk-free rate of return adjusted with risk premium.

The effect of unobservable inputs on Level 3 fair value measurement

While the Bank believes that its estimates are appropriate, employing different methodologies or assumptions could result in different fair value measurements. Using reasonably possible alternative assumptions would produce the following impact:

Type of financial instruments		Effect on Fair value	
		Favorable	**Unfavorable**
Equities	2024:	585	(553)
	2023:	336	(420)

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

Notes to the separate financial statements (continued)

5. Financial risk management and fair value (continued)

5.3 Fair values of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

The effect of unobservable inputs on Level 3 fair value measurement (continued)

The favorable and unfavorable effects of using reasonably possible alternative assumptions for the valuation of equities of financial institutions have been calculated with reference to the upper and lower quartiles of Bank’s range of estimates. Key assumptions used in the model at 31 December 2024 included a weighted average expected growth rate of 3.05% (with reasonably possible alternative assumptions of 2.95% and 3.15%) and required rate of return of 11.04% (with reasonably possible alternative assumptions of 10.80% and 11.30%).

The realized gain/ loss for Level 3 instruments is recognized in “Gain less losses from investment securities” line.

Bank's valuation processes

The Bank uses widely recognized valuation models for determining the fair value of common financial instruments, such as interest and currency swaps and forwards, that use only observable market data and require little management estimation and judgment. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded and simple over-the-counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values.

Where valuation techniques are used to determine the fair values of financial instruments, they are validated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments, and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Fair values estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that market participants would take them into account in pricing the instrument. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty, where appropriate

The Bank follows fair valuation processes and procedures, which are established at Group level by Global Group Market and Counterparty Risk Unit. Some of the specific valuation controls include: verification of observable pricing, re-performance of model valuations, a review and approval process for new models and/or changes to models, calibration and back-testing against observable market transactions, where available, analysis of significant valuation movements, etc. Where third parties' valuations are used for fair value measurement, these are reviewed in order to ensure compliance with the requirements of IFRS 13.

Valuation techniques

OTC derivative financial instruments are fair valued by discounting expected cash flows using market interest rates at the measurement date. Counterparty credit risk adjustments and own credit risk adjustments are applied to OTC derivatives, where appropriate. Bilateral credit risk adjustments consider the expected cash flows between the Bank and its counterparties under the relevant terms of the derivative instruments and the effect of the credit risk on the valuation of these cash flows. As appropriate in circumstances, the Bank considers also the effect of any credit risk mitigating arrangements, including collateral agreements and master netting agreements on the calculation of credit risk valuation adjustments (CVAs).

The Bank determines fair values for debt securities held using quoted market prices in active markets for securities with similar credit risk, maturity and yield or by using discounted cash flows method.

The fair values of unquoted equity instruments are estimated mainly (i) using third parties' valuation reports based on investees' net assets, where management does not perform any further significant adjustments, (ii) net assets' valuations, adjusted where considered necessary

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

Notes to the separate financial statements (continued)

6 Net interest income

Net interest income	2024	2023
Loans and advances to customers	789,947	617,521
Loans and advances to banks	30,907	30,679
Investment securities	109,075	76,852
Interest income calculated using the effective interest method	**929,929**	**725,052**
Derivative instruments	3,612	10,972
Trading securities	448	635
Interest income on lease receivables	2,106	2,144
Other Interest income	**6,166**	**13,751**
Total interest income	**936,095**	**738,803**

The unwinding of the discount of the ECL allowance (Note 18) amounting to BGN 2,523 thousand (2023: BGN 4,047 thousand) is included in interest income on impaired loans and advances to customers. Interest income includes BGN 15,974 thousand (2023: BGN 13,149 thousand) interest income, recognised on impaired loans to customers, out of which BGN 1,320 thousand (2023: BGN 1,441 thousand) remain due by the customer as of year-end.

Interest income includes BGN 56,213 thousand (2023: BGN 40,029 thousand) income from insurers related to insurance premiums paid by borrowers as an integral part of loan deal origination

Interest expense and similar charges	2024	2023
Deposits from customers	76,044	39,931
Hedging instruments	-	2,666
Deposits from banks	15,738	12,261
Other borrowed funds	70,846	46,444
Operating lease	214	120
Derivative instruments	787	624
Total interest expense and similar charges	**163,629**	**102,046**
Total Net interest income	**772,466**	**636,757**

7 Net fee and commission income

Fees and commission income	2024	2023
Money transfers	57,671	50,271
Account maintenance	48,390	43,625
Receipts from sales of services	34,524	31,281
Foreign exchange operations	27,852	27,861
Loans' fees and commissions	21,657	16,720
Cash operations	19,592	17,680
Management, brokerage and securities trading	3,029	2,697
Other fees	2,304	1,232
Total fees and commission income from contracts with customers	**215,019**	**191,367**
Financial guarantee contracts and loan commitments	3,627	3,430
Total fees and commission income	**218,646**	**194,797**

Fee and commission expense	2024	2023
Loans related fees	12,275	9,741
Transactions processing	38,841	31,391
Cash transactions and correspondent accounts	1,696	1,774
Other fees	2,818	2,435
Management, brokerage and securities trading	1,116	855
Total fees and commission expense	**56,746**	**46,196**
Total Net fees and commission income	**161,900**	**148,601**

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

Notes to the separate financial statements (continued)

		2024	2023
8	**Other operating income, net**	**2024**	**2023**
	Net gain arising from derecognition of financial assets	3,336	4,669
	Net gain from non-current fixed assets	455	171
	Rental income	123	129
	Other (expenses)/ income (Operating Leases IFRS 16)	(67)	6
	Net (loss) from Modification of non-forborne loans	(461)	(280)
	Net gain on sale of loans	6,404	-
	Total	**9,790**	**4,695**

9	**Net trading income**	**2024**	**2023**
	Net results from derivative instruments	-	1,642
	of which:		
	Gain (Losses) on derivative fin. Instruments – Hedging (Note 25)	-	*3,182*
	(Losses) on derivative fin. instruments - Non-Hedging	-	*(1,540)*
	Net trading income	**-**	**1,642**

10	**Other operating expenses**	**2024**	**2023**
	Staff costs (Note 11)	196,111	173,915
	Depreciation of PPE and ROA (Note 21)	34,109	30,163
	Software costs	33,341	25,818
	Repairs and maintenance	18,579	18,015
	External services	15,609	16,257
	Transaction related costs	-	12,820
	Advertising and marketing	11,366	11,920
	Security	11,170	9,265
	Amortisation of intangible assets (Note 22)	10,106	10,511
	Other operating costs	4,200	11,382
	Travel and accommodation	1,887	1,925
	Materials	1,784	1,751
	Operating lease rentals	1,466	1,343
	Insurance	827	927
	Communication	850	838
	Total	**341,405**	**326,850**

The amounts accrued in 2024 for the services provided by the registered auditors for statutory joint independent financial audit are as follows: for KPMG Audit OOD - BGN 456 thousand excluding VAT, for Baker Tilly Klitou and Partners OOD - BGN 96 thousand excluding VAT. In 2024 the Bank was charged with amounts for other non-statutory audit services provided by KPMG Audit OOD at a total amount of BGN 194 thousand excluding VAT and by Baker Tilly Klitou – BGN 20 thousand excluding VAT

The amounts accrued in 2023 for the services provided by the registered auditors for statutory joint independent financial audit are as follows: for KPMG Audit OOD - BGN 434 thousand excluding VAT, for Baker Tilly Klitou and Partners OOD - BGN 84 thousand excluding VAT. In 2023 the Bank was charged with amounts for other non-statutory audit services provided by KPMG Audit OOD at a total amount of BGN 257 thousand excluding VAT and by Baker Tilly Klitou – BGN 23 thousand excluding VAT.

11	**Staff costs**	**2024**	**2023**
	Wages and salaries	161,775	136,399
	Pension costs – defined contribution plans	17,654	14,916
	Social security costs	10,112	8,642
	Other	5,820	13,156
	Pension costs / (income) – defined benefit plans (Note 30)	750	802
	Total staff cost	**196,111**	**173,915**

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

Notes to the separate financial statements (continued)

12 Impairment charge for credit losses	**2024**	**2023**
Remeasurement of loss allowances	(99,757)	(106,968)
New financial assets originated or purchased	(30,091)	(23,509)
Total (Note 18)	**(129,848)**	**(130,477)**
Recoveries from write offs	33,818	27,600
Credit commitments release/(charge) of impairment	85	(59)
Other (impairments losses)/release	(1,146)	2,156
Impairment losses recognized in PnL	**(97,091)**	**(100,780)**

Other impairments losses include the ECL charge during 2024 and 2023 as per IFRS 9 regarding financial assets other than loans and advances to customers (securities, placements, etc.)

13 Income tax expense	**2024**	**2023**
Deferred tax (benefit) / expense (Note 28)	1,033	2,261
Current income tax	47,451	32,528
Domestic Top-up tax	22,854	-
Total	**71,338**	**34,789**

Tax is payable at an actual rate of 10% (2023: 10%) on adjusted profits under Corporate Tax Act. Domestic Top-up tax is payable at an rate of the difference between the Pillar Two effective tax rate 15% and the Bank's effective tax rate (ERT) during 2024.

The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate as follows:

	2024 Tax rate	**2024 Amount**	**2023 Tax rate**	**2023 Amount**
Profit before income tax		**483,542**		**342,869**
Tax calculated at the basic tax rate	10%	48,354	10%	34,287
Tax effect of:				
non tax deductible expenses	(0.07%)	(263)	(0.54%)	(1,838)
non taxable income	0.46%	2,243	1.69%	5,782
(gain)/loss recognized in OCI	(0.37%)	(1,850)	(1.00%)	(3,442)
Domestic Top up tax	4.73%	22,854		
Income tax expense	**14.75%**	**71,338**	**10.15%**	**34,789**

Additional information about deferred tax is presented in Note 28.

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

Notes to the separate financial statements (continued)

13 Income tax expense (continue)

Pillar Two income taxes

The Pillar Two legislation that introduces a minimum global tax rate at 15% on multinational entities with consolidated revenues over €750 million (top up tax) has been enacted in Bulgaria effective as of 1 January 2024. The current nominal corporate tax rate (CIT) in Bulgaria is 10% and the Pillar Two effective tax rate is 15%.

The Bank, as a subsidiary of a multinational entity with consolidated revenues over €750 million, falls under the scope of Pillar Two top up tax requirement.

The Bank applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023 and endorsed by the EU in November 2023.

Qualified Domestic Minimum Top-up Tax (QDMTT) is a tax collection mechanism available to states implementing the Pillar 2 directive. The essence of QDMTT is to collect the top-up tax at the country level even if the parent company of a given group is covered by the global minimum tax regulations in another country.

The amendments in Bulgarian legislation enact a national top-up tax (domestic top-up tax) from 1 January 2024 aiming to close the gap between the current corporate tax rate of 10% in Bulgaria and the 15% effective tax rate agreed upon on the OECD level.

For the period ended 31 December 2024, the Bank has calculated on country level and recognized part for Eurobank Bulgaria AD current tax expense at the amount of BGN 22,854 thousands related to the top up tax on the profit earned.

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional taxes and penalties. The management of the Bank is not aware of any circumstances, which can potentially raise material tax obligations.

The last full-scope tax audit of the Bank has been carried out in 2014, covering the periods 2008 – 31.03.2013 with respect to VAT and 2008 – 31.12.2012 with respect to CITA.

14 Income tax effects relating to comprehensive income

	Year ended 31 December					
	2024			2023		
	Before tax amount	**Tax (expense)/ benefit**	**Net of tax amount**	**Before tax amount**	**Tax (expense)/ benefit**	**Net of tax amount**
Investment Securities at FVOCI	18,499	(1,850)	16,649	34,418	(3,442)	30,976
Change in FV of property, plant and equipment	1,163	(116)	1,047	(667)	67	(600)
Remeasurements of retirement benefit obligation	272	(27)	245	1,240	(124)	1,116
Total	**19,934**	**(1,993)**	**17,941**	**34,991**	**(3,499)**	**31,492**

15 Cash and balances with the Central Bank	**2024**	**2023**
Cash in hand	218,056	202,852
Balances with Central bank	2,162,490	2,162,686
Total	**2,380,546**	**2,365,538**
of which:		
Mandatory reserve with Central Bank in accordance with BNB Regulation 21	2,171,866	1,872,182

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

Notes to the separate financial statements (continued)

15 Cash and balances with the Central Bank (continued)

Mandatory reserves with Central bank represent the minimum level of deposits which the Bank is required to maintain with BNB. As at the end of December 2024 and 2023 the Bank has fulfilled the requirement for a minimum 100% coverage of mandatory reserves with balances with Central bank on a monthly basis. Balances with Central bank can be freely used daily provided the average monthly minimum deposits are maintained.

16 Loans and advances to banks	**2024**	**2023**
Deposits in other banks	1,180,884	783,264
Less impairment loss allowance	(47)	(30)
Total	**1,180,837**	**783,234**

Included in the amount of loans and advances to banks is accrued interest of BGN 537 thousand (2023: BGN 214 thousand). The impairment provisions under IFRS9 as of end of December, 2024 amounted to BGN 47 thousand (2023: BGN 30 thousand).

Approximately 100 % (2023: 75 %) of the amounts due from other banks represent funds placed in banks domiciled in OECD (Organisation for Economic Co-operation and Development) countries.

17 Trading assets	**2024**	**2023**
Bulgarian government bonds	73,026	35,646
of which pledged	*5,455*	*5,323*
Shares	1,630	1,626
Total	**74,656**	**37,272**
Equity securities:		
- Listed	1,630	1,626
Debt securities:		
- Listed	73,026	35,646
of which pledged	*5,455*	*5,323*

Included in the amount of the bonds is accrued interest in the amount of BGN 570 thousand (2023: BGN 23 thousand).

Gains less (losses) from trading securities	**2024**	**2023**
Debt securities	407	1,095
Equity securities	75	(226)
Total	**482**	**869**

18 Loans and advances to customers	**2024**	**2023**
Consumer lending (including credit cards)	3,771,631	3,245,705
Small Business lending	1,136,837	1,019,686
Mortgages	4,592,947	3,671,461
Corporate lending	5,622,869	4,969,665
Gross loans and advances	**15,124,284**	**12,906,517**
Less allowance for impairment losses on loans and advances	(384,640)	(366,275)
Net outstanding balance of loans and advances to customers	**14,739,644**	**12,540,242**

Included in the amount of loans and advances to customers is accrued interest of BGN 47,146 thousand (2023: BGN 44,937 thousand).

	2024	**2023**
The ten largest exposures to customers	1,001,807	889,567
Percentage of gross loans	6.62%	6.89%

(All amounts are shown in BGN thousands unless otherwise stated)
Notes to the separate financial statements (continued)

18 Loans and advances to customers (continued)

The following table presents the impairment allowance movement by product line:

	31 December 2024																
	Wholesale				Mortgage				Consumer				Small business				
	12-month ECL	Lifetime ECL-Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	12-month ECL	Lifetime ECL-Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	12-month ECL	Lifetime ECL-Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	12-month ECL	Lifetime ECL-Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	Total
Impairment allowance as at 1 January	16,645	8,389	37,565	5,183	2,367	5,491	51,726	2,191	47,802	57,895	74,127	6,549	12,241	9,590	28,464	50	366,275
New loans and advances originated or purchased	1,627	-	-	-	488	-	-	-	26,855	-	-	-	1,122	-	-	-	30,092
Transfers between stages:																	
-to 12-month ECL	*1,501*	*(1,500)*	*(1)*	-	*1,376*	*(1,262)*	*(114)*	-	*8,103*	*(7,779)*	*(324)*	-	*4,139*	*(4,049)*	*(90)*	-	-
-to lifetime ECL	*(1,640)*	*1,913*	*(273)*	-	*(80)*	*723*	*(643)*	-	*(4,908)*	*6,658*	*(1,750)*	-	*(345)*	*476*	*(131)*	-	-
-to lifetime ECL credit-impaired loans	*(179)*	*(285)*	*464*	-	*(9)*	*(205)*	*214*	-	*(876)*	*(8,011)*	*8,887*	-	*(65)*	*(1,087)*	*1,152*	-	-
Impact of ECL net remeasurement	(2,136)	1,629	27,980	(1,905)	(810)	1,708	(12,717)	(485)	(13,260)	10,902	101,038	414	(8,898)	(1,067)	(2,620)	(16)	99,757
Loans and advances derecognised/ reclassified as held for sale	-	-	(545)		-	-	(1,190)	-	-	-	(8,484)	(5,100)	-	-	(357)	-	(15,676)
Amounts written-off	-	-	(728)	(120)	-	-	(2,765)	-	-	-	(69,821)	(537)	-	-	(7,001)	(19)	(80,991)
Unwinding of discount	-	-	(867)	-	-	-	(35)	-	-	-	(1,599)	-	-	-	(22)	-	(2,523)
Foreign exchange differences and other movements	(222)	(390)	13	-	(581)	(297)	(2,408)	(1)	(15,483)	6,977	2,343	-	(2,453)	(1,308)	1,516	-	(12,294)
Impairment allowance as at 31 December	15,596	9,756	63,608	3,158	2,751	6,158	32,068	1,705	48,233	66,642	104,417	1,326	5,741	2,555	20,911	15	384,640

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

Notes to the separate financial statements (continued)

18 Loans and advances to customers (continued)

	31 December 2023																
	Wholesale				**Mortgage**				**Consumer**				**Small business**				
	12-month ECL	**Lifetime ECL-Stage 2**	**Lifetime ECL credit-impaired-Stage 3**	**POCI**	**12-month ECL**	**Lifetime ECL-Stage 2**	**Lifetime ECL credit-impaired-Stage 3**	**POCI**	**12-month ECL**	**Lifetime ECL-Stage 2**	**Lifetime ECL credit-impaired-Stage 3**	**POCI**	**12-month ECL**	**Lifetime ECL-Stage 2**	**Lifetime ECL credit-impaired-Stage 3**	**POCI**	**Total**
Impairment allowance as at 1 January	**17,427**	**9,577**	**58,954**	**7,950**	**2,765**	**9,511**	**76,081**	**4,130**	**23,289**	**26,692**	**50,598**	**8**	**10,339**	**8,434**	**40,828**	**604**	**347,187**
New loans and advances originated or purchased	1,889	-	-	-	358	-	-	-	19,657	-	-	-	1,605	-	-	-	**23,509**
Transfers between stages:																	
-to 12-month ECL	4,184	(2,164)	(2,020)	-	5,079	(4,111)	(968)	-	5,054	(4,729)	(325)	-	3,827	(3,245)	(582)	-	-
-to lifetime ECL	(1,238)	1,316	(78)	-	(222)	2,120	(1,898)	-	(1,875)	3,064	(1,189)	-	(1,014)	1,758	(744)	-	-
-to lifetime ECL credit-impaired loans	(95)	(107)	202	-	(38)	(566)	604	-	(232)	(3,702)	3,934	-	(51)	(760)	811	-	-
Impact of ECL net remeasurement	(2,649)	2,491	22,227	-	(921)	1,064	2,222	-	(7,747)	15,288	58,325	-	2,571	5,597	8,500	-	**106,968**
Loans and advances derecognised/ reclassified as held for sale	-	-	(865)	-	-	-	(629)	-	-	-	(6,634)	-	-	-	(67)	-	**(8,195)**
Amounts written-off	-	-	(30,614)	-	-	-	(12,895)	-	-	-	(38,031)	-	-	-	(11,762)	-	**(93,302)**
Unwinding of discount	-	-	(1,815)	-	-	-	(37)	-	-	-	(2,182)	-	-	-	(13)	-	**(4,047)**
Foreign exchange differences and other movements	(2,873)	(2,724)	(8,426)	(2,767)	(4,654)	(2,527)	(10,754)	(1,939)	9,656	21,282	9,631	6,541	(5,036)	(2,194)	(8,507)	(554)	**(5,845)**
Impairment allowance as at 31 December	**16,645**	**8,389**	**37,565**	**5,183**	**2,367**	**5,491**	**51,726**	**2,191**	**47,802**	**57,895**	**74,127**	**6,549**	**12,241**	**9,590**	**28,464**	**50**	**366,275**

Loan commitments, financial guarantees and other commitments as of 31 December 2024 and as of 31 December 2023

	12-month ECL-Stage 1	**Lifetime ECL not credit-impaired-Stage 2**	**Lifetime ECL credit-impaired-Stage 3**	**Total**
Impairment allowance as at 1 January 2024	**989**	**37**	**1**	**1,027**
New financial assets originated or purchased	188	-	-	**188**
Amounts charged during the year	(726)	33	6	**(687)**
Foreign exchange and other movements	463	(36)	(1)	**426**
Impairment allowance as at 31 December 2024	**914**	**34**	**6**	**954**

	12-month ECL-Stage 1	**Lifetime ECL not credit-impaired-Stage 2**	**Lifetime ECL credit-impaired-Stage 3**	**Total**
Impairment allowance as at 1 January 2023	**416**	**458**	**95**	**969**
New financial assets originated or purchased	793	-	-	**793**
Amounts charged during the year	(237)	(17)	(85)	**(339)**
Foreign exchange and other movements	17	(404)	(9)	**(396)**
Impairment allowance as at 31 December 2023	**989**	**37**	**1**	**1,027**

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

Notes to the separate financial statements (continued)

18 Loans and advances to customers (continued)

	2024	**2023**
Impairment allowance as at 1 January	**366,275**	**347,187**
Amounts written off	(80,991)	(93,302)
Movement recognized in profit or loss (Note 12)	129,849	130,477
Unwinding of Discount	(2,523)	(4,047)
Loans and advances derecognized during the year	(15,676)	(8,195)
Other movements (Collection costs, FX, Modification loss)	(12,294)	(5,845)
Impairment allowance as at 31 December	**384,640**	**366,275**

19 Investment securities

a) Investment securities breakdown

	2024	**2023**
Investment securities at FVTPL	34,558	26,614
Investment securities measured at amortised cost	2,308,695	1,810,028
of which pledged	*558,532*	*58,661*
ECL on investment securities measured at amortised cost	(3,975)	(2,922)
Investment securities at FVOCI - debt instruments	1,125,148	1,155,858
of which pledged	*502,768*	*286,321*
Investment in Mutual funds at FVTPL	-	39,281
Total	**3,464,426**	**3,028,859**
Equity securities		
Unlisted	34,558	65,895
Debt securities		
Listed	2,862,760	2,389,938
Unlisted	567,108	573,026
Total	**3,464,426**	**3,028,859**

b) Investment securities at FVOCI

The movement of investment securities at FVOCI is presented in the table below:

Fair value as at 31 December 2024	**1,125,148**
Additions	588,974
Disposals	(52,357)
Change in accrued interest	1,424
Amortization of discounts or premium	8,972
Net fair value gain	18,389
Foreign Exchange differences from translation into entity currency	15,807
Redemption	(611,919)
Fair value as at 31 December 2023	**1,155,858**
Additions	123,022
Disposals	(89,251)
Change in accrued interest	68
Amortisation of discounts and premium	(28,149)
Net fair value loss	67,110
Foreign exchange differences from translation into entity currency	(8,074)
Redemptions	(160,378)
Fair value as at 31 December 2022	**1,251,510**

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

Notes to the separate financial statements (continued)

19 Investment securities (continued)

b) Investment securities at FVOCI (continued)

Gains less (losses) and impairment of investment securities	**2024**	**2023**
Transfer the fair value reserve from equity to income statement	(665)	(421)
(Losses) OCI Bonds (Securities)	1,228	30
Gain recognized on investment securities	6,729	3,399
Gains/ (Losses) on investment in Mutual funds at FVTPL	-	1,616
Total	**7,292**	**4,624**

c) Investment securities measured at amortized cost	**2024**	**2023**
Bonds issued by banks	1,591,058	792,161
ECL on Bonds issued by banks	(3,403)	(2,181)
Government bonds	350,169	526,710
ECL on government bonds	(474)	(694)
Other financial corporations bonds	367,468	491,157
ECL on Other financial corporations bonds	(98)	(47)
Total	**2,304,720**	**1,807,106**

The following table presents the movement of loss allowance on Investment Securities:

	Investment securities measured at amortised cost 12-month ECL	**Investment securities measured at FVOCI** 12-month ECL
Balance at 1 January 2023	**2,041**	**3,841**
New financial assets originated or purchased	1,319	337
Changes due to change in ECL risk parameters,incl. FX effect	(395)	(2,302)
Financial assets disposed during the period	(43)	(616)
Balance at 31 December 2023	**2,922**	**1,260**
New financial assets originated or purchased	1,077	131
Changes due to change in ECL risk parameters (other than transfers)	91	56
Financial assets disposed during the period	(115)	(80)
Balance at 31 December 2024	**3,975**	**1,367**

20 Investment property

Investment property is held for capital appreciation and is not occupied by the Bank.

Fair value of investment properties

The fair value of the investment property is updated in order to reflect the market conditions at the end of the reporting period by using the valuation reports of licensed appraiser company. The fair value of the investment property is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. The best evidence of the fair value is current prices in an active market for similar properties. In the absence of such information, the fair value estimation of the external appraiser company is based on recent prices of properties with different condition or location, adjusted to reflect those differences.

For disclosure purposes fair value is based on reports prepared by a valuation company at the end of each reporting period. It is management’s assessment that there is sufficient market activity to provide comparable prices for orderly transactions with similar properties when determining the fair value.

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

Notes to the separate financial statements (continued)

20 Investment property (continued)

Investment property	**2024**	**2023**
Beginning of the year	441	488
Impairment	4	(75)
Modification	-	28
Closing balance 31 December	**445**	**441**

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Class property	**Fair value 31/12/2024 (BGN)**	**Valuation technique**	**Significant Unobservable Input**	**Range (weighted average) 2024 (BGN)**	**Range (weighted average) 2023 (BGN)**	**Connection between the unobservable input and FV**
Land	445	Market comparison approach	price per m2	13.13	13.02	A significant increase in price per m2 would result in a higher fair value

21 Property, plant and equipment

	Land and buildings	**Leasehold improve-ments**	**Plant and equipment**	**Land and buildings – Right of use assets**	**Motor Vehicles – Right of use assets**	**Total property, plant and equipment**
At 31 December 2022						
Gross amount	**111,984**	**51,852**	**100,739**	**122,569**	**3,984**	**391,128**
Accumulated depreciation	**(521)**	**(22,709)**	**(47,583)**	**(40,673)**	**(1,458)**	**(112,944)**
Net book amount	**111,463**	**29,143**	**53,156**	**81,896**	**2,526**	**278,184**
Year ended 31 December 2023						
Opening net book amount	**111,463**	**29,143**	**53,156**	**81,896**	**2,526**	**278,184**
Additions	11,091	11,145	19,151	3,768	1,727	46,882
Arising from acquisition	-	32	1,840	4,566	-	6,438
Revaluations, impairment and write offs	(3,559)	48	(1,292)	-	-	(4,803)
Transfers	(82)	85	(3)	-	-	-
Terminations/Modifications	-	-	-	9,208	(711)	8,497
Movement in accumulated depreciation						
Depreciation charge (Note 10)	(2,875)	(2,543)	(8,553)	(15,280)	(912)	(30,163)
Termination/Modifications				4,164	752	4,916
Closing net book amount	**116,038**	**37,910**	**64,299**	**88,322**	**3,382**	**309,951**
At 31 December 2023						
Gross amount	118,577	61,654	117,357	140,113	5,000	442,701
Accumulated depreciation	(2,539)	(23,744)	(53,058)	(51,791)	(1,618)	(132,750)
Net book amount	**116,038**	**37,910**	**64,299**	**88,322**	**3,382**	**309,951**

(All amounts are shown in BGN thousands unless otherwise stated)
Notes to the separate financial statements (continued)

21 Property, plant and equipment (continued)

Year ended 31 December 2024						
Opening net book amount	116,038	37,910	64,299	88,322	3,382	309,951
Additions	6,681	13,074	19,528	3,624	2,114	45,021
Revaluation, impairment and write offs	(3,233)	(814)	79			(3,968)
Transfers	-	-	-	-	-	-
Termination / Modifications	-	-	-	1,297	(405)	892
Movement in accumulated depreciation						
Depreciation charge (Note 10)	(1,110)	(5,407)	(9,698)	(16,676)	(1,218)	(34,109)
Termination / Modifications				3,497	555	4,052
Closing net book amount	**118,376**	**44,763**	**74,208**	**80,064**	**4,428**	**321,839**
At 31 December 2024						
Gross amount	**133,478**	**71,545**	**134,683**	**145,034**	**6,709**	**491,449**
Accumulated depreciation	**(15,102)**	**(26,782)**	**(60,475)**	**(64,970)**	**(2,281)**	**(169,610)**
Net book amount	**118,376**	**44,763**	**74,208**	**80,064**	**4,428**	**321,839**

The table below shows what the value of Land and buildings would be if they were valued at cost less depreciation obtained after adjusting the revalued amount:

	2024	2023
Land and buildings at revalued amount	**118,376**	**116,038**
Revaluation reserve, net of tax	(9,817)	(8,770)
Difference between accumulated depreciation based on cost and based on revalued amount not yet transferred to retained earnings	1,792	629
Deferred tax on revaluation	(1,091)	(974)
Land and buildings at cost less accumulated depreciation	**109,260**	**106,923**

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Class property	**Fair value 31/12/2024 in BGN thousands**	**Valuation technique**	**Significant unobservable input**	**Range (BGN) (weighted average) 2024 in BGN**	**Range (BGN) (weighted average) 2023 in BGN**
Land	15,045	Market comparison approach	price per m2	12.42 - 1411.99 (457.25)	11.87 - 775.63 (451.92)
Office	94,204	Income approach	rent per m2	6.55 - 28.42 (18.86)	4.95 - 31.10 (19.61)
Office	8,910	Market comparison approach	price per m2	59.11 - 3608.25 (1063.93)	58.53 - 3818.80 (1036.01)
Office	217	cost approach	price per m2	27.12	29.53
Total	**118,376**				

Land and buildings in their entirety are classified as Level 3 assets in the fair value hierarchy, thus the Level 3 movement reconciliation for the year can be found in the above tables.

(All amounts are shown in BGN thousands unless otherwise stated)
Notes to the separate financial statements (continued)

22 Intangible assets and goodwill

At 31 December 2022	Software	Licenses	Internally developed	Goodwill	Total intangible assets
Gross book amount	98,651	33,361	9,223	-	**141,235**
Accumulated amortisation	(39,962)	(17,492)	(3,209)	-	**(60,663)**
Net book amount	**58,689**	**15,869**	**6,014**	-	**80,572**
Year ended 31 December 2023					
Opening net book amount	58,689	15,869	6,014	-	**80,572**
Arising from acquisition	1,506	-	-	82,126	**83,632**
Additions	12,042	2,034	1,256	-	**15,332**
Revaluation and write offs	(4,376)	-	(8)	-	**(4,384)**
Transfers	167	(167)	-	-	-
Amortisation charge (Note 10)	(8,156)	(1,824)	(531)	-	**(10,511)**
Closing net book amount	**59,872**	**15,912**	**6,731**	**82,126**	**164,641**
At 31 December 2023					
Gross book amount	105,906	26,640	9,438	82,126	224,110
Accumulated amortisation	(46,034)	(10,728)	(2,707)	-	(59,469)
Net book amount	**59,872**	**15,912**	**6,731**	**82,126**	**164,641**
Year ended 31 December 2024					
Opening net book amount	59,872	15,912	6,731	82,126	164,641
Arising from acquisition	-	-	-	-	-
Additions	23,225	18,028	999	-	42,252
Revaluation, impairment and write offs	(2,512)	-	-	-	(2,512)
Transfers	-	-	-	-	-
Amortisation charge (Note 10)	(6,900)	(2,677)	(529)	-	(10,106)
Closing net book amount	**73,685**	**31,263**	**7,201**	**82,126**	**194,275**

At 31 December 2024	Sotware	Licenses	Internally developed	Goodwill	Total intangible fixed assets
Gross book amount	129,119	44,680	10,437	82,126	266,362
Accumulated amortisation	(55,434)	(13,417)	(3,236)	-	(72,087)
Net book amount	**73,685**	**31,263**	**7,201**	**82,126**	**194,275**

(All amounts are shown in BGN thousands unless otherwise stated)
Notes to the separate financial statements (continued)

22 Intangible assets and goodwill (continued)

Impairment testing for Cash generating unit (CGU) containing goodwill

For the purpose of impairment testing, goodwill is fully allocated to the Bank's Consumer Lending business, defined as CGU.
The carrying amount of the goodwill allocated to the CGU as of December 31, 2024, is BGN 82,126 (2023 BGN 82,126).
No impairment loss was recognized on the CGU during the year ended 31 December 2024 (2023: nil).

Valuation methodology

The Bank considered the Fair Value Less Costs of Disposal to be the appropriate base for estimating the CGU's recoverable amount, determined by applying discounting of future cash flows expected to be generated from the continuing use of the CGU's assets and their ultimate disposal. The Bank projected CGU's future cash flows for 3 years are in accordance with the officially approved three-year plan, which already takes into account factors such as expected market growth, inflation, as well as expectations of future outcomes taking into account past experience, etc. A long term growth rate (terminal value growth rate) was used to extrapolate cash flows beyond the three year horizon. The terminal value growth rate is determined considering factors such as expected long-term inflation rate and real-GDP growth rate of the country and is consistent with the assumption that a market participants would make. The discount rate applied is constructed using Capital assets pricing model methodology (CAPM), based on the rate of 10-year government bonds, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU. Discounting of budgeted CF and terminal values is done on an after-tax cash flow basis. Due to the reliance on unobservable inputs, the fair value of goodwill in our impairment testing is classified as Level 3 in the fair value hierarchy.
Key assumptions in FV calculation
The key assumptions used in the calculation of Fair Value Less Costs of Disposal were as follows:
The values assigned to the key assumptions represent management's assessment of future trends in the relevant sector and have been based on historical data from both external and internal sources.

CGU	**Budgeted net operating income growth (average for the three years)**	**Discount rate**	**Growth rate beyond initial cash flow**
Bank's Consumer Lending business	**9%**	**14.5%**	**2%**

Cost of disposal is calculated as % of assets and is based on observed averages from global industry practices (2-4% range).
Sensitivity of key assumptions

The recoverable amount of the CGU is sensitive to above key assumptions. Considering the following reasonably possible variations in key assumptions:
- A decrease in net operating income up to 3% or,
- A decrease of terminal growth rate by 0.5% or,
- An increase of in discount rate of 1%,

the goodwill of the remaining CGU would still be recoverable, and no impairment would be necessary.
The key assumptions described above may change as economic and market conditions change. The Bank estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of either CGU to decline below the carrying amount.

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

Notes to the separate financial statements (continued)

23 **Other assets**	**2024**	**2023**
Amounts in transit	90,160	66,614
Prepaid expenses	37,162	28,324
Other debtors	24,662	27,648
Repossessed collaterals	13,474	14,323
Other assets	2,796	1,297
Materials	1 053	815
Less: impairment on other financial assets	(6,011)	(3,770)
Total	**163,296**	**135,251**

The financial assets contained in the Other assets note amounted to BGN 111,607 thousand (for the period ended 31 December 2023: BGN 91,789 thousand). The impairment on financial assets amounted to BGN 6,011 thousand (for the period ended 31 December 2023: BGN 3,770 thousand). BGN 51,689 thousand (for the period ended 31 December 2023: 43,462 thousand) of the non-financial assets are expected to be realized within 12 months.

Impairment on other financial assets movement	**2024**	**2023**
Opening balance at 1st of January	3,770	3,829
Charged to the income statement	2,904	379
Reversed to the income statement	(30)	(1)
(Used)/charged during year	(633)	(437)
Closing balance 31 December	**6,011**	**3,770**

24 **Deposits from banks**	**2024**	**2023**
Current accounts from other banks	24,568	6,881
Deposits from other banks	948,495	134,024
Total	**973,063**	**140,905**

25 Derivative financial instruments

The Bank enters into the following derivative contracts for either hedging or non-hedging (business) purposes: currency forwards, currency swaps, interest rate swaps, cross currency interest rate swaps, forward rate agreements, currency options and interest rate options.

Currency forward contracts are obligations to trade one currency for another at a specified exchange rate on a specific future delivery date. Being OTC contracts, currency forwards can be designed to exactly fit the clients' requirements as to the principal amount in the trade, its exact delivery date and which currencies are involved.

Currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or a combination of currencies and interest rates (i.e., cross-currency interest rate swaps). The Bank's credit risk is represented by the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. Since currency swaps may call for a final exchange of principal (increased importance of the diffusion effect), the potential credit exposure profile tends to be upward sloping. This risk is monitored on an on-going and forward looking basis with reference to the current fair value, a proportion of the notional amount of the contracts and the potential future exposure. To control the level of credit risk taken, the Bank assesses counterparties using the similar techniques as for its lending activities.

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates. The expected and maximum potential exposure profiles for an interest rate swap are estimated by a modeling exercise at inception. These depend on the "diffusion effect" (volatility of the underlying as well as other stochastic properties) and "amortization effect" (the passage of time). The peak exposure occurs at an intermediate point during the swap's life. Since the notional amounts themselves are not exchanged, the percentage of notional amount at risk is relatively low in normal market conditions.

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

Notes to the separate financial statements (continued)

25 Derivative financial instruments (continued)

A forward rate agreement (FRA) is an agreement between two parties in which one party, the buyer or the long, agrees to make a known interest payment to the other party, the seller or the short, at a future date, with the seller agreeing to make an interest payment to the buyer based on an unknown rate that will be determined when the contract expires. Most FRAs are based on well-established interest rates such as dollar LIBOR or EURIBOR.

Options are financial instruments that give one party the right, but not the obligation, to buy or sell an underlying asset from or to another party at a fixed price over a specific period of time (also referred to as contingent claims). Options do not generally have periodic payments but are characterized by an up-front payment of the option premium and a final option payoff payment. The amortization effect is limited and is outweighed by the diffusion effect – a longer time period translates into a greater scope for movements in the underlying variable, which can generate a large exposure on the option payoff.

The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or market risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable, and thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values of derivative instruments held are set out below

		Fair values	
Year ended 31 December 2024	**Contract / notional amount**	**Assets**	**Liabilities**
Derivatives that do not qualify for hedge accounting and held for trading			
Foreign exchange derivatives			
OTC currency swaps	708,431	1,020	631
Total OTC currency derivatives for trading	**708,431**	**1,020**	**631**
Interest rate derivatives			
OTC interest rate swaps	824,256	32,485	35,176
OTC IR options bought and sold	-	-	-
Total OTC interest rate derivatives for trading	**824,256**	**32,485**	**35,176**
Derivatives designated as fair value hedges			
OTC interest rate swaps	-	-	-
Total recognised derivative assets / liabilities	**-**	**33,505**	**35,807**

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

Notes to the separate financial statements (continued)

25 Derivative financial instruments (continued)

Year ended 31 December 2023	**Contract notional amount**	**Fair values Assets**	**Fair values Liabilities**
Derivatives that do not qualify for hedge accounting and held for trading			
Foreign exchange derivatives			
Total OTC currency derivatives for trading	544,038	175	523
Interest rate derivatives	**544,038**	**175**	**523**
OTC interest rate swaps			
OTC IR options bought and sold	707,065	18,163	21,847
Total OTC interest rate derivatives for trading	46,491	317	317
Derivatives designated as fair value hedges	**753,556**	**18,480**	**22,164**
OTC interest rate swaps	**-**	**-**	**-**
Total recognised derivative assets / liabilities		**18,655**	**22,687**

The Bank hedges a proportion of its existing interest rate risk resulting from any potential change in the fair value of fixed rate debt securities held, denominated both in local and in foreign currencies, using interest rate swaps.

For additional details for Fair value hedges refer to Note 2.2.3 Derivative financial instruments

31 December 2024

Interest rate risk	**Nominal amount**	**Carrying amount Assets**	**Carrying amount Liabilities**	**Line item in Statement of Financial position where the hedging instrument is included**	**Accumulated amount of Fair value hedge adjustment**	**Change in Fair value**	**Ineffectiveness recognized in profit and loss**
Debt securities hedged	-	-	-	Investment securities at FVOCI - debt instruments	31,634	-	-

The carrying amount of the instruments presented in the above table as of 31 December is nil as all hedging relationships have been terminated at year end.

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

Notes to the separate financial statements (continued)

25 Derivative financial instruments (continued)

31 December 2023

Interest rate risk	Nominal amount	Carrying amount Assets	Carrying amount Liabilities	Line item in Statement of Financial position where the hedging instrument is included	Accumulated amount of Fair value hedge adjustment	Change in Fair value	Ineffectiveness recognized in profit and loss
Interest rate swaps - hedge of debt securities	-	-	-	Derivative liability	-	(318)	-
Debt securities hedged	-	-	-	Investment securities at FVOCI - debt instruments	42,826	3,500	3,182

26 Due to customers

	2024	2023
Large corporate customers	3,558,429	3,567,444
Medium corporate customers	1,000,273	880,301
Total due to corporate customers	**4,558,702**	**4,447,745**
Retail customers	12,682,615	11,205,896
Total due to customers	**17,241,317**	**15,653,641**

Included within due to customers is a related accrued interest payable of BGN 72,616 thousand (2023: BGN 38,378 thousand).

27 Other borrowed funds

	2024	2023
MREL Debt Eurobank S.A.	810,779	810,688
Subordinated Debt Eurobank S.A.	216,752	217,036
Long term debt from Bulgarian Development Bank	2,839	8,525
IFC loan	275,221	-
Total	**1,305,591**	**1,036,249**

Reconciliation of movements of liabilities to cash flows arising from financing activities is presented in the table below:

	2024	2023
Opening balance at 1 January	**1,036,249**	**475,598**
New funding	273,816	557,412
Repayment of long-term debt (principal)	(5,654)	(5,654)
Interest expense	68,078	46,445
Interest paid	(66,898)	(37,552)
Balance at 31 December	**1,305,591**	**1,036,249**

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

Notes to the separate financial statements (continued)

27 Other borrowed funds (continued)

a) Loans received from the Bulgarian Development Bank

In July 2015, Eurobank Bulgaria signed a Loan Agreement with Bulgarian Development Bank (NAPRED) for on-lending to MSMEs combining funding and risk-sharing. The total size of the facility is BGN 30,000 thousand, disbursable in 3 tranches of BGN 10,000 thousand each in accordance with the contracted disbursement plan. As of 31 December 2024 the total liability amounted to BGN 1,772 thousand (2023: BGN 5,322 thousand).

With the acquisition of Piraeus Bank Bulgaria AD, Eurobank Bulgaria AD has inherited a loan agreement from Bulgarian Development Bank under NAPRED framework. The loan agreement is under similar terms to the one originated by Postbank in 2015–supporting MSMEs and combining funding and risk sharing. As of 31 December 2024, the total liability amounted to BGN 1,067 thousand (2023: BGN 3,203 thousand).

b) Financing under the Guarantee Agreement between Eurobank Bulgaria and International Finance Corporation (IFC), member of the World Bank Group.

In February 2012, Eurobank Bulgaria and the International Finance Corporation (IFC), member of the World Bank Group, signed a Trade Finance Agreement for facilitation of trade transactions of local enterprises (short-term funding of pre-export/import transactions, issuance of bank guarantees and letters of crredit). The total limit of the line was initially set at USD 20,000 thousand. In December 2013 the Limit was increased up to USD 40,000 thousand. As of 31 December 2024 and 2023 the utilization of that line is BGN 0.

In September 2024, Eurobank Bulgaria AD signed a new loan agreement with International Financial Corporation for the total amount of EUR 140,000 thousand (BGN 273.816 thousand), consisting of two tranches: EUR 56,000 (received on 07.10.24) and EUR 84,000 (received 20.12.24). The purpose of the Loan is to provide Eurobank Bulgaria AD with funding to be used for financing its lending operations exclusively in respect of eligible sub-loans, with 50% of the Loan earmarked to finance eligible green projects/borrowers; and 50% of the Loan earmarked exclusively to finance eligible sub-loans of micro, small or medium-sized enterprises that are WMSMEs.

b) Loan from Eurobank S.A. (MREL Debt)

Under the Directive 2014/59 (Bank Recovery and Resolution Directive or BRRD), as amended by Directive 2019/879 (BRRD II), which was transposed into the Bulgarian legislation pursuant to Recovery and Resolution of Credit Institutions and Investment Firms Act, European banks are required to meet the minimum requirement for own funds and eligible liabilities (MREL). As per the legislation, the MREL target is determined by the relevant resolution authority that banks must comply with from 1 January 2024, where interim binding targets effective as of 1 January 2022.

In December 2021, Eurobank Bulgaria AD received an intra-group loan from Eurobank S.A. for the amount of EUR 75,000 thousand (BGN 146,687 thousand). The purpose of the loan is to cover the regulatory requirements for minimum required own funds and eligible liabilities in accordance with Regulation (EU) No 806/2014. In December 2023, the loan was extended and as of 31 December 2024, the outstanding balance of the loan is BGN 146,884 thousand (2023: BGN 146,797 thousand).

In June 2022, Eurobank Bulgaria AD received a new intra-group loan from Eurobank S.A. for the amount of EUR 50,000 thousand (BGN 97,792 thousand). The purpose of the loan is to cover the MREL regulatory requirements in accordance with Regulation (EU) No 806/2014. As of 31 December 2024, the outstanding balance of the loan is BGN 97,869 thousand (2023: BGN 97,869).

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

Notes to the separate financial statements (continued)

27 Other borrowed funds (continued)

In December 2022, Eurobank Bulgaria AD received a new intra-group loan from Eurobank S.A. for the amount of EUR 110,000 thousand (BGN 215,141 thousand). The regulator approved the loan to be included in Tier 2 capital as subordinated loan. As of 31 December 2024, the outstanding balance of the loan is BGN 216,752 thousand (2023: BGN 217,036 thousand).

In March 2023, Eurobank Bulgaria AD received a new intra-group loan from Eurobank S.A. for the amount of EUR 50,000 thousand (BGN 97,792 thousand). The purpose of the loan is to cover the MREL regulatory requirements in accordance with Regulation (EU) No 806/2014. As of 31 December 2024, the outstanding balance of the loan is BGN 97,825 thousand .

In June 2023, Eurobank Bulgaria AD received a new intra-group loan from Eurobank S.A. for the amount of EUR 135,000 thousand (BGN 264,037 thousand). The purpose of the loan is to cover the MREL regulatory requirements in accordance with Regulation (EU) No 806/2014. As of 31 December 2024, the outstanding balance of the loan is BGN 272,239 thousand .

In December 2023, Eurobank Bulgaria AD received a new intra-group loan from Eurobank S.A. for the amount of EUR 100,000 thousand (BGN 195,583 thousand). The purpose of the loan is to cover the MREL regulatory requirements in accordance with Regulation (EU) No 806/2014. As of 31 December 2024, the outstanding balance of the loan is BGN 195,962 thousand .

28 Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 10% (2023: 10%). The movement on the deferred tax account is as follows:

	2024	2023
Deferred tax asset at the beginning of year	(4,734)	(7,053)
Deferred tax liability, net, recognized in OCI	143	58
Deferred tax expense/ (benefit) (Note 13)	1,033	2,261
Net deferred tax (asset) / liability at end of year	**(3,558)**	**(4,734)**

Deferred tax assets and liabilities are attributable to the following items:

	2024	2023
Deferred tax liabilities		
Accelerated tax depreciation	9,331	7,899
Property revaluation	1,091	975
Gain on share exchange	519	519
Deferred tax liability on bargain gain (FV of securities, LG/ LC)	311	311
IFRS 16 contracts	7,793	6,010
	19,045	**15,714**
Deferred tax assets		
Unused holidays	193	179
Provision for legal proceedings	1,237	1,399
Provision for retirement benefit obligations	1,138	952
Deferred tax assets on actuarial loss	(699)	(672)
Deferred tax assets on provisions for restructuring	1,703	2,823
Deferred tax assets on bargain gain (FV of loans, shares)	7,160	7,274
Other temporary differences	4,510	2,950
IFRS 16 contracts	7,361	5,543
	22,603	**20,448**

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

Notes to the separate financial statements (continued)

28 Deferred tax (continued)

The deferred tax charge/ (credit) in the income statement comprises of the following temporary difference:

	2024	2023
Depreciation	1,431	1,865
Unused holidays	(15)	(57)
Provision for legal proceedings and off balances	162	(206)
Other temporary differences	(1,559)	(735)
Provisions for restructuring and other liabilities	1,121	(2,195)
Provision for retirement benefit obligations	(186)	(66)
DTA PBB transaction	114	3,129
DTA invetsment property IFRS 16	-	521
DTL IFRS 16 contracts	1,784	1,641
DTA IFRS 16 contracts	(1,819)	(1,636)
Net deferred tax expense/ (benefit) (Note 13)	**1,033**	**2,261**

29 Provisions for other liabilities and charges

(a) Legal proceedings

The Bank is subject to a number of legal proceedings arising in the normal course of business. The timing of the expected cash outflow of the court cases provided for could not be precisely estimated. Based on management's estimation it is expected that in two years' time the outflow may be realized. Further details are presented in Note 35a.

The table below represents the movement in provisions for legal claims:

Legal provisions	**2024**	**2023**
Opening balance at 1st of January	**14,065**	**11,933**
Arising from acquisition	-	107
Charged to the income statement	2,885	4,250
Used during year	(1,713)	(1,809)
Reversed during the year	(2,799)	(446)
FX Revaluation	(16)	30
Closing balance	**12,422**	**14,065**

(b) Provisions for restructuring

In 2023 the Bank recognized provisions for restructuring in accordance with IAS 37, following the approval of a formal restructuring plan in view of the acquisition of BNP Personal Finance. The plan envisaged branch locations and staff optimization and is expected to take place in three-year horizon, following the merger.

The table below presents movement in provision for restructuring:

Provisions for restructuring	**2024**	**2023**
Opening balance at 1st of January	18,353	304
Charged to the income statement	-	20,735
Used during year	(3,803)	(2,686)
Closing balance	**14,550**	**18,353**

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

Notes to the separate financial statements (continued)

29 Provisions for other liabilities and charges (continued)

(c) Assets pledged

Assets are pledged as collateral for government budget accounts and under long term debt agreement signed with Bulgarian Development Bank and under Securities lending agreement with Deutsche Bank. Mandatory reserves calculated as a percentage of the deposit base are held with the Central Bank in accordance with statutory requirements for securing liquidity.

	Asset		Related liability	
	2024	**2023**	**2024**	**2023**
Cash with Central bank (held as mandatory reserve)	2,162,502	1,872,182	19,151,597	16,593,431
Trading and investment securities (pledged under government accounts)	204,642	207,745	144,146	146,696
Investment securities (pledged under Repo agreement)	862,112	142,560	827,224	134,024
Loans pledged under long term debt agreement	5,444	6,203	2,839	8,525
Total	**3,234,700**	**2,228,690**	**20,125,806**	**16,882,676**

The total financial assets that have been pledged as collateral for liabilities (including amounts reflected above) as of 31 December 2024 was BGN 3,234,700 thousand (2023: BGN 2,228,690 thousand). These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the Bank acts as an intermediary. The amount of BGN 277 thousand (2023: BGN 299 thousand) is blocked in a BNB account under a disputed court ruling. Pledged funds under Credit Support agreements are BGN 2,959 thousand (2023: BGN 32,856 thousand).

The Bank has determined that it retains substantially all the risks and rewards of the pledged loans and trading and investment securities, therefore the specific assets have not been derecognized. The related liability is recognised in Due to customers (note 26) and Other borrowed funds (note 27), as appropriate.

30 Retirement benefits obligations

IAS 19 establishes the principle that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

Defined benefit plans involve incorporating actuarial assumptions into measurement of the obligation and the expenses. Therefore, actuarial gain and losses arise. Obligations are measured on a discounted basis, as they might be settled many years after the employees render the related services.

According to the revised IAS 19, the liability for employee benefits recognized on the balance sheet at the end of the fiscal year is equal to the balance sheet obligation at the beginning of the year after the effect of:

- service cost
- interest cost
- employers' contributions
- paid benefits
- gains or losses from curtailment and settlements
- gains or losses in actuarial liability or in the assets of the plan

	2024	**2023**
Retirement benefit obligation at 01 January	4,026	3,389
Arising from acquisition	-	1,225
Service cost	605	679
Interest cost	145	123
Benefits paid	(115)	(150)

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

Notes to the separate financial statements (continued)

30 Retirement benefits obligations

Remeasurement	(272)	(1,240)
Retirement benefit obligation at 31 December	**4,389**	**4,026**
Expenses recognised in profit or loss		
Service cost	605	679
Interest cost	145	123
Total (income) / expense included in staff costs (Note 11)	**750**	**802**
Total remeasurement recognised in OCI	**(272)**	**(1,240)**
Significant actuarial assumptions	**2024**	**2023**
Discount rate	3.06%	3.65%
Future salary increase:		
2024:	4.00%	4.00%
2025:	4.00%	4.00%
2026:	4.00%	3.00%

IAS19 requires the use of a discount rate determined by reference to the yield at the measurement date on high quality corporate debt, or Government bonds if there is no deep market in such debt. The discount rate should reflect the rate at which the liabilities could effectively be settled. The discount rate was set by reference to the yield on long-term fixed interest bonds issued by the Bulgarian Government.

Sensitivity analysis

A quantitative sensitivity analysis based on reasonable changes to significant actuarial assumptions as at 31 December 2024 is as follows:

An increase/a decrease of the discount rate assumed by 0.5% would result in a decrease/an increase of the standard legal staff retirement obligations by 3.7% or BGN 162 thousand/by 3.9% or BGN 171 thousand.
An increase/a decrease of the future salary increases assumed, by 0.5%, would result in an increase/a decrease of the standard legal staff retirement obligations by 3.8 % or BGN 167 thousand/ by 3.7% or BGN 162 thousand.
The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.
The methods and assumptions used in preparing the above sensitivity analysis were consistent with those used to estimate the retirement benefit obligation and did not change compared to the previous period.

31 Other liabilities	**2024**	**2023**
Lease liabilities	85,046	92,034
Other creditors	85,689	68,165
Accrued expenses	55,361	46,817
Tax obligations other than corporate tax	10,121	7,312
Unused paid leave accrual	1,917	1,786
Other	891	1,227
Deferred income	334	334
Total	**239,359**	**217,675**

The financial liabilities contained in the Other liabilities note amounted to BGN 215,723 thousand (2023: BGN 196,526 thousand).

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

Notes to the separate financial statements (continued)

32 Capital and reserves

a) Share capital

As at 31 December 2024 the total authorized number of ordinary shares of Eurobank Bulgaria AD was 560,323,302 with a nominal value of BGN 1 per share (31 December 2023: 560,323,302 shares with a nominal value of BGN 1 per share). Eurobank S.A. owns directly 99.99% and 0.01% is owned by minority shareholders.

b) Nature and purpose of reserves

i) Statutory reserve

According to Article 246 of the Bulgarian Commerce Act, the Bank shall set aside at least one tenth of its profit in a Statutory reserve fund, until it reaches one tenth of the Bank's equity. Disbursement from the reserve fund may be made only to cover losses from the current or previous years. As per Banking legislation, funds accumulated in the Statutory Reserve account cannot be distributed as dividends without the consent of the Local Bank Regulator.

b) Nature and purpose of reserves

ii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognized or reclassified. The amount is increased by the amount of loss allowance (see note 2.2.10)

iii) Property revaluation reserve

The Property revaluation reserve comprises the fair value change of land and building as far as the Bank applies the IAS 16 revaluation model, which presumes that the asset is carried at its revalued amount, being its fair value at the date of revaluation, subsequent depreciation and impairment, provided that fair value can be determined reliably (see Note 2.2.7).

c) Dividends

In 2024 and 2023 the Bank did not pay dividend on ordinary shares.

33 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with less than 90 days maturity from the date of origination:

	2024	**2023**
Cash in hand (Note 15)	218,056	202,852
Balances with Central bank excluding the minimum level of mandatory reserves	1,076,568	1,226,628
Loans and advances to banks	1,177,927	750,405
Total amount of cash and cash equivalents	**2,472,551**	**2,179,885**
Less impairment allowance	(60)	(62)
Net amount of cash and cash equivalents	**2,472,491**	**2,179,823**

50% of the minimum level of mandatory reserves held in BNB are considered cash equivalent, as the Bank is allowed to use them at any time and free of interest.

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

Notes to the separate financial statements (continued)

34 Related party transactions

Eurobank Ergasias Services and Holdings S.A. (Eurobank Holdings) is the parent company of Eurobank S.A.

Following the changes in the Eurobank Holdings's share capital in the third quarter of 2024, Fairfax Group (Fairfax) holds 33.29% of Eurobank Holdings' total number of voting rights as at 31 December 2024 (31 December 2023: 32.93%) and is considered to have significant influence over the Eurobank Holdings. On 7 February 2025, Eurobank Holdings announced that it has been informed by Fairfax, that following the sale of 80 million ordinary shares of the Eurobank Holdings on 23 January 2025, it holds 32.89% of Eurobank Holdings' total number of voting rights and as such, Fairfax continues to have significant influence over the Eurobank Holdings.

The volumes of related-party transactions, outstanding balances at the year end, and relating expense and income for the year are as follows:

	31 December 2024			31 December 2023		
	Parent company	**Other Group companies ***	**Key management personnel**	**Parent company**	**Other Group companies ***	**Key management personnel**
Loans and advances to banks (weighted interest rate 2024: 3.55%, 2023: 3.91%)	59,988	195,610	-	126,514	-	-
Loans and advances to customers (weighted interest rate 2024: 1.04%, 2023: 0.97%)	-	-	869	-	-	905
Debt securities lending	419,606	9,894	-	361,212	-	-
Derivative financial instruments assets	26,455	-	-	5,537	-	-
Shares in subsidiaries	-	1,000	-	-	1,000	-
Due to other banks	1,568,139	727	-	1,163,652	408	-
Due to customers (weighted interest rate 2024: 0.86%, 2023: 0.68%)	-	1,059	1,929	-	1,000	2,081
Derivatives Liabilities	7,907	-	9	15,283	-	-
Interest income	10,395	135	9	30,907	-	9
Interest expense	(72,338)	-	(26)	(49,065)	-	(14)
Fee and commission income	1,387	884	-	3,450	717	-
Fee and commission expense	(175)	(15)	-	(142)	(7)	-
Net trading (expense)/ income	26,201			14,204		
Salaries and other short-term benefits	-	-	5,672	-	-	3,513
Other expenses	(21)	(821)	-	(59)	(890)	-

*represent other entities under common control

All loans lent to related parties as at 31 December 2024 and as at 31 December 2023 are categorized as non impaired (Stage 1) according to the Bank's provision policy.

The ultimate controlling party of the Bank is Eurobank S.A.

Key management personnel include the members of the Management and Supervisory Boards.

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

Notes to the separate financial statements (continued)

34 Related party transactions (continued)

A list of the related parties of the Bank during 2024 is presented in the table below:

Related party (company name)	Country	Related company category
Eurobank S.A.	Greece	Parent company
Eurobank Direktna A.D.(former Eurobank A.D. Beograd)	Serbia	The entity was sold to third party on 02/11/2023
Eurobank Fund Management Company (Luxembourg) S.A.	Luxembourg	Other company within the Group
Eurobank Holdings S.A.	Greece	Other company within the Group
Eurobank Factors Single Member S.A.	Greece	Other company within the Group
IMO Property Investments Sofia E.A.D.	Bulgaria	The entity was sold to third party on 31/05/2023
Eurobank Private Bank Luxembourg S.A.	Luxembourg	Other company within the Group
IMO Property Investments Bucuresti S.A.	Romania	Other company within the Group
PB Personal Finance E.A.D.	Bulgaria	Subsidiary company, established on 30/05/2023
Hellenic Bank PCL	Cyprus	Other company within the Group

35 Contingent liabilities and other commitments

(a) Legal proceedings

The Bank is subject to a number of legal proceedings arising in the normal course of business. Besides the provision made (Note 29) no contingent liabilities associated with legal actions have been disclosed as professional advice indicates that the possibility of any significant loss is remote.

(b) Loan commitments, guarantee and letters of credit

As at 31 December 2024 and 31 December 2023, the Bank had the contractual amounts of its off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

	2024	**2023**
Guarantees	255,181	215,160
Letters of credit	115,389	129,957
Loan commitments and other credit related liabilities	2,968,215	2,372,705
Total	**3,338,785**	**2,717,822**

(c) Capital Expenditures

As at 31 December 2024, the Bank had the following capital expenditure commitments:

	2024	**2023**
Capital Expenditures	**12,782**	**26,681**

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

Notes to the separate financial statements (continued)

36 Leases

The Bank as a lessee

The Bank leases office and branch premises and motor vehicles.

The majority of the Bank's property leases are under long term agreements (for a term of 12 months or more in the case of leased real estate assets), with options to extend or terminate the lease according to the terms of each contract and the usual terms and conditions of commercial leases applicable in each jurisdiction, while motor vehicles generally have lease terms of up to 4 years. Extension options held by the Bank are included in the lease term when it is reasonably certain that they will be exercised based on its assessment.

Information about the leases for which the Bank as a lessee is presented below:

Right-of-Use Assets

As at 31 December 2024, the right-of-use assets included in property plant and equipment amounted to BGN 84,492 thousand (31 December 2023: BGN 91,704 thousand) (Note 21), while those that meet the definition of investment property amounted to BGN 0 thousand (31 December 2023: BGN 0 thousand) (Note 20).

Lease Liabilities

As at 31 December 2024 the lease liability included under other liabilities amounted to BGN 85,046 thousand (31 December 2023: BGN 92,034 thousand) (Note 31). The maturity analysis of lease liabilities based on the contractual undiscounted cash flows, is presented in note 5.2.3 – Liquidity Risk.

Amounts recognised in profit or loss

Interest on lease liabilities is presented in Note 6 and the lease expense relating to short term leases is presented in Note 10.

The Bank had total cash outflows for leases of BGN 19,440 in December 2024 (BGN 17,842 in 2023).

Reconciliation of movements of liabilities to cash flows arising from lease financing activities is presented in the table below:

	2024	**2023**
Opening balance at 1 January	**(92,034)**	**(84,940)**
Arising from acquisition	-	(4,567)
New Leases	(5,738)	(5,494)
Repayment of principal part of lease liability	17,809	16,379
Interest expense	(165)	(120)
Interest paid	165	120
Expense for leases of low-value assets	(1,466)	(1,343)
Payments for leases of low-value assets	1,466	1,343
FX Revaluartion	(21)	22
Modifications and terminations	(5,062)	(13,434)
Balance at 31 December	**(85,046)**	**(92,034)**

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

Notes to the separate financial statements (continued)

36 Leases (continued)

The Bank as a lessor

Operating Leases

The Bank leases out its investment property under the usual terms and conditions of commercial leases applicable in each jurisdiction. When such leases do not transfer substantially all of the risks and rewards incidental to the ownership of the leased assets, the Bank classifies these lease as operating leases.

The maturity analysis of operating lease receivables, based on the undiscounted lease payments to be received after the reporting date, is provided below:

	2024	2023
Not later than one year	89	142
One to two years	-	105
Total	**89**	**247**

Finance Lease

The following table presents the balances of the finance leases for the Bank as lessor for the period ended 31 December 2024 and 31 December 2023:

	2024	2023
Not later than one year	15,690	15,934
One to two years	11,496	12,418
Two to three years	9,571	8,621
Three to four years	5,988	6,185
Four to five years	2,857	2,994
More than five years	174	143
Gross investment in finance leases	**45,776**	**46,295**
Less: unearned finance income	(5,727)	(6,047)
Net investment in finance leases	**40,049**	**40,248**
Less: impairment allowance	(1,280)	(711)
Total	**38,769**	**39,537**

37 Shares in subsidiary undertakings

In May 2023 PB Personal Finance EAD was set up with a share capital of 1,000 shares with a nominal value of BGN 1,000 per share or a total share capital of BGN 1 million. Eurobank Bulgaria AD owns directly 100 % of the share capital of the newly established company.
The Company is registered and will operate in Bulgaria and have been established to provide pension assurance brokerage services.

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

Notes to the separate financial statements (continued)

38 Disclosure under art. 70, para. 6 of the Law on Credit institutions

The data provided is as of 31 December 2024:

Name Bulgaria:	Activity description	Seat	Turnover amount	Number of employees	Profit before tax	Tax charged	Return on assets	State subsidies received*
Eurobank Bulgaria AD	Credit institution	Bulgaria,Sofia	951,930	3,859	483,542	(71,338)	2,0%	393

*In 2024 and 2023 the Bank has benefited from the preferences under the Government Program for compensation of non-household electricity customers, and accounted this benefit as a government grant under IAS 20.

The Bank considers that the grant is intended to compensate for its operating costs and therefore, the benefit is allocated under Repairs and maintenance expense.

The data provided is as of 31 December 2023:

Name Bulgaria:	Activity description	Seat	Turnover amount	Number of employees	Profit before tax	Tax charged	Return on assets	State subsidies received*
Eurobank Bulgaria AD	Credit institution	Bulgaria,Sofia	797,188	4,213	342,869	(34,789)	1.74%	188

39 Events after the balance sheet date

There are no significant subsequent events with effect on the financial statements as of 31 December 2024.